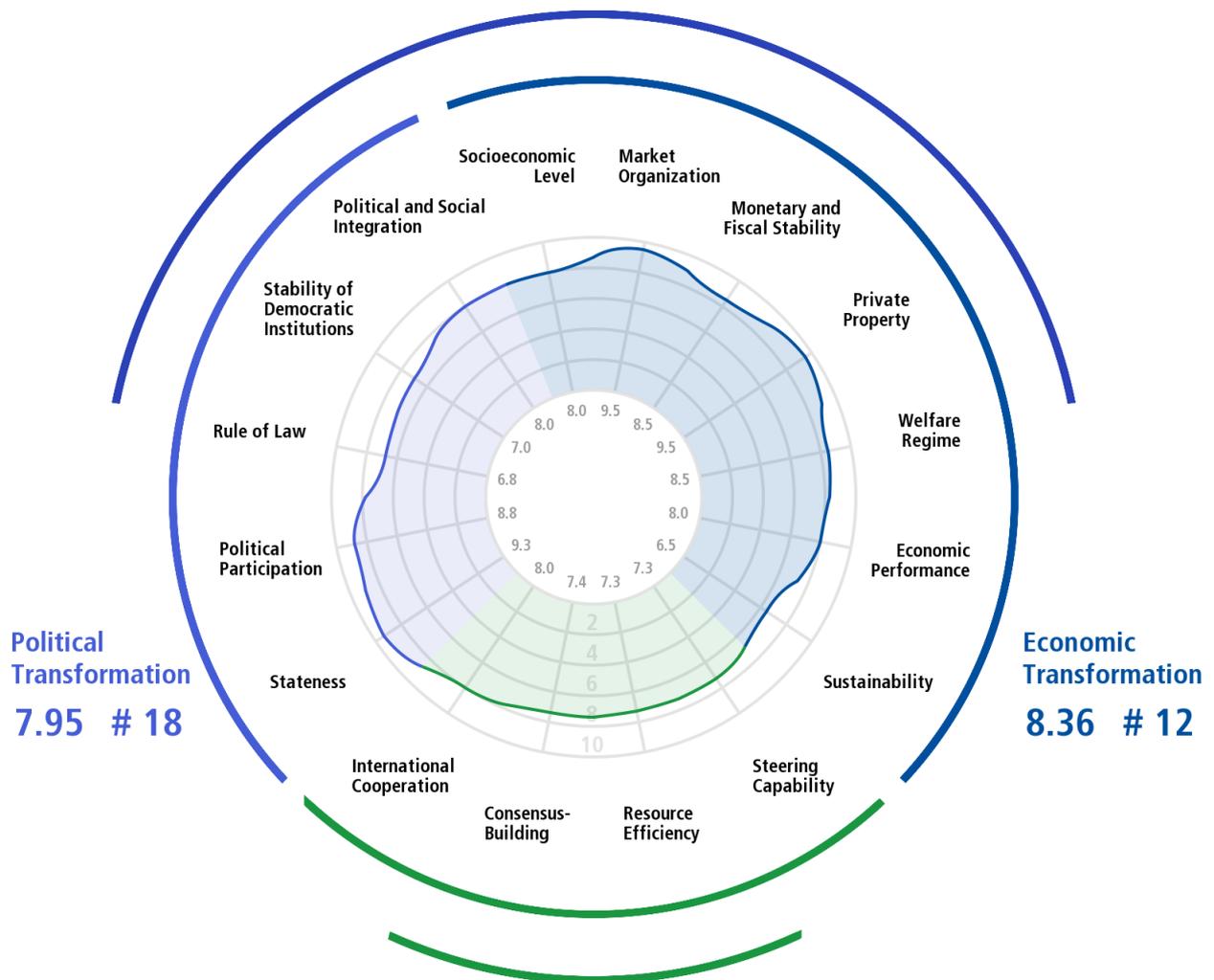


Poland

Status Index

8.15 # 13

on 1-10 scale out of 137



Governance Index

6.15 # 22

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2020**. It covers the period from February 1, 2017 to January 31, 2019. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

Please cite as follows: Bertelsmann Stiftung, BTI 2020 Country Report – Poland. Gütersloh: Bertelsmann Stiftung, 2020.

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

Contact

Bertelsmann Stiftung
Carl-Bertelsmann-Strasse 256
33111 Gütersloh
Germany

Sabine Donner

Phone +49 5241 81 81501
sabine.donner@bertelsmann-stiftung.de

Hauke Hartmann

Phone +49 5241 81 81389
hauke.hartmann@bertelsmann-stiftung.de

Robert Schwarz

Phone +49 5241 81 81402
robert.schwarz@bertelsmann-stiftung.de

Sabine Steinkamp

Phone +49 5241 81 81507
sabine.steinkamp@bertelsmann-stiftung.de

Key Indicators

| | | | | | | |
|--------------------------|--------|-------------|--------------------------------|--------------|----------------------|--------------|
| Population | M | 38.0 | HDI | 0.872 | GDP p.c., PPP \$ | 31343 |
| Pop. growth ¹ | % p.a. | 0.0 | HDI rank of 189 | 32 | Gini Index | 31.8 |
| Life expectancy | years | 77.9 | UN Education Index | 0.866 | Poverty ³ | % 0.7 |
| Urban population | % | 60.1 | Gender inequality ² | 0.120 | Aid per capita | \$ - |

Sources (as of December 2019): The World Bank, World Development Indicators 2019 | UNDP, Human Development Report 2019. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.20 a day at 2011 international prices.

Executive Summary

The May 2015 presidential elections in Poland were unexpectedly won by the Law and Justice party (Prawo i Sprawiedliwość, PiS) candidate Andrzej Duda against incumbent Bronisław Komorowski from Civic Platform (Platforma Obywatelska, PO), and PiS also won the parliamentary elections in autumn that year. PiS received the majority of seats in parliament, although it only won a plurality of votes (37.6%), and Beata Szydło (PiS) was elected as prime minister. PO lost 15.1 percentage points compared to 2011, and its former coalition partner, the Polish Peasant Party (PSL), lost 3.2 percentage points. For the first time, no leftist party is represented in the Polish parliament. Two new parties entered the Sejm, former rock singer Paweł Kukiz's populist party, Kukiz'15 (8.8%), and the liberal Modern (Nowoczesna, .N), then led by Ryszard Petru (7.6%). Modern became very active in its opposition to PiS but has now lost support due to internal disagreements. Since 2015, political polarization has largely increased in Poland.

Although there are differences between the two biggest parties, the divide is not so much about policies. Instead, it is about the fundamental meaning of governance, political institutions and democratic values. PiS campaigned on the promise of change, specifically focusing on social issues, such as families, pensions and education reform. These promises were quickly turned into policies and implemented. Other actions such as the politicization of the judiciary, the public media and the public administration were not stipulated in the party's electoral manifesto and campaign. These changes have undermined the quality of democracy in Poland and contributed to even deeper divisions in Polish society. They made the European Commission initiate a rule of law procedure and open an Article 7 procedure in December 2017, to withdraw Polish voting rights in the European Council if Poland does not amend its legislation. Calls to correct unconstitutional rules remain unanswered except for the retirement age for Supreme Court judges.

PiS instead created a narrative about the need for a strong state, Polish history, rejection of the 1989 compromise leading to the change in the political system and the plane crash in Smolensk, where former Polish President Lech Kaczyński and many other Polish politicians died. In response to the new PiS discourse, a new opposition movement was formed, the Committee for the Defense

of Democracy (Komitet Obrony Demokracji, KOD). It has been supported by about 40% of Poles but has now lost its drive, although other civic organizations joined the movement's demonstrations.

In the field of governance, there is some continuity via established structures for strategic planning and inter-ministerial coordination. By contrast, Prime Minister Beata Szydło and her successor Mateusz Morawiecki turned away from the sound fiscal policies of the previous governments and initiated a set of laws that increase social transfers, mainly to families and pensioners. These expenditures are not sufficiently backed by revenues, since attempts to introduce new taxes were suspended. Law-making is often dominated by badly prepared bills that are passed hastily so that there is hardly any opportunity for other actors to have a say in them. Unemployment continues to fall, inflation remains low and GDP is expected to grow by more than 4%, so there is no immediate threat to the economy caused by higher expenditures. Another attempt to restrict access to abortion backfired on the government. Several large demonstrations were convened, which attracted a greater variety of people than the demonstrations against the new laws related to the media and the Constitutional Court. Finally, the PiS government took a hard line on climate change and refugee resettlement, taking positions that are in opposition to EU policies.

History and Characteristics of Transformation

The year 1989 was the turning point in the Polish transition from communism to democracy. The communist leadership and the Solidarity-led opposition met at a roundtable to initiate political and economic reforms. In June 1989, a semi-free parliamentary election took place where 35% of seats were freely contested and won by Solidarity. A coalition government headed by Solidarity activist Tadeusz Mazowiecki was formed. Constitutional amendments were subsequently introduced, including electoral law changes and the removal of the Communist party's leading role. The Polish People's Republic was renamed the Republic of Poland. The breakup of both political camps gave rise to a multiplicity of political parties in the early 1990s. The first direct presidential elections, in December 1990, saw the victory of Solidarity leader, Lech Wałęsa.

Democratization was accompanied by an economic transformation from a centralized command economy to a market economy. It was initiated by then Finance Minister Leszek Balcerowicz, based on stabilization, privatization and price liberalization. With his "shock therapy," the country's high foreign debt, budget deficit and inflation were decreased, and economic growth was fostered.

While the stability-oriented path of economic policy was at first not contested, members of the political elite disagreed about the direction of political reforms. One of the consequences was the very long process of drafting a new constitution. In 1992, the Sejm passed an interim constitution, which was only substituted by a new constitution in 1997. This constitution, legitimized by a referendum, strengthened the role of the government in relation to the president and reconfirmed the principles of the rule of law, political pluralism and national sovereignty, in addition to territorial self-governance and local elections.

Since the early 1990s, Poland has shown its ambition to join international organizations. After concluding an association agreement with the European Union in 1991, Poland applied for EU membership in April 1994 and started accession negotiations in 1998. The following years were marked by intense efforts to implement the *acquis* into Polish law. Despite general support for EU accession, some critical voices demanded greater consideration of Poland's national interests and small farms. The accession treaty was signed in April 2003, and 58.85% of all eligible voters took part in the referendum in June of that year. 77.45% of them voted in favor of EU membership and Poland joined on May 1, 2004. Over the years, support for EU membership has remained stable (at 70% or even higher). Poland profits from EU structural funds and several Polish politicians have been very engaged in EU politics. In 2009, Jerzy Buzek was elected president of the European Parliament. Later, when Poland held the presidency of the European Council for the first time, from July to December 2011, it was considered very successful. Polish Prime Minister Donald Tusk was then elected president of the European Council in 2014.

Poland's party system is quasi-institutionalized after several instances of party transformation and realignment. While initially the main political cleavage was between former communists and the heirs of the Solidarity movement, the latter camp split in two and dominates political debates today. Since 2005, the nationalist-conservative PiS has competed with the liberal-conservative PO. PiS led the government from 2005 to 2007 in a coalition with the League of Polish Families and the populist Self-Defense of the Republic of Poland. Lech Kaczyński (PiS) acted as state president from October 2005 until he died in the Smolensk plane crash in 2010, and his twin brother, Jarosław Kaczyński, served as prime minister between May 2006 and September 2007. After the coalition collapsed, an early election was called for October 2007, which brought the Civic Platform (Platforma Obywatelska, PO) to power, in a coalition with the agrarian, formerly communist ally, the Polish Peasant Party (Polskie Stronnictwo Ludowe, PSL). Prime Minister Donald Tusk demonstrated a pro-European stance and more liberal politics than his predecessors. This coalition was reelected in 2011 and managed to successfully steer Poland through the euro crisis and its aftermath.

Quite unexpectedly, PiS and its candidate Andrzej Duda won the presidential elections in May 2015, and the party also won the parliamentary elections in October 2015. For the first time in its democratic history, Poland is ruled by a single-party government. Following the Hungarian example, PiS started to support a redistributive economic policy, but most notably it contests pluralism and curtails mechanisms for checks and balances, especially in the judicial system, the media and the cultural sphere. It is now confronted with strong opposition inside and outside the parliament, and criticism from the European Union. Because the government has continued to violate the rule of law, the country is now undergoing a procedure according to Article 7 of the Treaty of the European Union. Poland could lose its voting rights in the European Council.

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

There is no competition with the state's monopoly on the use of force. Public order and security are fully guaranteed throughout the whole country.

Question
Score

Monopoly on the
use of force

10



The nation-state is fully accepted by all citizens as legitimate. However, there are cleavages between political parties and citizens about the extent to which Poland should consider itself a member of a multi-level and supranational political order. The current members of government, led by Prime Minister Mateusz Morawiecki (Law and Justice, PiS), and most PiS voters prefer a Europe of fatherlands to a Europeanized Poland. No political actors argue that certain groups of people or individuals should not be allowed to acquire Polish citizenship. The naturalization of non-citizens is not a contested political issue because Poland does not face intensive immigration. The reforms to the citizenship law, which were implemented in 2012 and facilitated naturalization, are still in place.

State identity

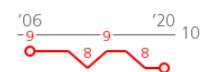
10



According to Article 25.2 of the 1997 constitution, the Polish state is secular. Nevertheless, Poland is a very religious country with around 94% of the population declaring itself Catholic and 39.1% regularly attending church services on Sunday. In general, the southeast of the country is more religious than the northwest. The Catholic Church has a long history of protecting Poland against externally or internally imposed authorities; it is therefore not surprising that the church is used for political purposes.

No interference of
religious dogmas

8



The current PiS government, elected to office in October 2015, seeks to legitimize certain political decisions using religious values. It appeals to conservative voters and

promotes policies that enshrine Polish national and Catholic values. One example, albeit a failed one, was the government's attempt, with the help of the church and a pro-life initiative, to introduce stricter abortion laws in late 2016, which are already considered to be some of the toughest in the European Union. Due to massive public protests by the "women in black," the government had to withdraw the bill. In March 2018, a citizens' initiative supported by the Polish bishops submitted a bill to ask for stricter regulations, which again resulted in massive street protests. The bill then died in parliament over the summer.

Poland's administration has a differentiated structure throughout the whole country, which provides all public services. However, the efficiency and accessibility of health care have often been criticized. Decentralization was implemented in the past. Under the current PiS government, however, several reforms have led to the central executive having more control over local governments. One example involves a change of the electoral law for regional elections. It states that mayors can now only have a maximum of two terms in office, and, since PiS is not so strong in larger cities, this was understood as an attempt to break the dominance of the opposition there. The new law also reorganizes the structure of municipalities.

Moreover, the January 2016 amended law on the civil service provided for more political appointments. Top positions in the civil service are now appointed by politicians rather than competitively elected, and the civil service as a whole has become more political.

2 | Political Participation

There have been no constraints on free and fair elections since 1990. The last parliamentary elections were held on October 25, 2015. The electoral turnout was nearly 51%. An Organization for Security and Cooperation in Europe (OSCE) Election Assessment Mission noted that the elections were competitive and pluralistic, conducted in an atmosphere of freedom to campaign and on the basis of equal and fair treatment of candidates.

In early 2018, in advance of the local and regional elections in October and November of that year, legal changes were made which might have negative consequences. First, the option of postal votes, which had been introduced in 2014, was abolished and is now only available to people with disabilities. Second, the composition and selection mode for the National Election Commission (PKW) and the National Election Office (KBW) will be changed from 2019 onwards. The PKW will no longer be composed of judges – seven out of the nine commission members will be representatives of parliament. The minister of the interior will be the one to propose the 100 commissioners of the KBW – who conduct the management of elections on the ground. The minister will also nominate three possible candidates to head the KBW, with the PKW deciding which nominee will get the position. The new head of KBW

Basic
administration

9



1

Free and fair
elections

9



1

is Magdalena Pietrzak, who was previously the deputy director of the department of parliamentary affairs in the prime minister's office.

Moreover, due to the government's grip on the media, concerns were raised during the period under review over fair representation of all candidates and time allocated to each of them on public TV and radio stations.

Democratically elected political representatives have the effective power to govern. The military, business elites and other groups do not hold any veto power. For the first time since the regime change in 1989, a single-party government was formed after the October 2015 parliamentary elections, and it does not have to fear any obstructions from the outside. The Catholic Church has no formal political power, but priests do make political recommendations and have quite a close relationship with the party in government.

Currently, there is instead the opposite debate – that the PiS government is becoming too dominant over the executive, legislative and judicial branches of power and that its democratic accountability is limited as it has tightened its grip on the court system.

The freedom of association and assembly is unrestricted and constitutionally guaranteed (Articles 11, 12, 57 of the 1997 constitution). The government generally respects the right of individuals to form and join associations. Politically motivated limitations on gay pride parades were lifted in the past, and it was widely recognized that Poland respected association and assembly rights.

However, in December 2016, the parliament amended the law governing public assembly in order to give priority to gatherings organized by public authorities, churches and religious organizations, as well as to “recurrent assemblies” – those that take place on a regular basis. Due to a legal reform in 2012, it is not possible to hold two demonstrations at the same time, so the political preference for certain types of demonstrations over others might restrict the freedom of assembly. In fact, this proposal was seen by the opposition as an attempt to limit freedom of assembly. The Council of Europe's human rights commissioner and the director of the OSCE Office for Democratic Institutions and Human Rights jointly warned that the amendments could undermine freedom of assembly. The president did not sign the bill and sent it to the Constitutional Court for review.

Freedom of expression is constitutionally guaranteed in Poland (Article 54 of the 1997 constitution), and it is realized in practice. However, public TV and radio are under strong government control. While all Polish governments have aimed to influence public media, several measures since 2015 have made it even more politicized. The National Broadcasting Council (KRRiTV), which supervises public media and is supposed to guarantee freedom of speech, has been particularly used for political purposes.

Effective power to govern

10



1

Association / assembly rights

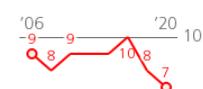
9



1

Freedom of expression

7



1

The current PiS government took several steps that demonstrated that it does not fully respect the freedom of expression. First, it changed the law on the KRRiTV – since December 31, 2015, its staff have been handpicked and appointed by the Treasury minister. This task was supposed to be shifted to a new Council of National Media (Rada Mediów Narodowych), which would have operated from 2016. The attempted reforms also included a bill to transform the legal status of public media from commercial companies to “national institutions,” which would mean they were obliged to report positively about the government and disseminate Christian and “universal ethical” values. However, the changes were abandoned after protests in Poland and abroad. While the reforms were still being enforced, several journalists from the public TVP and Radio Polskie were dismissed, while several others stepped down in protest.

Despite these problems, there is access to more objective private media outlets and thus a plurality of opinions does exist. However, the KRRiTV tries to impede the private media’s work by setting fines for allegedly partisan reporting, which are sometimes withdrawn after outcry from foreign countries or public demonstrations.

In September 2017, a government-sponsored campaign called “fair courts” on social networks, in other media sources and in public (on billboards) was directed by the Polish National Foundation against judges. The aim was to discredit judges as a professional group and to create support for President Duda and the government’s attempts to tighten the political grip on the judiciary.

3 | Rule of Law

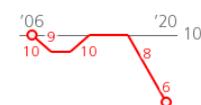
Formally, there is a clear separation of powers, with mutual checks and balances guaranteed by the 1997 constitution. Governments are accountable to the Sejm, the first chamber of parliament, and members of parliament have the rights and resources to monitor and supervise the executive. However, recent political developments have made checks and balances ineffective. Hence, there is limited institutional accountability in Poland.

The Law and Justice party’s (PiS) parliamentary majority reflects the outcome of the last parliamentary election, even though there is a slight distortion because PiS won 37.6% of votes but 51.1% of seats. However, the opposition in parliament often claims its rights are not fully acknowledged in parliamentary procedures.

The much more severe restrictions on the separation of powers takes place in the judicial system, which has come under nearly complete political control. In 2017 and 2018, additional laws introduced by President Andrzej Duda (PiS) and individual MPs (in the name of the government) have increased the control of the president, the minister of justice and the parliament over the National Council of the Judiciary (a self-governing organ of judges), the Supreme Court and Poland’s ordinary courts.

Separation of powers

6



1

Hence, the institutional accountability of the government is limited, and judicial review is barely possible.

Civil society organizes numerous demonstrations and protests against the dismantling of the democratic state by PiS, and the independent private media reports on it as well; however, due to the severe political interference, the European Commission opened an Article 7 procedure against Poland in December 2017.

The independence of the judiciary is now impaired by political authorities. The Constitutional Court had already lost its autonomy by the end of 2016, while the ordinary courts and Supreme Court did because of further legislation passed in 2017 and 2018.

Since PiS came to power in 2015, several reforms have increased parliament and the executive's political control over courts. For example, the government merged the offices of the attorney general and the minister of justice again. The new merged positions also received widespread responsibilities regarding the internal organization of courts and the assignment of judges to cases. In addition, the government changed the composition and the rules of procedure within the Constitutional Tribunal (see BTI 2018).

In April 2017, the government targeted the Supreme Court by passing bill that introduced a new retirement mechanism, which in practice meant that 40% of all judges would be forced to leave their jobs. Following a veto by President Duda, the law became even more draconian. His December 2017 bill introduced two new chambers to the Supreme Court, which allowed for disciplinary procedures and reconsideration of past cases, signaling strong interference in the judges' independence. There were minor amendments after public protests and complaints by the Venice Commission of the Council of Europe and the Polish Ombudsman for Civil Rights. However, these did not change the substance of the law, and the European Commission then started an infringement procedure. In its December 2018 verdict, the European Court of Justice ruled that the retirement clause was unconstitutional.

In addition, a series of legal changes that were made from March 2017 onward regarding the composition and mode of the National Council of the Judiciary's decision-making made the council prone to more oversight by the parliament and the minister of justice. In September 2018, the European Network of Councils for the Judiciary decided to suspend the Polish branch's membership because its members are no longer independent.

These legislative changes not only impeded legal certainty in Poland – they also caused the European Commission to trigger a rule of law procedure against Poland and later an Article 7 procedure in December 2017.

Independent
judiciary

6



Corrupt officeholders are prosecuted under Poland's 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 income on the website of the parliament (Sejm) since November 2001. They are also required to disclose any benefits that they or their spouses receive in a public register of interests kept by the speakers of the Sejm and Senate. The Supreme Audit Office and the ombudsman are relevant institutions in the fight against corruption, in addition to the Central Anti-Corruption Bureau (CBA). The CBA had a record of being misused politically during the first PiS-led government between 2005 and 2007. In 2013, new efforts to fight corruption were launched with a new strategy lasting until 2019. The parliament increased the CBA's budget by €240,000 in 2014.

Since PiS resumed power in 2015, its focus has been less on corruption and more on the exertion of political control over the judiciary and other institutions and politicians who are critical of the government. CBA staff have been replaced. The bureau's director, Paweł Wojtunik, who came into office after the arrest of the former director, Mariusz Kamiński, was forced to resign in November 2016. Kamiński was then installed by the PiS government as the new coordinator of the secret services and engaged in the appointment process for Wojtunik's replacement. Ernest Bejda, who was the CBA's deputy director and is a close collaborator of Kamiński, was appointed as successor. PiS supporters have also been given management positions in other parts of the state apparatus. The Council of Europe's Group of States against Corruption (GRECO) stated in their 2018 report that the review exercised through the CBA should be less dependent on government control.

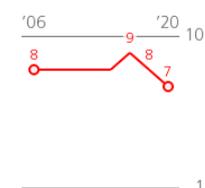
A new law on public sector transparency, valid from March 2018, has received a lot of criticism. Critics argue it interferes too much in the privacy of citizens and claim that the mechanisms for corruption prevention are not well-designed.

Although cases and levels of corruption are difficult to quantify, the situation has improved over the years according to the 2018 GRECO report; however, mechanisms to ensure the integrity of high-ranking personnel through better training and more specific and better-controlled asset declarations should be improved. Society in general and specific NGOs have become more aware of the issue and follow cases of corruption quite closely. The independent private media also report about them.

Civil rights are codified in the constitution. However, in practice, there were several incidents which showed the PiS government's disrespect for these rights during the period under review. First, the reforms of the judiciary increased executive and legislative control over the courts. Second, the anti-terrorism legislation introduced after the 2016 attacks in Brussels included more options to control telephone and internet communication without a court's order. Related, the government has also increased the period in which a suspect can be held without charge and increased the Internal Security Agency's (ABW) access to data. The third incident involves the August 2018 case of the Ukrainian activist Lyudmila Kozlovska. She had resided in

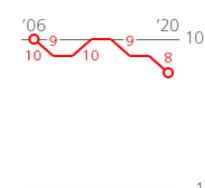
Prosecution of office abuse

7



Civil rights

8



Poland for more than ten years, but, after a visit to Central Asia, was not allowed to re-enter EU territory in Brussels, because the Polish government inserted an entry ban into the Schengen Information System. It became obvious that the Polish government had only requested the ban because Kozłowska was said to have spoken out and acted against the Polish government. The other EU members then disregarded the ban, but the case shows that the government seeks to exert more control over individual rights.

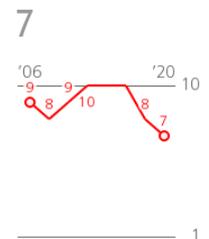
In his 2017 report, the ombudsman on civil rights highlighted several violations of civil liberties regarding the new school curriculum and crimes motivated by prejudice against non-heterosexuals, transgender people and persons with disabilities. While the inflow of reported new cases to the office of the commissioner might not be a positive sign of the level of existing discrimination, the number of cases shows that discrimination regarding gender, sexual orientation, ethnicity and age is stable and has at least not increased compared to previous years. However, the changes to the court system decrease legal security and mean that attempts to fight against discrimination are becoming more difficult.

4 | Stability of Democratic Institutions

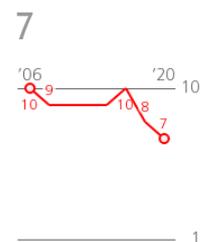
In general, democratic institutions can perform their functions, and political decisions are made according to legitimate procedures by the relevant authorities. However, the most recent developments have negatively influenced democracy's performance. Since the PiS took over the government, there have been deficiencies in democratic practices. The Constitutional Court's decisions were only implemented after the institution had been fully taken under the government's control, and the executive's accountability has been limited. There have been many disagreements between the government and the Constitutional Court. In addition, although public administration and the civil service had become more professionalized, the PiS government has replaced top administrative staff on an unprecedented scale. As a result, the level of politicization of the bureaucracy has increased.

All relevant political players used to be committed to democratic institutions, even if they held different views on how democracy should be organized and managed. Nowadays, there are serious doubts that this holds true for all political actors, especially those within the government, considering the legal changes that have impeded the independence of the court system and the media (e.g., the government's attempts to restrict journalists' access to parliament, and the biased reporting about judges and opposition politicians). Most interest groups and associations do respect democratic institutions, but the governing PiS seems to favor illiberalism over liberal democracy.

Performance of democratic institutions



Commitment to democratic institutions



5 | Political and Social Integration

The Polish party system is dominated by two main parties: the right-wing populist Law and Justice party (Prawo i Sprawiedliwość, PiS) and the liberal-centrist Civic Platform (Platforma Obywatelska, PO). There is a very strong cleavage between the two parties, which groups voters into two antagonistic camps. In the October 2015 parliamentary elections, Law and Justice received 37.58% of the vote and formed a single-party majority government. This was first led by Beata Szydło and is now led by Mateusz Morawiecki. Jarosław Kaczyński serves as the party leader. Although he has no official position in the government, informally he has a significant impact. In parliament, PiS is often supported by Kukiz'15 – an anti-system populist party set up in 2015 by former rock singer Paweł Kukiz. The party won 8.81% of votes in the elections. PO, which was in power for two terms from 2007 to 2011 and from 2011 to 2015, won 24% of the vote and became the main opposition party. Grzegorz Schetyna, formerly foreign minister in the Kopacz government, was elected as the new party leader in January 2016. The party's coalition partner, the Polish Peasant Party (Polskie Stronnictwo Ludowe, PSL), won 5.1% of the vote and remains the smallest party in the Sejm. The other opposition party, the liberal Modern (Nowoczesna, .N), is now led by Katarzyna Lubnauer. Its previous chairman, Ryszard Petru, who played a key opposition role in the first half of the current legislative term, has now founded a new party.

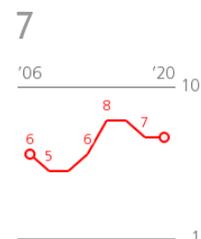
Despite the turbulent political climate and institutional changes initiated by the government, the party preferences of Polish voters have remained fairly stable. PiS has been leading the polls. While January 2017 opinion polls showed that PiS had 37% support, compared to 16% for PO and 9% for Modern (CBOS, 2017), in December 2018 PiS was still ahead with 41%, followed by PO with 24%, whereas Modern was preferred by only 2% of the electorate (CBOS 2018).

Around 1% of Polish voters are members of a political party, indicating that parties mainly serve as organizations that bring people into political office and less as political bodies that aggregate social interests through dense networks and interactions with society. Voter turnout is traditionally low – in 2015, it was 50.92%. The turnout of the local and regional elections in October 2018 was 55%, compared to 47% in 2014.

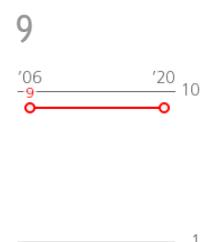
Poland has a large number of interest groups beyond business associations and trade unions. Compared to other countries, environmental groups are less prominent, but they are growing. Most non-governmental organizations are relatively small, and there are only a few interest groups that focus on, and are capable of, developing policy proposals.

The Catholic Church, which is still the most influential interest group in Poland, pursues relatively narrow interests and is largely preoccupied with stabilizing its

Party system



Interest groups



influence within an increasingly secular society. It has good access to the current government. A new social movement that united many Poles who opposed the reforms of the current government is the Committee for the Defense of Democracy (Komitet Obrony Demokracji, KOD), which has organized public protests and large demonstrations in several Polish cities since December 2015. While KOD has gained a lot of attention, including internationally, it has now lost momentum in Poland.

Demonstrations are also organized by other networks. They are more often attended by elderly people who experienced communism, whereas many young people do not participate in active civil society.

The Polish Women's Strike and other civil society associations organized the "Black Protests" in October 2016. Tens of thousands of Polish women, many wearing black, took to the streets to protest the proposed abortion ban. The Black Protests were widespread across Poland, with a total of between 100,000 and 150,000 participants (CBOS 2016; Gwiazda 2019). In January 2018, further Black Protests were organized to oppose a renewed attempt to restrict abortion laws.

In late 2017, the government established the National Freedom Institute – Center for Development of Civil Society. It operates from the prime minister's office. It is supposed to support NGOs, but critics point out that it only supports NGOs that follow the government's line.

Approval of democratic norms and procedures is consistently high among the Polish population, usually oscillating between 60% and 70% but reaching a peak of 76% support in May 2018. In a CBOS survey, 66% of respondents said it would make a difference if the political system were not democratic, which is the highest percentage since 1992.

This general support is to a certain extent dependent on party affiliation. Asked if it would be acceptable if a government would turn more undemocratic, 74% of PO voters opposed the idea, followed by 71% of Modern supporters and 63% of PSL voters; however, the figures for PiS and Kukiz'15 voters were 54% and 47% respectively.

However, specific support for democracy is lower. According to the survey, the number of Poles who are satisfied with the way democracy works in their country is about 48%, while 43% are dissatisfied. PiS supporters are more satisfied (80%) than PO (31%), PSL (43%) and Modern (16%) supporters. Kukiz'15 supporters are overwhelmingly dissatisfied (49%). The differences in their assessments have increased between the different camps.

In the survey, only 30% of respondents trusted the parliament, with an even stronger difference between PiS and the opposition (59% vs. 18%). Trust in the government was even more shaped by party affiliation: 80% of PiS supporters said they trust the government, while only 9% of PO supporters did.

Approval of
democracy

8



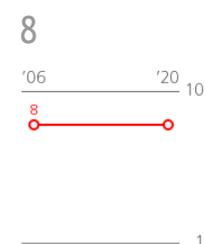
1

Although there are a large number of autonomous groups, associations and organizations, the level of civic participation in Poland is not very high. Some 80% of Poles devote free time to voluntary social activities, but these are mainly restricted to circles of family and friends, and only 37% engage in public organizations (CBOS 01/2016). Nevertheless, the proportion of people who use free time to actively work in one or more civil society organization has increased by three percentage points to 40% (CBOS 29/2018).

The level of trust varies. In 2018, 97% of Poles said they trust family members, with high percentages also being recorded for friends (97%) and colleagues (82%). However, Poles are very cautious of strangers, with only 29% of respondents trusting strangers. This number has slightly declined compared to 32% in 2016. Social ties have become stronger – 88% of respondents to a 2017 survey have a person who would help in any kind of difficult situation (CBOS 11/2017). That is ten percentage points more than in 1999.

There are also high levels of mistrust toward the political class. On the other hand, trust in charitable institutions such as the Polish Red Cross and Caritas is always above 80%. TV broadcasters (public and private) have lost popular trust while the private, less politicized stations being more trusted (65% for public and 70% for private), while the Catholic Church is also trusted by 61%. Trust in trade unions has remained fairly low with 34% for NSZZ Solidarność and 20% for OPZZ (CBOS 124, 126/2017).

Social capital



II. Economic Transformation

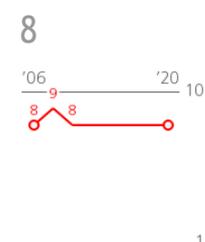
6 | Level of Socioeconomic Development

Social inequalities have diminished since the early 2000s. This has been due to Poland's strong economic performance and successful mitigation of regional disparities by previous governments with the help of EU structural funds and development policies. Moreover, government policies have helped improve families' financial conditions, especially those suffering from poverty, and have increased average educational attainment. The most dramatic pockets of poverty have shrunk, and income inequality has fallen substantially since the early 2000s. In-depth sociological studies have shown that poverty in Poland is not inherited across generations.

The current PiS government claims to have prioritized further social inclusion since its election campaign in 2015. It has implemented several measures that are supposed to further decrease social inequalities by raising family allowances and the minimum

Question Score

Socioeconomic barriers



wage. What is lagging behind is the social housing program “mieszkanie+.” Only 2,800 of the several thousand planned apartments have been built so far. The program allows people on a low income to pay back the building costs over a period of 25 years, so that they can finally turn their homes into private properties. In January 2018, Prime Minister Morawiecki tried to give the program a new boost by creating a “Housing Council” to coordinate and speed up the necessary action.

Poland’s Gini coefficient of 31.8 (2015) indicates a relatively high level of equality. Only 0.2% of the population lives on less than \$3.1 a day. The Human Development Index (HDI) has again slightly increased in comparison with previous years (at 0.865 in 2017) and unemployment is at a historic low (3.7% in 2018). However, unemployed youth and single mothers are still most threatened by poverty.

A Gender Inequality Index score of 0.132 (2017) demonstrates further improvements for women in Poland. Eurostat data for 2017 shows that 19.5% of population were at risk of poverty or social exclusion, which means a decrease of 2.4 percentage points compared to the previous review period. Poland is now in the top half to one-third of all EU member states.

| Economic indicators | | 2015 | 2016 | 2017 | 2018 |
|---------------------------|----------|----------|----------|----------|-----------------|
| GDP | \$ M | 477577.4 | 472028.0 | 526371.0 | 585782.9 |
| GDP growth | % | 3.8 | 3.1 | 4.8 | 5.1 |
| Inflation (CPI) | % | -0.9 | -0.7 | 2.1 | 1.8 |
| Unemployment | % | 7.5 | 6.2 | 4.9 | 3.7 |
| Foreign direct investment | % of GDP | 3.2 | 3.9 | 2.0 | 2.1 |
| Export growth | % | 7.7 | 8.8 | 9.5 | 6.3 |
| Import growth | % | 6.6 | 7.6 | 10.0 | 7.1 |
| Current account balance | \$ M | -2659.0 | -2458.0 | 602.0 | -3280.0 |
| Public debt | % of GDP | 51.3 | 54.2 | 50.6 | 48.9 |
| External debt | \$ M | - | - | - | - |
| Total debt service | \$ M | - | - | - | - |

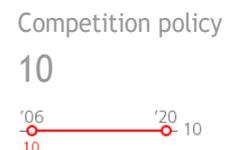
| Economic indicators | | 2015 | 2016 | 2017 | 2018 |
|---------------------------|----------|------|------|------|-------------|
| Net lending/borrowing | % of GDP | -2.7 | -2.5 | -1.5 | - |
| Tax revenue | % of GDP | 15.6 | 16.4 | 16.8 | - |
| Government consumption | % of GDP | 18.0 | 17.9 | 17.7 | 17.7 |
| Public education spending | % of GDP | 4.8 | 4.6 | - | - |
| Public health spending | % of GDP | 4.4 | 4.5 | - | - |
| R&D expenditure | % of GDP | 1.0 | 1.0 | 1.0 | - |
| Military expenditure | % of GDP | 2.1 | 1.9 | 1.9 | 2.0 |

Sources (as of December 2019): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

7 | Organization of the Market and Competition

Market competition is clearly defined and implemented at both the macroeconomic and microeconomic levels. Prices are fully liberalized, and the currency is fully convertible. The state fully guarantees the rules of the game for market competition. All market participants, whether domestic or foreign, have equal opportunities. Measures have been introduced to facilitate the process of setting up a business, reduce bureaucracy and costs, ease tax-related issues and resolve insolvency. However, the World Bank's 2019 Doing Business report indicates that establishing a business is relatively complicated. While it only takes five start-up procedures and the costs involved are 11.8% of the average income per capita, the time required to establish a business is lengthy (37 days). This gives Poland a ranking of 121 out of 190 countries in the report's "Starting a Business" subindex.

Comprehensive competition laws to prevent monopolistic practices are enforced. The Office of Competition and Consumer Protection is the main anti-monopoly office in Poland, and it has been working well. It intervenes in cases of concentration or market dominance. In addition, it does not only deal with enforcement of laws – it is also consulted during law-making processes. There is full compliance with EU requirements and further adaptation took place by amending an act on private enforcement of competition law in June 2017. The protection of competition is now no longer limited to the Polish Competition Authority (UOKiK). With the new act, a new private law route of enforcement became available, allowing aggrieved parties to enforce their claims in an effective manner. Anyone who suffered a loss as a result of unlawful practices is able to file a complaint, including both consumers and the counterparties or competitors of enterprises that have infringed the provisions of



competition law. The claims are examined by regional courts, regardless of the value of the claim.

State intervention is limited, and levels of regulation and competition advocacy remain on the same level as in previous years.

Foreign trade is liberalized, with uniform low tariffs. Poland has been a member of the WTO since July 1, 1995. The country exports processed fruits, vegetables, meat, dairy products, electromechanical products, vehicles, aircrafts and vessels. Imports are mainly capital goods needed for industrial retooling and for manufacturing (e.g., machinery and transport equipment, chemicals, minerals, fuels and lubricants). Most trade is with EU countries (79% of exports and 64% of imports), among which Germany is the most important trading partner, accounting for 27.1% of Polish exports and 22.9% of imports (2017). Recently, Poland has diversified its exports toward new, more dynamic markets and has reduced its current account deficit as a result. However, trade relations with the countries to the east of Poland have deteriorated due to the conflict between Russia and Ukraine, which started in 2014. China is now Poland's second most important import partner (11.6%) and the United Kingdom is still the second export partner (6.4%). Therefore, the question of if and how Brexit will take place is of great importance for Poland in terms of trade relations. In overall terms, Poland now has a foreign trade deficit of €3.2 billion.

The banking system contributed positively to Poland's good economic performance during the global and European financial crisis due to the central bank's conservative, risk-averse investment policies. It has remained profitable, well capitalized and liquid. Poland's banking system has become one of Europe's top performers. According to World Bank data, the share of non-performing loans has been decreasing, reaching 3.9% in 2017 – slightly above the EU average of 3.7%. The bank capital-to-assets ratio has been increasing in recent years, reaching 10% in 2017, above the eurozone average of 8.1%.

Yet, some politically motivated changes took place with regard to commercial banks during the period under review. The system is organized according to international standards, with functional supervision, minimum capital requirements and market discipline. It is divided into 35 commercial banks, more than 500 cooperative banks (which have a market share of 7.3%) and 28 branches of credit institutions. Poland is the single-largest banking market in Central and Eastern Europe, and its €427.17 billion of assets constitute about a third of the region's assets (European Commission 2017). Despite a general openness to foreign capital, the Polish government has launched a campaign dubbed "repolonization" in order to decrease the proportion of foreign-owned banks in the country. This was successful insofar as in 2017 54.5% of banks were owned by foreign banks (previously it was 60%). State-controlled companies bought UniCredit's stake in Bank Pekao S.A. and Raiffeisen's shares in its Polish subsidiary, Raiffeisen Bank Polska. This process is planned to continue,

Liberalization of foreign trade

10



1

Banking system

9



1

and the government has frequently declared that national ownership of capital is very important.

In November 2018, a banking scandal gained public attention when the chairman of the Financial Supervision Authority (KNF), Marek Chrzanowski, who had been appointed in 2016 by previous prime minister Beata Szydło, resigned from his post. Leszek Czarnecki, a banker, accused him of soliciting a €9.3 million bribe in return for helping his Getin Noble Bank after it had run into financial difficulties. While the opposition initiated an unsuccessful motion of no confidence, the government tried to solve this issue by quickly accepting Chrzanowski's resignation and appointing the deputy head of the legal department at state-owned Pekao bank, Jacek Jastrzebski, as his successor. However, the debate continued when the chairman of the Polish central bank, Adam Glapiński, expressed his support for Chrzanowski and demanded that the newspaper that reported the accusation, *Gazeta Wyborcza*, should remove the respective articles from its website. This in turn opened a debate about media freedom, and the central bank denied having made these demands.

8 | Monetary and fiscal stability

The Polish central bank is an independent body, which is guaranteed by Article 227 of the 1997 constitution. Its current president, Adam Glapiński, who came into office in June 2016, was an economic advisor to the deceased president, Lech Kaczyński. He is therefore quite close to the incumbent government.

So far, his monetary policy has sought to continue stability by using the floating exchange rate. Controlling inflation is a recognized goal of economic and monetary policy. For 2018, it rose to 1.7% after deflation in previous years. According to the European Union's 2018 Convergence Report, Poland fulfilled two out of the four economic criteria necessary for adopting the euro – those relating to price stability and public finances. But Poland did not fulfill the exchange rate and long-term interest rate criterion. Legislation in Poland is not fully compatible with the Maastricht treaty. The current Polish government is not interested in introducing the euro, so it does not pursue further efforts to meet all Maastricht criteria. The main concerns are that prices will rise and that changing the currency will not be profitable for the economy since Poland survived the fiscal crisis in Europe quite well. The reluctance of the general public and the government's political disinterest, despite the obligations of the Lisbon treaty, will make it difficult to obtain the two-thirds majority necessary to make the required changes to the constitution on the role of the Polish central bank.

Monetary stability

9



1

The government's fiscal and debt policies generally promote macroeconomic stability, but social spending has increased and populist promises are repeatedly made. Poland left the European Union's excessive deficit procedure in May 2015 as a result of several deficit-reducing reforms such as changes to the pension system, increases in indirect taxes and social contributions, and a public wage freeze. The general government deficit declined from 3.4% of GDP in 2014 to 1.7% in 2017 (EBRD data). However, the current government spends more money on generous family allowances and pensions, which will have an impact on the budget despite the GDP growth and improved tax collection. The government debt-to-GDP ratio still remains below 60% of GDP, but public debt increased slightly to 52.2% in 2017. Despite its fiscal prudence, Poland is still the only EU member that has not yet established an independent fiscal council.

Fiscal stability

8



1

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 EU and EEA countries have also been allowed to purchase land and real estate. Further amendments to the land law were introduced in 2011, which have eased the restrictions for investors from non-EU countries. Current obstacles include the slow functioning of the judicial system and the continuing piracy of intellectual property, despite the government's efforts to improve protection. The attempts to "repolonize" Polish banks and media enterprises could constrain the property rights of foreigners from EU countries in Poland.

Property rights

10



1

Private companies are viewed institutionally as the primary engines of economic production, and they are given appropriate legal safeguards in principle. Their share of employment is above 70%, whereas employment in the state sector has decreased to 23.5%. The private sector accounts for two-thirds of GDP. On the one hand, Poland's private sector experiences only a moderate amount of bureaucratic obstacles; on the other hand, it still takes a considerable amount of time to set-up a company – on average 37 days, which is the longest time in the OECD. The tax system has also become much more complicated. Moreover, the current government's attempts to "repolonize" the banking sector and the supervision of state-owned companies raises concerns about the safeguards for private companies.

Private enterprise

9



1

10 | Welfare Regime

Poland introduced a three-pillar pension system, following World Bank recommendations, in 1999. Starting in 2011, pension contributions were partially redirected from the second pillar – obligatory but private and funded – to newly created subaccounts in the first, public pillar. Subsequent governments have ignored repeated EU recommendations to adapt the costly pension systems in place for miners and farmers. The pension age was a contested topic in the 2015 electoral campaign. Immediately after taking office, the PiS government used its parliamentary majority to lower the pension age again. Since November 2017, women can retire at 60 and men at 65. Given the demographic change and shrinking workforce, this will have negative impacts in the near future. Government discussions on a reorganization of the three-pillar system, including an expansion of an employee pension scheme, continue. From January 2019, 75% of the workforce should be integrated into such a system.

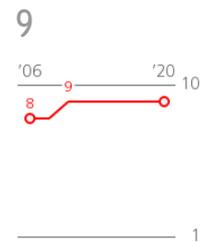
Increasing family allowances to 500 zloty for a second child was another promise that the government implemented in April 2016. The estimated cost of this measure is up to 22.9 billion zloty (about €5.3 billion or 1.3% of GDP). However, 77% of Poles support the measure. Childcare facilities are still not sufficient (Poland is ranked fourth-lowest in the European Union), and this impedes the integration of women into the labor market.

Reforms of the inefficient health care system, which is characterized by shortcomings in access for patients and low salaries for personnel, have been frequently debated. The public is often confronted with strikes and demonstrations by medical staff. In June 2018, the new health minister, Lukasz Szumowski, presented a bill to increase spending on health care from the current 4.7% of GDP to 6% by 2024. This was a response to end the strike over the low pay of resident doctors, whose salaries are among the lowest in the European Union.

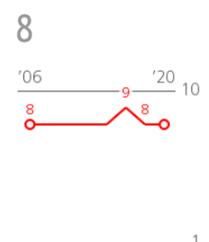
Due to Poland's strong economic performance, unemployment and regional disparities are decreasing. While the increased family allowances and minimum wage have helped to improve families' financial conditions, childcare and other institutions that enable women to combine work and family have not been improved by the current government. Discrimination against women in the labor market is still an issue, and equal access to education does not secure equal levels of employment for men and women.

The ratios of female-to-male enrollment in education are 1.0, 1.0 and 1.5 for primary, secondary and tertiary, respectively (World Development Indicators 2018). This indicates a higher level of inclusion of women in tertiary education. However, there

Social safety nets



Equal opportunity



has not been much change over the years regarding the percentage of women in the total labor force, which remains at 45%.

Anti-discrimination policy has not featured prominently on the agenda of the PiS government. Quite to the contrary, the PiS government has launched a strong discourse against Muslims and refugees, and it has spoken out against the LGBT community and “gender ideology.” This attitude has not changed during the last three years.

Women remain under-represented in politics. In the current parliament, 27% of deputies are women. Despite the fact that legislative gender quotas are used for elections to the Sejm to enhance women’s representation, some political parties do not promote gender equality in politics and do not actively support enhanced women’s political representation and participation.

11 | Economic Performance

Poland’s economy is still on a strong footing; the growth rate is expected to be around 4.2% of GDP in 2018. Domestic consumption is a strong driver and positive results are visible, such as the decline in unemployment – 3.7% in 2018 compared to 5.6% in 2016 – and an inflation rate of around 1.7%. The overall economic framework, including the financial system and administration, functions well.

Although the current PiS government tries to boost economic growth through consumption by improving the financial conditions of families, there are also concerns regarding the environment for economic activities. Several of the government’s plans have been met with skepticism.

After some failed reform attempts regarding tax policy, tax collection has now improved. However, the government has increased social spending and lowered the retirement age without a clear plan to offset these new expenses with revenues (government debt increased to 53% of GDP by the end of 2018 from 50.5% in 2014). Along with the reforms made to the judicial system, these changes create less favorable conditions and structures for economic activities.

A decline in foreign investment was visible in the period under review, down to 1.4% of GDP in 2017 compared to 3.6% in 2014. Agreements on new investments by Volkswagen, Mercedes Benz, Toyota and Fiat from 2016 are positive, but the debate on connecting the transfer of EU structural funds to abiding by the principles of democratic governance and human rights is harmful for foreign investment. Another problem may be caused by Brexit as the United Kingdom is Poland’s second most important destination for exports and remittances from the Poles working there.

Output strength

8



1

12 | Sustainability

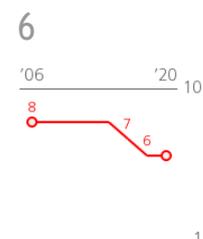
Poland has enshrined the principle of sustainable development in Article 5 of its constitution, and it has broadly adopted EU environmental standards. However, as highlighted again by the 2015 electoral campaign, there is a broad political consensus that economic growth should be given priority over protection of the environment. Polish governments have been especially keen on protecting the domestic coal industry. It is a large employer and reduces the country's dependence on Russia's energy, an issue that has taken on even greater prominence since the Ukrainian crisis and is followed firmly at the EU level. To date, the government has still merely considered building a nuclear power station as well as exploring and producing shale gas, although test drillings have not been very successful so far.

Air pollution is a severe problem in Poland. The country has seven out of the ten most polluted cities in the European Union, and this is now mentioned by 56% of Eurobarometer survey respondents (in 2017) as the country's most pressing environmental problem, ahead of waste, climate change and agriculture. The share of renewables in Poland still stands at a meager 1%. In 2018, when Poland hosted the U.N. Climate Change Conference in Katowice, the government announced a plan to boost the share of renewables to 21% in 2030. Yet, coal remains the priority.

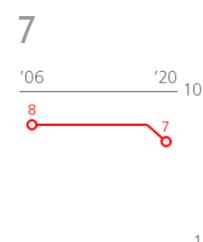
Another current issue the PiS government faces is concerns over the conservation of nature. Poland was fined and then sued at the European Court of Justice because of logging in parts of the Białowieża primeval forest. The new minister for the environment since early 2018, Henryk Kowalczyk, said Poland would accept the ruling.

The current PiS government changed some reforms that the previous governments had implemented. Since the 2016/17 school year, the age at which children start school has been seven rather than six. In addition, the government passed a bill that will close down middle schools from September 2019. Since September 2017, children have attended an eight-year primary school, followed by a four-year high school. Teachers' unions protested against this reform. They argued that previous reforms had gradually started to become effective and increased the quality of education in Poland. This had become visible in PISA results from 2015, where Polish students achieved a joint first place in the European Union, along with the Netherlands, Estonia and Finland. The country had also climbed to the 20th position in the UN Education Index in 2015. Hence, experts do not see a necessity for the government's reforms. Rather, they have expressed fears that many teachers will lose their jobs and that changes to the curriculum will include nationalist values and a biased interpretation of Polish history. That is particularly the case given that supervisory school authorities have been filled with government affiliates.

Environmental policy



Education policy / R&D



In June 2018, the parliament passed a bill (dubbed “Bill 2.0”) introduced by Jaroslaw Gowin, the minister of science and higher education, that aims to reduce the lack of synchronization between school education, the labor market and vocational education. It also aims to amend four laws on higher education, which was met with strong protests by students and academic staff because universities will lose autonomy. New models of financing, institutional settings and career paths were introduced.

The research and development (R&D) sector has operated more professionally since reforms were implemented in 2010. Incidents such as the selection of the first six national leading scientific centers (KNOW) helped to boost the sector. However, Poland continues to score poorly in the European Union’s Innovation Union Scoreboard rankings, and there is still some way to go if Poland is to meet its overall R&D spending target. Current Minister of Science and Higher Education Jarosław Gowin called for more innovation in research. He announced the creation of a National Institute of Technology in 2017 and a Lukasiewicz Research Network in April 2018, which will improve the conditions for research and the commercial use of results. Spending on R&D is still around 1%. So far, the government has only announced that it will increase to 2% of GDP by 2020.

Governance

I. Level of Difficulty

The structural constraints on governance are low. The relatively high level of economic development, well-educated workforce and well-developed infrastructure produce favorable conditions for the government. Regional imbalances within the country still exist, but they have been mitigated thanks to EU structural funds. Unemployment has further decreased as well. However, there are concerns about the effectiveness of the public administration. Due to the government's changes to the judicial system, and its pressures on the media and the educational system, the high levels of trust in institutional stability and in the functioning of rule of law have decreased since November 2015.

Structural constraints

2

'06 '20 10



Traditions of civil society are strong in Poland. The emergence of a true civil society had much to do with the events surrounding the recognition of the Solidarity trade union by the communists, and its unique activities during 1980-81, and in subsequent years. In addition, groups linked to the Catholic Church were forums for critical discussions that allowed the organization of anti-state activity and promotion of democratic values during communism. The democratic transition provided impetus for the development and mushrooming of civil society organizations: the number of organizations has grown exponentially over the last 30 years in Poland. Today, there are more than 8,500 nonprofit organizations. The level of civic participation has increased compared to 2016 but is not that high: only 25% of Poles devote unpaid time to volunteering that addresses social needs, although 71% support such activities financially or by other means.

Civil society traditions

1

'06 '20 10



Electoral participation is low in Poland. The average voter turnout was 50% in the period from 1989 to 2015. However, for the local election in October 2018 (with a second round in November), turnout was a historic high of 55%, compared to just 44% in 2014. In addition, opinion polls show that people increasingly feel that they can exert some influence on local politics and that civic participation makes a difference: 44% responded they had somehow been engaged in local politics, attended meetings or approached politicians. Currently, the KOD and other civic organizations unite many Poles in their protests against actions by the incumbent government that are considered to be unconstitutional or undemocratic. New legislation put forward by the government, which created the National Freedom Institute - Center for the Development of Civil Society, is regarded by many as a means of control rather than a way to support NGOs.

Violent incidents based on social, ethnic or religious differences are very rare because Poland is an ethnically and religiously homogeneous country, but political cleavages exist. Although 84% of Poles are Catholic believers, about half of the population contests the public interference of the Church. However, the main divide is between the supporters of Law and Justice (Prawo i Sprawiedliwość, PiS) and the two opposition parties: Civic Platform (Platforma Obywatelska, PO) and Modern (Nowoczesna, .N, which lost support in 2018). The parliamentary opposition is supported by the Committee for the Defense of Democracy (Komitet Obrony Demokracji, KOD) and other grassroots civil society organizations that often organize demonstrations against the incumbent government.

The polarization of society is tangible. The hostile climate and hate speech expressed by right-wing platforms and groups influenced a mentally ill young man who killed the mayor of Gdansk, Pawel Adamowicz, at a charity event on 16 January 2019. The assassin claimed that Adamowicz's former party, PO, was responsible for his detention in prison. Because Adamowicz had previously been attacked by nationalist and right-wing circles for his support of migrants, LGBT issues and pro-EU views, he was obviously perceived as the appropriate target. In the aftermath of this tragedy, calls for overcoming the polarization of Polish society and acting against hate speech were made, but so far, no real change is visible.

II. Governance Performance

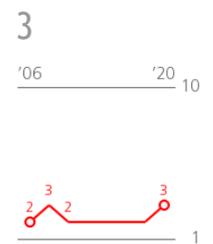
14 | Steering Capability

The PiS government now led by Mateusz Morawiecki has been committed to democracy, but its vision of the rule of law, the separation of powers and national sovereignty within the European Union fundamentally differs from the ideas of the opposition parties. The government has set specific policy priorities and has fulfilled most social pledges made during the electoral campaign. These pledges included an increase in the minimum wage and family allowance, tax relief for small businesses, lowering the retirement age and reverting to a higher age for starting school.

However, during the electoral campaign, the government did not announce its intention to change democratic institutions. Despite that, the government has taken action against the democratic institutions of checks and balances. It has politicized the media and a previously largely independent justice system, including the Constitutional Court.

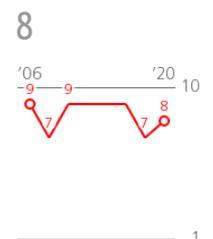
The PiS government has developed its own long-term strategy for sustainable development, which then Minister of Development Mateusz Morawiecki presented in February 2016 and is now implementing. Ultimately, policy-making under the PiS government is still guided by PiS party leader, Jarosław Kaczyński.

Conflict intensity



Question Score

Prioritization



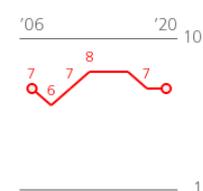
All in all, the government's priorities have not changed much since it entered office. Available instruments that could be used to plan and organize policy measures, such as a regulatory impact assessment, strategic planning units and hearings with stakeholders and experts, are either not applied or only used to foster the ideological purposes of the government. Real interactions with society and evidence-based policy-making hardly take place.

The government is able to implement many of its reforms because it has a majority in parliament. Hence, most reforms in the social welfare sphere were implemented very quickly in its first months in office. Other political aims, however, such as the attempts to completely ban abortion and to restrict journalists' access to parliament, were criticized, and demonstrations were organized to voice people's concerns. In addition, the European Union and the opposition in parliament sided with the public. In the end, the government had to give in and refrained from passing these bills. The European Union's exertion of more pressure and several infringement procedures were also factors in forcing the government to change its plans. While the government's refusal to accept Constitutional Court rulings and the actions taken against its judges demonstrated the power of the government to implement decisions against the Constitutional Court, it had to give in to the European Court of Justice regarding the retirement age of Supreme Court judges and the logging of the Bialowieza forest.

Institutional mechanisms for policy learning through regulatory impact assessments have been introduced in Poland. Previous governments used them and took actions that aimed to professionalize the staff in the chancellery, ministries, the parliament and public administration. However, the current PiS government does not use these structures or uses them in a more politicized way. Policy experts provide advice to the government, but they are primarily selected using partisan criterion. Hence, the government's ability to replace failed policies with innovative ones is limited. Some bills are prepared too hurriedly, the speed of law-making is very hasty, and sometimes bills are already signed the next day by the Senate and the president. According to a study by a Polish legal expert, 67% of all laws in 2016 came into force without any amendment by the Senate, Poland's second chamber. In 2010, this was the case only for 42% of laws and in 2005 for 30%. The president also tends to sign laws more quickly now. In 2016, it took him an average of just 11 days, compared to 19 days in 2010 and 25 days in 2000. Moreover, the parliament also spends less time on law-making: in 2016, 46% of all bills had their second reading immediately after the first one (the day after), and in 85% of case, the second reading was directly followed by the third reading. Only two public hearings have been held since November 2015. As a result, policy learning and thorough consultations of bills are barely possible, which impacts the quality of laws.

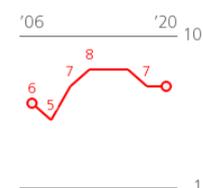
Implementation

7



Policy learning

7



Regarding the absorption of EU funds, under the previous government of Civic Platform (PO) and the Polish Peasant Party (PSL), a learning process was visible. Since then, up to 80% of these funds have been adequately used.

15 | Resource Efficiency

The government is legally obliged to make efficient use of available human, financial and organizational resources. The constitution also requires the government to maintain a sound state budget and improve local administration. Current increases in social spending on families and pensioners combined with a shrinking work force will result in higher expenditures from the state budget. A slight increase in the deficit to 51.3% was already visible in 2016, and it rose again to 52.2% in 2017.

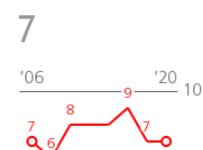
While the PiS government is eager to foster digitalization, the professionalization of administrative structures is hampered by its political grip on bureaucracy. Politically motivated changes of personnel that went beyond the usual level after the 2015 elections have led to questions about the current government's purely professional perception of human resources. Hence, while the government uses budget resources quite efficiently, administrative personnel are not used as efficiently anymore due to the politicization of bureaucrats, despite the slight increase in the deficit.

A December 2017 amendment to the Civil Service Act abolished the requirement for open and competitive recruitment of senior civil servants. According to a Polish study, 3,197 positions were filled out of purely political considerations by the end of 2017. This had an impact on the number of applications for civil services positions (which dropped by 30% compared to 2013) as well as a drop in applications to the National School of Public Administration. These changes will have an impact on the efficiency of administration.

Structurally, policy coordination obliges the chancellery of the prime minister of Poland to monitor the government's legislative work and to issue opinions on documents to be submitted to the Council of Ministers. There is a standing committee that coordinates work in the chancellery and prepares for cabinet meetings. The number of cabinet committees and their role under the PiS government have been limited. These committees include the Innovativeness Council, which consists of five ministers and was created in February 2016, and the Economic Committee, which has coordinated the implementation of the Strategy for Responsible Development since September 2016.

Informal mechanisms for coordination have played an important role under the PiS government, where PiS leader Jarosław Kaczyński is the main decision-maker. He has made many important decisions himself, and the standing of government ministers has been strongly dependent upon their relationships with him. Very few conflicts about policy proposals among the members of the cabinet have been

Efficient use of assets



1

Policy coordination



1

reported. To a certain extent, the reason Prime Minister Beata Szydło was replaced by Mateusz Morawiecki was to have a more conciliatory approach to internal disagreements and to conflicts with the European Union.

The government claims that it is eager to contain corruption and therefore expanded the tasks of the Central Anti-Corruption Bureau (CBA). Integrity mechanisms are implemented and work in practice, such as transparency with respect to the income of members of parliament, regulations for party financing and a common understanding of the code of conduct. As a result, corruption at the top is limited. However, the new (more political) composition of the National Election Commission, which is also responsible for the control of party financing, may have negative consequences for the transparency of party funding. With regard to the economy, the CBA admits that certain sectors are at risk: road and rail infrastructure, information technology in public administration, EU funds, defense and health care, as well as public procurement at the local and regional levels. At the same time, tax authorities were able to target and recover €1 billion in unpaid taxes.

Currently, Law and Justice is less active in its fight against corruption than during its first term in office (2005-2007), when it was mainly used as a political tool. However, the case of Mariusz Kamiński shows that the party's claim to fight corruption is not always strong. Kamiński was the founder and first head of the CBA, later dismissed from this position and in 2015 sentenced to three years in prison for abusing his power during an operation targeting a political rival of PiS between 2005 and 2007. After the 2015 election, he was pardoned by President Andrzej Duda and appointed director of Poland's security services. Moreover, there was also a scandal about the chairperson of the Financial Supervision Authority (KNF), which shows that PiS appointees might also be susceptible to bribery.

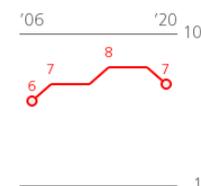
The political dependence of the CBA on the government has often been criticized. Hence, corruption as such has not increased during the period under review, but the political control of state agencies, courts and the public administration make it more difficult for law enforcement agencies to act properly and independently.

16 | Consensus-Building

All major political actors agree on the primacy of democracy, but political parties have different ideas about the type of democracy (e.g., the level of self-administration, checks and balances and the degree of integration with the European Union). While PO, Modern and to a certain extent PSL favor a decentralized mode of governance, the governing Law and Justice party supports a centralized mode of governance and wishes to concentrate political power in the core executive at the national level.

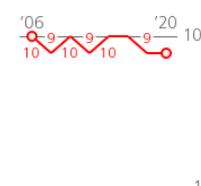
Anti-corruption policy

7



Consensus on goals

9



All major political actors also agree on the primacy of the market economy, but political parties have different views on the relations between the state and the market. The opposition parties favor less state involvement in the economy. The government opts for more intensive economic governance of state structures and a demand-oriented economic policy.

Relevant political actors follow democratic norms and procedures in principle, and they are not confronted by anti-democratic actors. In fact, it is the incumbent government that currently takes actions that many observers and sections of the population consider as anti-democratic. These actions relate to the independence of the court system and the public media, among others. The opposition sees itself as the defenders of democratic values and principles.

Actors who express anti-democratic ideas and goals are minor extreme right-wing groups, such as the National Rebirth of Poland Party and the National Movement. They usually organize demonstrations on Polish Independence Day (November 11) or at football matches to attract public attention. In 2018, on the occasion of the 100th anniversary of Poland's independence, the government tried to undermine these attempts by marching with or in front of those radical right-wing groups. This only worked partially as the right-wing supporters continued to raise their flags and shout their slogans.

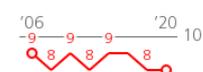
Parties such as the Congress of the New Right (which was successful in the elections to the European Parliament in 2014) and Kukiz'15 can be regarded as populist and euroskeptic rather than anti-systemic. However, five members of the National Movement entered parliament in 2015, representing Kukiz'15.

The current government uses cleavage-based conflicts to appeal to its voters and to demonstrate its commitment to their interests. In fact, government speeches and legal measures have contributed to polarizing public opinion even more. However, on the other hand, the government seeks to minimize social exclusion for segments of society that have not yet profited much from Poland's favorable economic conditions, such as families living in the countryside, pensioners and unemployed young people. Hence, although there is discontent with certain measures and protests against them, the PiS government is still leading in the opinion polls with a majority of 41% in December 2018 (CBOS 2018).

Conflicts of a religious nature concern issues such as women's self-determination. That was especially the case when the government twice attempted to push through a complete ban on abortion with the help of the Catholic Church in 2016 and again in spring 2018. The second attempt tried to remove one of the legal reasons for an abortion, when a prenatal test shows irreversible and serious damage to the fetus. This brought thousands of women onto the streets. Although the government gave in to

Anti-democratic
actors

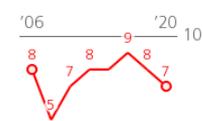
8



1

Cleavage /
conflict
management

7



1

the protests in both cases, it did not try to reduce the level of conflict, instead suggesting that the protests had been organized from abroad.

Overall, there is a strong cleavage between the supporters of the PiS government and those who oppose it, mostly from PO and Modern (although the latter has lost public support and relevance), in addition to the non-governmental KOD and other civil society organizations. This is then used by the government to discredit any opposition to its policies in a very offensive way, either in public speeches, on television or through, for example, the billboard and media campaign that aimed to discredit the professional reputation of Polish judges.

Civil society actors have a right to participate in policy-making. The government is obliged by law to consult all parties affected by proposed legislation. Online consultations with ministries have been introduced as well as the opportunity to follow a bill through the lawmaking process online. Consultations with trade unions and employers' associations usually take place before the budget is passed in parliament and for laws related to labor and social policies. The current government lists legislative proposals on the chancellery website so that citizens can track their progress.

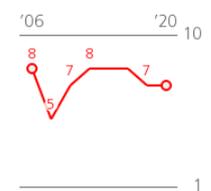
Members of the Social Dialog Council, an institutionalized form of consultation between trade unions and employers' associations, have not always collaborated successfully. In July 2018, President Duda signed an amendment that allows the council to provide opinions on not only draft laws but also government strategies and other documents. Nevertheless, its members are unsatisfied with its composition: employers can only be a member if they have more than 300,000 paid workers. Employees argue that those with non-standard employment contracts are not represented.

Overall, the consultation of social actors by the government is often only a formality. The PiS government's often-used practice of introducing bills by individual MPs is a means to bypass such consultations. Moreover, the PiS practice of hastily introducing and passing bills also hampers consensus-building and the involvement of civil society actors.

Rules on dealing with the communist past are in force. There is currently a heated societal debate and cultural reflection about the past. Government actors mainly focus on lustration. The Institute of National Remembrance (IPN) obtained the archives of the communist police, and it has made the files of the secret services accessible to affected persons since 2000. Officials have to declare whether they collaborated with the communist secret police or intelligence services. If they admit such activities, they are not punished. The interest of the public in these files has always been comparatively low. However, the tool of lustration has often been used to discredit political opponents.

Civil society participation

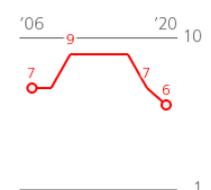
7



1

Reconciliation

6



1

The first PiS-led government, between 2005 and 2007, put a very strong emphasis on purging institutions from people with a communist past, and they also use this argument to defend the judicial reforms that have been implemented since 2015. Another issue concerned former president and Solidarność leader Lech Wałęsa and whether or not he was an informant of the secret police during communist times. The IPN claims that there is evidence, which Wałęsa rejects, but the dispute then faded away. Hence, there is a high degree of politicization of this issue.

In addition, Piotr Gliński, the minister of culture and national heritage, aims to promote a distinct nationalist narrative of Polish history. He merged the Museum of the Second World War in Gdansk with the Museum of the Westerplatte and the War of 1939 in order to put more emphasis on the heroism of the Polish army and the resistance movement than on the suffering of different groups. This created a legal and political conflict, including pressure on the museum's personnel, and it shows that the experiences of dictatorship and occupation still serve political goals rather than the idea of reconciliation. In addition, the ongoing reform of secondary education is seen as an attempt to incorporate more nationalist elements into the school curricula.

A piece of legislation that backfired on the Polish government was the so-called "Holocaust Law." It said that statements that accuse the Polish state or the Polish nation of being responsible for or complicit in crimes committed by representatives of Nazi Germany are a criminal offense that can be punished with a fine or imprisonment of up to three years. After protests, especially from Israel and the USA, it was changed into a civil offense. The background of this law was that sometimes, for example, concentration camps that were in Poland but run by Nazi Germans are called "Polish concentration camps," which should be avoided.

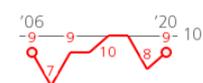
17 | International Cooperation

In terms of international assistance, Poland has an in-between position. On the one hand, Poland is an OECD member and therefore a donor of development assistance. However, on the other hand, it receives funding for development projects, for example, from the World Bank. The World Bank is currently engaged in two projects, with lending worth up to \$688 million, aiming at better flood management and regional development, including health care issues.

Poland is also the largest beneficiary of EU structural funds for the 2014-20 period, with amounts totaling €106 billion (PLN 441 billion), including €73 billion (PLN 304 billion) in the framework of the European Union's cohesion policy and €29 billion (PLN 119 billion) as common agricultural policy payments (Polish Ministry of the Treasury 2014). The government is eager to gain a share of similar size in the next EU budget.

Effective use of support

9



Hence, the PiS government uses international assistance, and it also has clear aims about the political and economic development of the country. They were stated in the February 2017 Responsible Development Plan, which addresses several short- and long-term goals for the period until 2030. Since some members of the current government have worked in international institutions (for example, Prime Minister Morawiecki studied abroad and worked for the German Bundesbank), they bring international experience to their government service and consider developments in other countries.

However, this does not necessarily mean that policy proposals made by the government are directly developed in collaboration with international partners, especially EU-related projects. An energy union or measures against climate change or, for example, are not a source of inspiration for Polish politicians. However, government plans are heavily dependent on international or improved European assistance (e.g., the EU structural funds), despite the very positive development of the Polish economy.

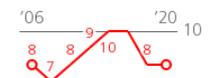
The current Polish government is not considered a very reliable partner at the EU level, due to its uncompromising stance regarding energy policy and the resettlement of refugees in Europe, its attacks on media freedom and the rule of law (which led to Article 7 and related infringement procedures at the European Court of Justice) and its interpretation of national history.

Nevertheless, on the international level, Poland complies with most international agreements, engages in international cooperation and pays its development assistance contributions. At the beginning of 2018, Poland gained a non-permanent seat at the United Nations Security Council for two years for the sixth time. The only field where Poland is actively acting against international policies is the field of migration. The government agreed to set up a fund to help mitigate the reasons for migration in source countries, but it does not want to take responsibility inside Europe. It also did not sign the U.N. Global Compact for safe, orderly and regulated migration in December 2018.

The uncertainty over the current government's economic policy has contributed to a decline in the engagement of foreign investors. PiS leader, Jarosław Kaczyński, criticized this as a deliberate attempt to weaken the PiS government by a section of the business community that was allegedly connected to the former government. The December 2015 modification of the official expenditure rule and rising expenditures have reduced the credibility of the country's fiscal framework, although Poland is still on a strong footing economically.

Credibility

8



1

Regional and international cooperation has become more difficult for Poland. First, relations between Poland and the European Union have deteriorated since the latter instigated a rule of law procedure and then an Article 7 procedure against the Polish government. Poland does not behave as a cooperative partner and opposes all demands from Brussels. Second, the United Kingdom is an ally of Poland, which means that Brexit will have an effect. For Poland, the UK's departure from the European Union will mean a loss of influence with large EU members. Third, Poland's foreign policy in the region has so far also been determined by its good relationship with the United States, which was at times considered as being more important than EU membership, especially regarding security and defense policy. Now, the fact that U.S. President Donald Trump follows such an erratic and sometimes pro-Russian approach in his foreign policy, while Poland has a clear anti-Russian stance, impacts Poland's ability to define its place in the region.

The Polish government seeks and has a close relationship with Hungary. Hungarian Prime Minister Victor Orbán supports Poland in the debate about the rule of law shortcomings, although, in contrast to the Polish government, Orbán voted with the European Union in favor of reelecting Donald Tusk as president of the European Council. The friendly approach of Hungary and Slovakia toward Russia also impedes Poland's idea to strengthen Visegrád cooperation vis-a-vis the European Union. It only worked when the Visegrád countries opposed the EU agreement on the resettlement of refugees.

Polish society has always been very supportive of the European Union (70-80% support Poland's membership), and the idea of a "Polexit," which some PiS politicians occasionally send as a message to the public, does not land on fertile ground. There are also policy fields where the Polish government has been more supportive of regional cooperation, such as when the European Union decided on sanctions against Russia and when NATO decided to reinforce the deployment of troops in the Baltic States. But it also opposes the construction of a second Baltic Sea natural gas pipeline by Russia and Western companies. Yet, in the context of 2019 European Parliament elections, there is speculation about future PiS political alliances in the parliament.

All in all, even though the current Polish government is less hostile toward the European Union and multilateral cooperation in the region compared to its previous term in office between 2005 and 2007, it is unwilling to collaborate in energy policy and refugee resettlement, let alone the Article 7 procedure and related infringement procedures.

Regional cooperation

7



1

Strategic Outlook

During the period under review, Poland's economic performance was good and forecasts for the future are positive. Despite a slowdown in economic growth, the main indicators show that this positive trend continues, although the threat of rising public debt due to increasing state expenditures is present. The Responsible Development Plan, which the government unveiled in late 2016 and which is supposed to lift average incomes to the EU average level by 2030, has not yet shown much progress. While the plan's analysis of shortcomings, difficulties and strategic aims for further developing Poland's economy was considered as appropriate, critics argue that it lacks measures to implement these aims.

Besides the debates on appropriate social policies and economic development tools, the measures taken against the judiciary, the media and civil society are much more harmful for the development of Poland. They continue to undermine democratic standards and could contribute to the country's loss of international credibility in political terms, which might have economic consequences too. A decrease in foreign investment is already evident, and conflicts with EU institutions continue. Isolation within the European Union will become an even more pronounced problem for Poland, as the United Kingdom can no longer serve as an ally. Visegrád cooperation is not a serious alternative. Since Poland does not belong to the eurozone and PiS rejects further integration, it is difficult for the country to define a new and strong position within the European Union. Even if a new European Commission after European Parliament elections in May 2019 decides not to continue with the Article 7 procedure (which is more likely because of Hungary's expected veto), regaining the trust of other EU member states might be difficult.

Relations with the U.S. have also deteriorated. Although PiS and its supporters share many of Donald Trump's political visions, such as anti-immigrant and anti-Muslim sentiments, and the preference for national values and interests, the erratic decision-making of the current U.S. president and his initial rejection of NATO and multilateralism in security policy make him an unreliable partner.

Considering the results of the local and regional elections in autumn 2018, in which PiS did not manage to win in larger cities, any predictions about the 2019 parliamentary elections in Poland might be based on the party's performance in the European Parliament elections in May 2019. Law and Justice's alliances in the European Parliament will be critical for Poland's future standing in the European Union.