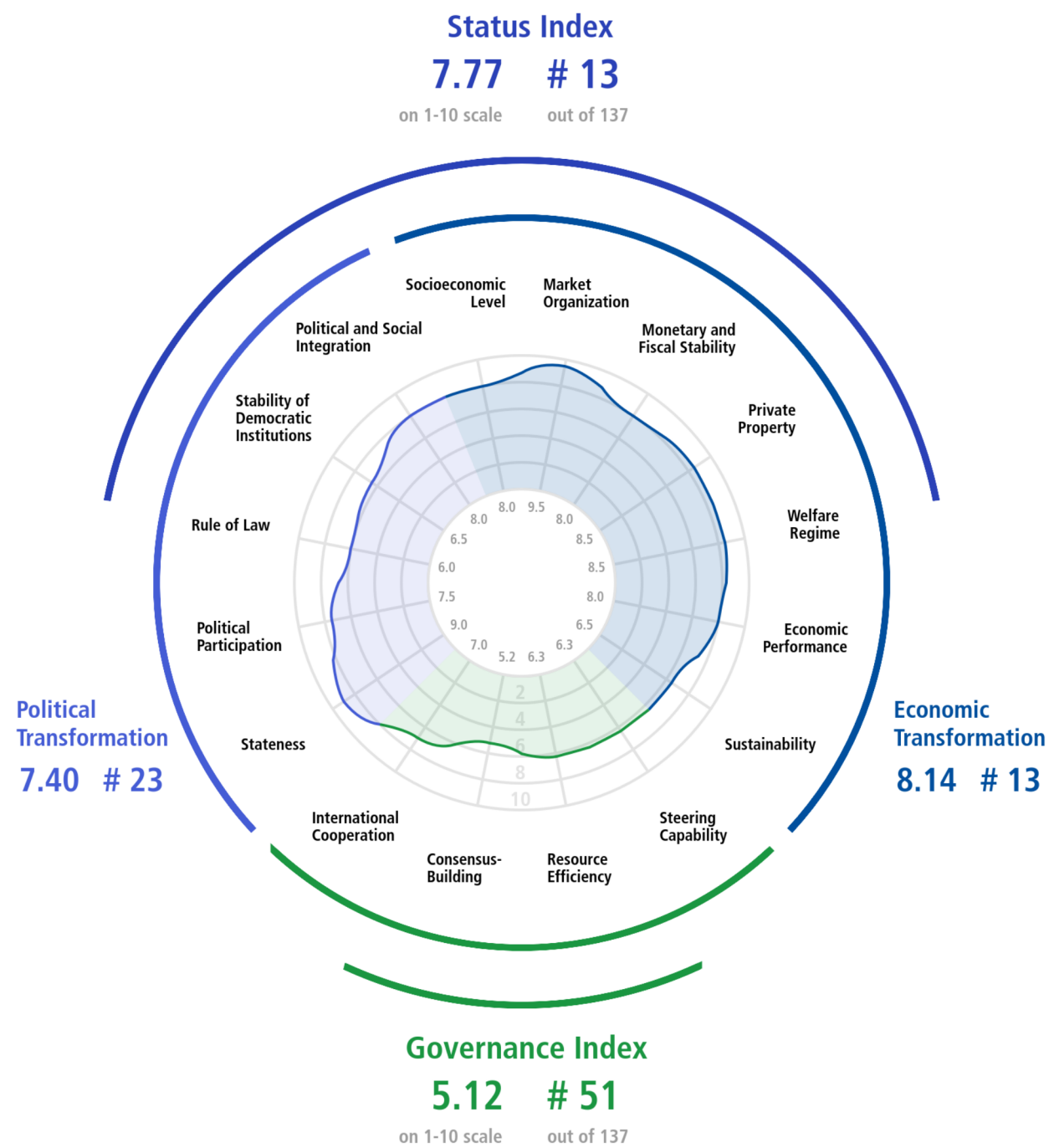


Poland



This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2024**. It covers the period from February 1, 2021 to January 31, 2023. 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>.

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**Key Indicators**

|                          |        |             |                                |              |                      |              |
|--------------------------|--------|-------------|--------------------------------|--------------|----------------------|--------------|
| Population               | M      | <b>37.6</b> | HDI                            | <b>0.876</b> | GDP p.c., PPP \$     | <b>43269</b> |
| Pop. growth <sup>1</sup> | % p.a. | <b>-0.5</b> | HDI rank of 189                | <b>34</b>    | Gini Index           | <b>28.8</b>  |
| Life expectancy          | years  | <b>75.6</b> | UN Education Index             | <b>0.884</b> | Poverty <sup>3</sup> | <b>0.2</b>   |
| Urban population         | %      | <b>60.1</b> | Gender inequality <sup>2</sup> | <b>0.109</b> | Aid per capita \$    | <b>-</b>     |

Sources (as of December 2023): The World Bank, World Development Indicators | UNDP, Human Development Report 2021-22. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.65 a day at 2017 international prices.

## Executive Summary

During the review period, the state of democracy in Poland remained tarnished. The Law and Justice (PiS) government continued to reject the EU's rule of law measures and disregarded judgments from the Court of Justice of the EU. The Constitutional Tribunal's decision, which challenged the supremacy of EU law, along with revelations in January 2022 that the government employed the Israeli spyware Pegasus for surveillance of the opposition, highlighted further legal and political deficiencies in upholding the rule of law. Only toward the close of 2022, due to substantial fines for non-compliance and the urgent need for EU funds held back by the European Commission, did a slight shift become evident. Some compromises concerning the structure of the court system are being considered. Nonetheless, the government continued to impede the media, civil society and municipalities governed by the political opposition. Despite all this, the public consistently demonstrates strong support for democracy and EU membership.

In terms of its economic policies, the PiS has performed better with regard to economic growth and employment. However, budget stability declined due to additional family and pension policy measures, some of which were external to the regular budget. Inflation and energy costs rose, necessitating further compensation strategies. These initiatives primarily serve to provide incentives to segments of society that significantly contribute to the government's voter support, such as traditional families and pensioners. Defense spending also increased and is set to rise further in response to the Ukrainian conflict, reaching 3% of the GDP. The tax reform known as the Polish Deal, enforced in January 2022, was perceived as somewhat unsuccessful due to its complexity and negative impact on the middle class, leading to necessary amendments.

Governance practices have remained consistent over the past two years, characterized by centralized decision-making in the government and reduced deliberation and consultation with societal stakeholders, resulting in limited policy adjustments based on external feedback. The pivotal shift occurred in August 2021 when the third party within the PiS alliance, Porozumienie, exited the government. Since then, the PiS has depended on support from other parties in parliament and collaboration with Solidarna Polska has also become less smooth.

While the course of social and economic policies in 2021 was still heavily influenced by the coronavirus pandemic (marked by significant restrictions in spring 2021), a second profound crisis emerged with Russia's full-scale invasion of Ukraine on February 24, 2022. By the end of 2022, around 1.6 million people had found temporary protection in Poland and many more were engaged in back-and-forth movement. This conflict confirmed Polish concerns and warnings about Russia, compelling the government to reconfigure its energy supply, raw material imports, natural resource management and defense policies.

## History and Characteristics of Transformation

The year 1989 marked a significant turning point in Poland's transition from communism to democracy. At a roundtable conference, the communist leadership and the Solidarity-led opposition came together to initiate political and economic reforms. In June of that year, a semi-free parliamentary election was held, with 35% of seats freely contested and won by Solidarity. Capitalizing on this momentum, one of Solidarity's activists, Tadeusz Mazowiecki, formed a coalition government that was dedicated to furthering democratic change. Subsequently, constitutional amendments were introduced, including a new electoral law and the removal of the communist party's dominant role. As a result, the Polish People's Republic was renamed the Republic of Poland. The dissolution of both political factions led to the emergence of numerous political parties in the early 1990s. In December 1990, the first direct presidential elections took place, resulting in the victory of Lech Wałęsa, the leader of Solidarity.

Democratization was accompanied by an economic transformation from a centralized command to a market economy. This transformation was initiated by then Finance Minister Leszek Balcerowicz and based on stabilization, privatization and price liberalization. His form of "shock therapy" led to a decrease in the country's high foreign debt, budget deficit and inflation and fostered economic growth.

Democratic consolidation finally began to take hold after 1997 with a reorganized party landscape and an improved socioeconomic situation. Poland started accession negotiations to the European Union in 1998, and the following years were marked by intense efforts to implement the *acquis communautaire* 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 in the subsequent referendum, 77.45% of participants voted in favor of EU membership. Poland joined the European Union on May 1, 2004. Over the years, support for EU membership has remained stable at 70% to 80%. 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, and Donald Tusk was president of the European Council from 2014 to 2019.

Since the early 2000s, Poland's party system has been reshaped. Cleavages are no longer found between the former communists and the heirs of the Solidarity movement. Instead, the latter camp has split into two currents that dominate political debates today. The nationalist-conservative Law and Justice (PiS) continues to compete with the liberal-conservative Citizens' Platform (PO). Both parties have led governments since 2005, forming coalitions with smaller leftist or rightist parties and the conservative Polish Peasant Party (PSL). When the PiS won the elections in 2015, it followed the Hungarian example and started to support a redistributive economic policy. But most notably, it contested liberalism and pluralism and curtailed mechanisms to ensure checks and balances – especially in the judiciary, the media and the cultural sphere. This led to protests inside the country and caused various responses from the EU. However, the opposition did not find a convincing counterstrategy, and the PiS-led alliance was re-elected in 2019. President Duda (PiS) also received a second mandate in July 2020.

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 Poland's entire territory.

Since Russia's full-scale invasion of Ukraine, there are concerns that the conflict might spill over into Poland. This fear was high when a missile fell on Polish territory near Przewodów and killed two people. Intelligence reported that it was most probably a misdirected Ukrainian missile. However, the incident would not have happened if there had been no attack on Poland's neighbor.

The nation-state is fully accepted by all citizens as legitimate. However, discussions about Poland's position in the European Union continue. The current PiS government prefers a "Europe of fatherlands," while political parties from the liberal opposition and large parts of the population support ongoing integration and further Europeanization.

Acquisition of citizenship is not contested. Poland does not have a lot of immigration, so the question of naturalization is not a politicized issue. Having or keeping dual citizenship is legally accepted.

Due to the Russian invasion of Ukraine, there are now about two million Ukrainian refugees in Poland, in addition to those who came earlier for work purposes. The issue of citizenship and the rights of immigrants may be on the agenda in the future.

According to Article 25.2 of the 1997 constitution, the Polish state is secular. Nevertheless, Poland remains a religious country, with around 87% of the population declaring themselves Catholic in 2021. The Catholic Church has a long history of seeing itself as a supporter in the fight for independence over the late 18th to early 20th centuries and from Nazi and communist rule. Nowadays, sociologists observe a creeping secularization with a decline in religious commitment, which is most pronounced among young people. Across all age groups, the percentage of non-practitioners rose to 24% in 2021. Among the 18-to-24 age cohort, it rose from 8% to 36% from 1992 to 2021. The proportion of regular practitioners fell from 69% to 23% in the same period.

Question  
Score

Monopoly on the  
use of force

10



1

State identity

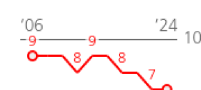
10



1

No interference of  
religious dogmas

7



1

As advice for how the church could increase its authority in society, 58% of respondents answered in 2022 that it should avoid politics and involvement with any political party. This can be understood as a response to the close relationship between the governing party PiS and the Catholic Church, as well as the involvement of a Catholic pro-life initiative, Ordo Iuris, that successfully advocated for a nearly total ban on abortion in 2020. This act has further reduced the approval of the clergy and the church in public life in a society that has become less conservative and more supportive of egalitarian values and gender equality since the early 1990s (CBOS 2022).

Although society is changing, the PiS government attempts to pass laws that adhere to the religious ideals of the Catholic Church. In the case of the abortion legislation, it even relies on an external actor, Ordo Iuris, to shape the legislative process.

Poland's administration has a differentiated structure, and local self-government is well-developed. While the distribution of tasks and money between the national, regional and local levels of administration has always been an issue of political debate, this has become more pronounced not only during the pandemic but also for political reasons.

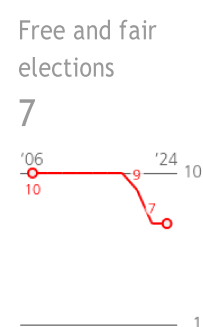
The central government has shifted an increasing number of tasks onto regional and local administrations without providing further financial means to them. Cities governed by mayors from opposition parties in particular face financial shortfalls, while receiving increased responsibilities for public service and infrastructure provision, which they are then less able to carry out than before. Therefore, the debate as to whether EU funds may be directly distributed to the local level without interference from the central government is ongoing. In summer 2021, the Association of Polish Cities criticized the tax changes that are part of the Polish Deal economic policy program because of the shortages in personal income tax revenues going to local budgets it foresees. In 2022, with increasing inflation, local government budgets further decreased substantially. These cities are struggling since they now also have to manage the settlement of Ukrainian refugees.



## 2 | Political Participation

Elections have been free and fair since 1990. However, the recent elections in 2019 and 2020 fell short of expected standards because of the government's grip on the media and hate speech and defamation, expressed mainly by PiS candidates and supporters.

In addition, the government used the COVID-19 pandemic to enforce restrictions on public campaigning that created unfair conditions, especially for opposition candidates. The Organization for Security and Cooperation in Europe (OSCE) Election Assessment Mission noted in 2020 that the elections were technically competitive and pluralistic but criticized those restrictions.



Concerning the upcoming elections in 2023, when elections to the national parliament and local and regional councils would have taken place around the same time, a political and legal debate emerged. The government parties, as a result, decided to shift the date for the local and regional elections to 2024, which can be done by a decision by the prime minister. Although it was the PiS party that decided to prolong the electoral cycle from four to five years in 2018, it now argues that organizational complications should be avoided. The opposition, which has a majority in all larger Polish cities, responded that the government simply wanted to avoid a political defeat prior to the national elections.

Democratically elected political representatives have the effective power to govern. The military, business elites and other groups do not hold any veto power. The Catholic Church also has no formal political power, but priests do make political recommendations during their services and have quite a close relationship with the PiS party in power. Beyond this, the PiS refers to the principles of the clergy when it comes to laws about abortion or same-sex marriage.

In 2015, for the first time since the regime change in 1989, the government was formed by a single bloc, an electoral alliance between the PiS and two small parties. This formation was re-elected in October 2019. However, the most pressing problem in Poland to date is not the power to govern but to control the government. The PiS has become too dominant over the executive, legislative and judicial branches, and democratic accountability is limited since the government has tightened its grip on the court system.

One could also argue that PiS leader Jarosław Kaczyński has veto power over key decisions and policies in Poland. This was the case even before he officially participated in the government as vice-prime minister from October 2020 to June 2022, since he was always considered the de facto party leader.

The freedom of association and assembly is unrestricted and constitutionally guaranteed, and the government generally respects the right to form and join associations. Politically motivated limitations on gay pride parades were lifted in the past, but discrimination against the LGBTQ+ community has increased again, especially during election campaigns. Verbal assaults and unfair evaluations of requests for permits to assemble have been reported.

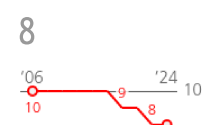
The ban on public gatherings of more than five people and demonstrations due to the COVID-19 pandemic was still in place in 2021, despite the fact that the government never officially declared a state of emergency, which would have been required for such draconian measures. The ban included a requirement to maintain a 1.5-meter distance between participants. At other assemblies, a distance of at least 100 meters was required. In addition, assemblies had to be registered with the authorities. If both criteria were not met, then the police often reacted brutally, even “kettling” demonstrators. The Supreme Court ruled in July 2021 that this ban was illegal. By late March 2022, all COVID-related restrictions were lifted.

Effective power to govern



1

Association / assembly rights



1

Freedom of expression is constitutionally guaranteed in Poland (Article 54 of the 1997 constitution), and it is mostly realized in practice. However, public TV and radio are under almost complete government control. While all Polish governments have aimed to influence public media, the split between public (pro-government) and private (pluralistic orientations) media has become more distinct since 2015. The National Broadcasting Council (KRRiTV), which supervises public media and is supposed to guarantee freedom of speech, has been particularly exploited for political purposes and has imposed fines on journalists for alleged partisan reporting. The latest ranking of the World Press Freedom Index shows that Poland fell to rank 64 in 2021, having dropped from rank 18 in 2015 (in 2022, Poland was ranked 66th, but Reporters Without Borders changed its methodology that year).

In addition to the promotion of partisan, pro-government discourse and hate speech in public media, the government's grip on the judiciary and increasing tendency to criminalize defamation have started to have an effect on private media as well.

In February 2021, the government introduced a bill designed to tax media outlets' advertising revenues. After many private media outlets went on strike a few days later, broadcasting just a black screen or home page, and the government partner, Porozumienie, opposed the idea, the bill was put on hold.

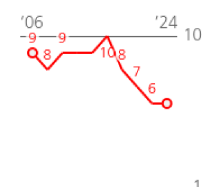
In July 2021, a bill aimed to reduce foreign ownership of Polish media by interests outside the European Economic Area was introduced. It would have forced the U.S. media conglomerate Discovery to give up control of TVN, the country's largest private broadcaster, or risk losing its broadcasting license in Poland. After a lot of international and national criticism, President Duda vetoed the bill. There was no majority in parliament to overturn his veto.

In addition, the government imposed restrictions on journalists who travel to the border with Belarus to report on the people trying to cross the border into Poland.

In January 2022, the Dutch investment group, Pluralis BV, of which George Soros owns around 17%, bought 40% of Polish publisher Gremi Media for PLN 97 million (€21.4 million). Their leading titles are *Rzeczpospolita*, Poland's second-largest daily non-tabloid, and *Parkiet*, a business and finance newspaper.

## Freedom of expression

6



### 3 | Rule of Law

Formally, a clear separation of powers with mutual checks and balances is guaranteed by the 1997 constitution. Governments are accountable to the Sejm, and members of parliament have the right to monitor and supervise the executive.

In practice, checks and balances between the government and the opposition have become largely ineffective in recent years, and institutional accountability has become increasingly limited. After the PiS succeeded in the 2019 parliamentary elections, it received 51.1% of seats, despite its share of 43.6% of votes, due to its alliance with Porozumienie (Agreement) and Solidarna Polska (United Poland). Subsequently, it used its parliamentary majority to continuously ignore the opposition's rights and circumvent parliamentary procedures in its own interests. Although the Senate has been controlled by the opposition since the last elections, its veto power can be overruled with a three-fifths majority, which the government party members of parliament in the Sejm have.

The separation of powers has also been severely limited because the judicial system is almost completely under the control of Duda's administration. The presidents of the Constitutional Court and the Supreme Court are close allies of the ruling party. Court procedures were also changed in favor of the government.

Civil society organizations hold numerous demonstrations and protests against the further dismantling of the democratic state by the PiS. Independent private media report on it as well. The European Commission's Article 7 procedure against Poland is ongoing. Four infringement procedures against Poland on rule of law matters at the Court of Justice of the European Union (CJEU) brought about only partial improvements in the separation of powers.

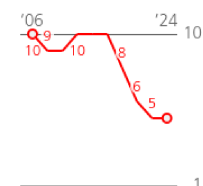
The independence of the judiciary is impaired by the political authorities. The Constitutional Court lost its autonomy in 2016. Meanwhile, ordinary courts and the Supreme Court were further politicized by several pieces of legislation passed since 2016 and by the appointment of PiS-ally Małgorzata Manowska as president of the Supreme Court in 2020. The National Council of the Judiciary was also brought under government control.

How judges are trained, appointed and promoted, and how cases are assigned to judges, are no longer free of political interference. Hence, the judiciary's oversight options are very limited. During the COVID-19 pandemic, the government implemented several measures that restricted the courts' operational capacities and introduced further challenges to their ability to perform their functions properly.

The Polish judicial associations, Iustitia and Themis, use various means in an attempt to regain their independence and defend their fellow judges from governmental constraints in court procedures. Among other measures, they contributed to the decisions of the European Commission to launch the four infringement procedures at

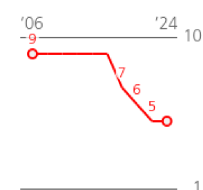
Separation of powers

5



Independent judiciary

5



the CJEU. The judges and the European Commission were especially critical of the Disciplinary Chamber of the Supreme Court, which was established in 2018, and the so-called muzzle law from January 2020. Both aim to punish judges who question the judicial changes the government has implemented. Since Poland did not follow the CJEU's interim decision to dissolve the chamber, the country has been forced to pay a fine of €1 million per day since October 27, 2021.

The ruling of the Constitutional Court in October 2021, at the request of Prime Minister Morawiecki, stating that the current state of EU integration threatens Poland as a sovereign and democratic country, exacerbated the problem of legal uncertainty.

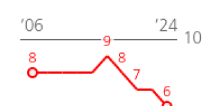
After the European Commission stayed firm regarding the rule of law mechanism for transferring payments from its budget and the EU COVID Recovery Funds (€23.9 billion in grants and €11.5 billion in inexpensive loans), the Polish government began to make some concessions in late 2022. The first one, which dissolved the Disciplinary Chamber and introduced the Chamber of Professional Liability, did not change anything substantially. But in December 2022, the PiS introduced a new bill that would transfer disciplinary powers over judges from the Supreme Court to the Supreme Administrative Court and modify the system for testing the independence and impartiality of judges. Prime Minister Morawiecki supported the bill, while President Duda opposed some sections that would reduce his influence over the appointment of judges, whereas Minister of Justice Zbigniew Ziobro stated the bill would lead to anarchy in the judicial system. Hence, the bill is again under discussion in government circles.

Corrupt officeholders are supposed to be prosecuted according to Polish 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 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.

In practice, the general tendency of the PiS government toward political clientelism and the curtailment of checks and balances impedes the impartial functioning of the rule of law. In addition, the Central Anti-Corruption Bureau (CBA) is closely linked to the government and lacks independence. The Supreme Audit Office (NIK) and the Ombudsman used to be independent institutions in the fight against corruption, but these institutions no longer operate fully independently. Law Professor Marcin Wiącek was appointed to the Office of the Ombudsman in July 2021 as a compromise candidate after a long quarrel between the government and opposition. Since then, there have been several occasions when he did not pursue certain problems sufficiently but relied on government institutions. Parliament lifted the immunity of Marian Banaś, the head of the NIK, in January 2022. Since then, he has faced various accusations from the government.

#### Prosecution of office abuse

6



Defaming politicians and public officials as corrupt is often used as a political tool by government members (see Anti-corruption policy). Banaś had notified prosecutors because the government spent PLN 76 million of tax payers' money on organizing the presidential election by post during the COVID-19 pandemic before the relevant legislation was passed. Later, the mode of election had to be changed, and the money was lost.

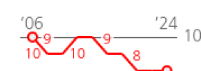
The PiS introduced a campaign to ban nepotism inside the party or by party members in July 2021 but failed to really investigate accusations coming from journalists or other actors outside the party. While the CBA reports selected cases of corrupt officeholders on its website, there is no comprehensive, impartial implementation of the government's Anti-Corruption Program for 2018 to 2020 as the NIK and independent NGOs report, nor a follow-up program.

Civil rights are codified in the constitution and used to be respected by all state institutions. Currently, the government does not engage in fighting certain violations of civil rights and even engages in actions that demonstrate that it does not consider all segments of the population to be citizens with equal rights. Discrimination against women and against other groups based on sex, race, religion and political preference takes place, and the privacy of individuals is not always protected.

LGBTQ+ people face discrimination from the Catholic Church, politicians belonging to the government parties and some local authorities. The so-called LGBTQ+ free zones (or rather zones free of "LGBT ideology" protecting children from "moral corruption") that over 100 Polish local governments declared in 2019 still stir up considerable protest. An NGO, the Foundation for Life and Family, even prepared a bill that was discussed in parliament in October 2021, which aimed to abolish gay pride parades or "homosexual propaganda in public space." After protests from Polish activists and criticism by the European Commission, which threatened in summer 2021 that it would hold back its funding due to these discriminatory practices, and a ruling by a Polish Appeals Court in June 2022, some municipalities withdrew their resolutions.

#### Civil rights

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## 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, since the PiS took power in 2015, there have been deficiencies in democratic practices. The Constitutional Court and the Supreme Court are under the government's control, and this has limited the executive's accountability. Furthermore, over the past few years, the rights of the parliamentary opposition have been curtailed. The government often uses fast-track legislation to pass its bills quickly without much debate. In addition, public administration and the civil service have been politicized, with the PiS government replacing senior administrative staff on an unprecedented scale. Regional and local governments, which are often governed by the opposition, receive less funding from the national government than pro-PiS regional and local governments, while local government tax revenue decreased due to reduced economic activity during the COVID-19 pandemic. The effectiveness of democratic institutions is severely impacted by these various factors.

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. Since the PiS has been in power, there are serious doubts that this holds true for all political actors, considering legal changes that have impeded the independence of the court system, the media and the rights of the political opposition. In addition, the government has attempted to restrict journalists' access to parliament and promoted biased reporting about judges and opposition politicians in government media and elsewhere. As the PiS often shows disrespect for democratic institutions, the party seems to favor illiberalism over a pluralistic democracy.

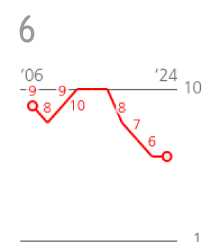
Most interest groups and associations respect democratic institutions. Legal experts and the political opposition frequently questioned executive dominance over the state of emergency during the pandemic, thus showing a strong interest in a functioning constitutional system of checks and balances.

## 5 | Political and Social Integration

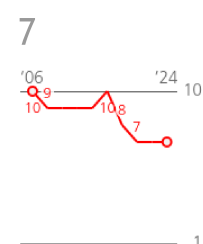
The party system is highly polarized, with the main cleavage running between PiS and PO (or KO, Civic Coalition, as its electoral alliance is called), which has manifested in the sociodemographic features of their respective electorates. Following the 2019 parliamentary elections, five party blocs or electoral coalitions were represented in the Sejm: the PiS, KO, the Left (Lewica), the Polish Coalition led by the Polish Peasant Party, and the far-right Confederation (Konfederacja).

Polarization further increased during the presidential elections due to the unfair treatment of the political opposition by the government and public media. This election produced a new political party, Polska 2050, whose leader, Szymon Hołownia, ran as a candidate in the presidential elections and came in third in the first

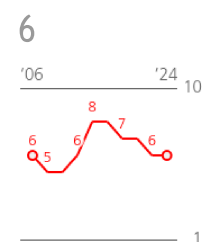
Performance of democratic institutions



Commitment to democratic institutions



Party system



round. His movement was turned into a political party in April 2021. It follows centrist political ideas, borrowing from all political currents. Seven members of parliament from KO and one from SLD left their factions and created a parliamentary bloc that resulted in Polska 2050 being represented in the Sejm.

Polarization among political parties remains high, and the PiS aims to discredit the KO in particular by stirring up divisions over cultural issues (gender, religion) and false allegations, especially about PO party leader Donald Tusk, who returned to Poland from his political work in the EU Council and the European People's Party.

The gap between young, urban, well-educated segments of the electorate and rural, elderly, less well-educated segments has deepened.

Party membership remains low (around 1%), which indicates that parties serve mainly to bring people into political office and less as networks that interact with society. Voter turnout used to be traditionally low but increased in the 2019 elections to 61.74%.

All in all, the party system is variable, with other, smaller parties than the PiS and PO appearing and vanishing from time to time on the left, right and in the center of the political spectrum. For the PiS and its allies in power, clientelism is a means of capturing voter support via the party's generous social policies and the support of individual politicians by offering access to relevant political positions.

While the polls favored the parties from the opposition in late 2022, those parties had not yet decided on a strategy for the upcoming parliamentary elections, including whether they would run together as a coalition.

Poland has a large number of interest groups, including business associations and trade unions. Environmental groups are less prominent but are growing, and the Polish branch of Fridays for Future also organized several protests prior to the outbreak of the pandemic. 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 decreasing influence in a society that is becoming increasingly secular and critical of the church. However, the Ordo Iuris Institute for Legal Culture, a pro-life, religious think tank that also prepares bills and legal complaints, has become a very active and influential lobby organization.

Their complement is the All-Polish Women's Strike (Ogólnopolski Strajk Kobiet), which is concerned with women's rights (including reproductive rights), LGBTQ+ and minority rights and is a vocal critic of PiS illiberalism. The legal associations Iustitia and Themis have become active and prominent critics of PiS actions. Farmers' associations began to protest against the government too because of its lack of support during the pandemic.

Interest groups

9

'06 '24 10

-9

1

NGOs collaborate, especially those that do not receive much government support. They form close networks and exchange information on funding opportunities or jointly call for demonstrations. With the many people coming from Ukraine, a dense network of organizations that provided well-coordinated help emerged very quickly.

Approval of democratic norms and procedures is consistently high among the Polish population, usually oscillating between 60% and 70%. In April 2021, about 68% agreed that democracy is the best of all political systems. In the same survey conducted by the Polish Center for Public Opinion (CBOS), 62% of respondents said it would make a difference if the political system were not democratic, which is one of the highest percentages since 1992.

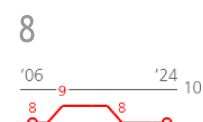
However, specific support for democracy is lower. According to the survey, the number of Poles who are satisfied with the way democracy works in their country is 38%, while 52% are dissatisfied. People see the problems quite clearly: In comparison to 2017, more people observe a deterioration of the freedom of expression and association, of the personal freedom of citizens, of the level of protection of the rights of minorities, of citizens' opportunities to be active in the public sphere and of the rule of law. Fewer people, 68%, think that elections are free and fair compared to 2017, when 75% held that opinion.

Unsurprisingly, according to data from May 2021, PiS supporters were most satisfied with democracy, 83%, while KO and Lewica supporters were least satisfied, with 12% and 18%, respectively. Only 16% of supporters of Polska 2050 thought democracy worked well.

There are many autonomous groups, associations and organizations, among which charitable institutions (e.g., the Great Orchestra of Christmas Charity, the Polish Red Cross and Caritas) are generally well-trusted. The level of civic participation in Poland is constantly increasing. Most Poles devote free time to voluntary social activities, mainly with family and friends, but 40% (a slight decrease from 43% in 2020, before the pandemic) also engage in civil society organizations (CBOS, March 2022). Regarding their political engagement, fewer Poles were members of a political party in 2022 (0.5%) compared to 2020 (0.9%), but more than in 2020 (3.0%) were active in an interest group or protest movement (4.2%).

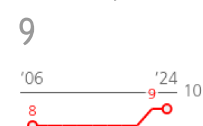
While the level of trust varies, it also shows some positive trends. In 2020, 98% of Poles said they trust mainly family members, with high percentages also recorded for friends (95%) and colleagues (88%), as well as for neighbors and volunteers in their place of residence. Overall, people remain cautious of strangers, although this is changing as trust in strangers rose from 29% in 2018 to 40% in 2020. In November 2022, another CBOS survey showed that many people consider the political situation bad (54%), as well as the economic one (52% in comparison to 34% in May 2021) but said that, personally, their families lived relatively well (49%) or 43% were living moderately well.

#### Approval of democracy



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#### Social capital



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During the pandemic, but also when many refugees came to Poland via Belarus in 2021, and especially with the people fleeing the war in Ukraine, considerable solidarity emerged as members of the public self-organized and offered help very quickly.

## II. Economic Transformation

### 6 | Level of Socioeconomic Development

Absolute poverty has decreased in Poland but not exclusively because of the government's welfare policies. The positive developments in the labor market and access to education, as well as the measures taken by the previous government prior to 2015 that reduced the high number of temporary contracts and included contract workers in the social security system, mitigated social disparities. Poland now ranks among the better-performing 50% of EU member states for social exclusion.

The Gini coefficient of 27.2 in 2020 indicates a relatively high level of equality, with 16.8% of the population at risk of poverty or social exclusion (Eurostat 2021), which is a slight increase of two percentage points compared to 2018. In addition, the HDI index (0.876 in 2021) remained stable during the pandemic, while for children below the age of 18, the risk of poverty has declined to 16.5% (2021) compared to 17.2% in 2018. Poland's Gender Inequality Index (GII) score of 0.109 (2021) demonstrates small improvements for women in society, especially regarding the maternal mortality ratio and representation in parliament.

Yet, unemployed young people, single mothers and people with special needs are still disproportionately threatened by poverty. Financial transfers to families cushioned social inequality, as the transfers lifted family incomes, although relative poverty (people living on less than 50% of the average household expenditure) remains a problem. The relative poverty rate decreased from 14.2% in 2018 to 12% in 2021. The share of Poles living in extreme poverty decreased somewhat to 4.2% in 2021, from 5.2% in 2020, according to the European Anti-Poverty Network. This was due to improved social assistance but will most likely change due to increasing inflation, which peaked at 17.9% in October 2022.

The government's anti-pandemic response included measures to prevent poverty, such as short-term work, postponement schemes for housing credits and assistance to the elderly. Increasing energy costs create severe problems for the poor, which is why the government introduced another package of support in 2022. It also provided several types of support to Ukrainian refugees, although not to third-country nationals fleeing the war there.

Question  
Score

Socioeconomic  
barriers

8



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| Economic indicators       |          | 2019     | 2020     | 2021     | 2022            |
|---------------------------|----------|----------|----------|----------|-----------------|
| GDP                       | \$ M     | 596058.5 | 599442.8 | 679441.9 | <b>688176.6</b> |
| GDP growth                | %        | 4.5      | -2.0     | 6.8      | <b>4.9</b>      |
| Inflation (CPI)           | %        | 2.2      | 3.4      | 5.1      | <b>14.4</b>     |
| Unemployment              | %        | 3.3      | 3.2      | 3.4      | <b>2.6</b>      |
| Foreign direct investment | % of GDP | 3.0      | 3.2      | 5.5      | <b>5.1</b>      |
| Export growth             | %        | 5.3      | -1.1     | 12.5     | <b>4.5</b>      |
| Import growth             | %        | 3.2      | -2.4     | 16.1     | <b>5.5</b>      |
| Current account balance   | \$ M     | -1445.0  | 14764.0  | -9562.0  | <b>-20762.0</b> |
| Public debt               | % of GDP | 45.7     | 57.2     | 53.6     | <b>49.1</b>     |
| External debt             | \$ M     | -        | -        | -        | -               |
| Total debt service        | \$ M     | -        | -        | -        | -               |
| Net lending/borrowing     | % of GDP | -0.5     | -7.1     | -2.4     | -               |
| Tax revenue               | % of GDP | 17.3     | 17.5     | 19.2     | -               |
| Government consumption    | % of GDP | 18.0     | 19.1     | 18.8     | <b>18.2</b>     |
| Public education spending | % of GDP | 4.7      | 4.9      | 4.9      | -               |
| Public health spending    | % of GDP | 4.6      | 4.7      | -        | -               |
| R&D expenditure           | % of GDP | 1.3      | 1.4      | -        | -               |
| Military expenditure      | % of GDP | 2.0      | 2.2      | 2.2      | <b>2.4</b>      |

Sources (as of December 2023): 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 market competition. All market participants, whether domestic or foreign, have equal opportunities.

Yet, the informal sector is quite large, accounting for 20.1% of all forms of employment, according to the International Labor Organization (ILO). In the agricultural sector alone, about 50% of all workers are engaged in informal arrangements. The Polish Institute of Economic Forecasts and Analyses estimated that, in 2022, about 18.9% of GDP was generated in the shadow economy. One of the primary causes attributed to this is the war in Ukraine, which prompted numerous enterprises to resort to informal practices to conserve resources amid uncertainty.

Measures have been introduced to facilitate the process of setting up a business, reduce bureaucracy and costs, ease tax-related issues and resolve insolvency.

Regarding foreign investments, two problems have arisen in the last two years: uncertainty regarding legal enforcement due to changes in the judiciary and the complicated, frequently changing tax system.

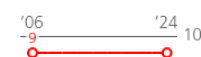
Market intervention was made easier during the coronavirus pandemic, with the Office of Competition and Consumer Protection (UOKiK) empowered by a change in legislation to object to investments in companies of key national importance. The UOKiK generally protects market access and consumers' interests in an active and independent way.

Comprehensive competition laws to prevent monopolistic practices are enforced. The Office of Competition and Consumer Protection (UOKiK) – the main anti-monopoly office – functions well. It intervenes in cases of market concentration or market dominance. In addition to enforcing competition laws, it is consulted during lawmaking processes. There is full compliance with EU requirements, and further adaptations took place by amending an act on the private enforcement of the competition law in June 2017. With this act, a new private law route for enforcement became available, allowing aggrieved parties to pursue their claims in an effective manner. Anyone suffering 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 upon the provisions of the competition law. The claims are examined by regional courts, regardless of the value of the claim.

Tomasz Chróstny, the new director of the UOKiK appointed in January 2020, was actively involved in establishing the anti-crisis shield to protect the economy during the COVID-19 pandemic. This included new deadlines and decisions on approvals of market concentrations by the UOKiK and other measures to help households and

Market  
organization

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Competition policy

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businesses. The new director also wanted to focus more strictly on violations of competition law and use fines more actively. In 2022, the UOKiK played a notably active role in identifying instances when supermarkets and banks sought to capitalize on rising inflation. Moreover, banks were found to be denying their customers the opportunity to avail themselves of a newly introduced option, sanctioned by a law from July 2022, to temporarily suspend mortgage payments for a duration of up to four months.

Foreign trade is liberalized, with uniform, low tariffs. Poland joined the WTO in 1995 and the European Union in 2004. Most trade (86.4% of imports and 62.7% of exports) is with the developed world, namely with EU member states (75.1% of exports and 54.1% of imports), among which Germany is the most important trading partner (28.8% of exports and 20.8% of imports in 2021), according to the Polish Statistical Office. Recently, Poland has diversified its exports toward new, more dynamic markets and has reduced its current account deficit as a result. Trade relations with the countries to the east have deteriorated due to the conflict between Russia (imports down to 5.9%) and Ukraine, which started in 2014. China is now Poland's second-most important import partner (14.8%) after Germany. The largest share of both exports (37.1%) and imports (34.5%) are machinery and transport equipment.

The banking system contributed positively to Poland's good economic development due to the central bank's conservative, risk-averse investment policies. The banking sector has remained profitable, well capitalized and liquid, and has become one of Europe's top performers. According to World Bank data, the share of non-performing loans has decreased, reaching 2.9% in 2021 (according to EU data, to 5.4%). The bank capital-to-assets ratio has increased in recent years, reaching 6.8% in 2021, which is slightly above Germany at 5.9%.

The banking system is organized according to international standards, with functional supervision, minimum capital requirements and market discipline. 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). In 2022, it was divided into 30 commercial banks, 511 cooperative banks and 37 branches of credit institutions.

Yet, some politically motivated changes have taken place with regard to commercial banks in the past few years. Despite a general openness to foreign capital, the Polish government has launched a campaign dubbed "repolonization" to decrease the proportion of foreign-owned banks in the country. The state now accounts for about 57.9% of banks, including the two major institutions, PKO BP and Bank Pekao, and the top insurance company, PZU.

Data from 2021 shows that the Polish banking sector recorded a loss of €207 million for the first time in 27 years. This resulted from a low demand for loans during the pandemic, a growing risk due to debts to Swiss banks, forcing Polish banks to increase their reserves, which experts consider to be a ticking bomb, and very low

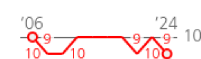
#### Liberalization of foreign trade

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#### Banking system

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interest rates. In 2022, with increasing inflation, interest rates also rose sharply. This resulted in a new law in July 2022, allowing people to suspend their mortgage payments for up to four months and for another four months in 2023. According to the government, this program should cost the banking sector up to PLN 20 billion (€4.25 billion) over two years.

## 8 | Monetary and fiscal stability

The National Bank of Poland (NBP) is an independent body, guaranteed by Article 227 of the 1997 constitution. Its current president, Adam Glapiński, who was appointed in June 2016 and re-elected in May 2022 for a second term, was an economic adviser to the deceased president, Lech Kaczyński. He is, therefore, quite close to the incumbent government. However, his management during the coronavirus pandemic and the fiscal and monetary measures imposed seem to have worked well. However, for his response to rising inflation in 2021 and 2022, he received criticism.

Poland's monetary policy seeks to maintain stability by using a floating exchange rate. Poland does not participate in Exchange Rate Mechanism (ERM) II, which aims to balance exchange rate fluctuations between the euro and other EU currencies and is a precondition for adopting the euro. Hence, Poland does not meet the Maastricht criterion on exchange rate stability. Controlling inflation has been a recognized goal of its economic and monetary policy, but inflation rose sharply from 2.2% in 2019 to a peak of 17.9% in October 2022, driven by increasing prices for energy due to the threat of Russia's subsequent invasion of Ukraine. The government introduced cuts to VAT for food and fuel. In May 2022, Poland fulfilled only one of the criteria for adopting the euro: the one regarding public finances.

Another issue is that legislation in Poland is not fully compatible with the Maastricht Treaty and Article 131 of the Treaty on the Functioning of the European Union. This article requires national banks' institutional organization to be compatible with EU law, which is not the case in Poland. Existing NBP regulations would require changing the constitution to attain compatibility. Since the PiS government is not interested in introducing the euro, although Poland is legally committed to doing so, it has not pursued efforts to meet all the relevant criteria. It has concerns about price increases and that changing the currency will not be profitable for the economy since Poland survived the financial crisis outside the eurozone quite well. Moreover, the government has no interest in delegating further competencies to the European level. This reluctance will make it difficult to obtain the two-thirds majority necessary to amend the constitution.

### Monetary stability

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As a consequence, Poland could not participate in EU agreements on coronavirus bonds. Therefore, in response to COVID-19, the NBP intervened in the foreign exchange market.

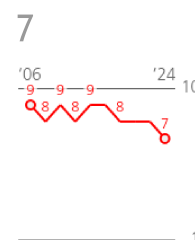
In addition to debates about EU financial integration, domestic tensions about monetary policy have emerged. Members of the Monetary Council, which sets interest rates, expressed divergent opinions on how to address the increasing inflation. A political undertone to this quarrel became apparent in October 2022 because NBP president Glapinski's course was opposed by three members of the council appointed by the Senate.

The government's fiscal and debt policies generally promote macroeconomic stability, but social spending during the pandemic and on energy and on accommodating the approximately 1.7 million Ukrainians who left their country has increased. Populist promises are repeatedly made. The general government deficit increased from -0.7% in 2019 to -7.1% in 2020 due to these expenditures, while the projection for 2021 was -4.2 (EBRD data). The general government debt-to-GDP ratio is expected to rise by around 10 percentage points to 56.5% from 2020 onward (continuing in 2021 and 2022), compared to 45.7% in 2019.

Budgetary policies are characterized by spending schemes that address the outcomes of crises. Moreover, the various measures and tax changes under the Polish Deal, a major tax reform and economic program the government implemented in January 2022, also increased the complexity of the revenue and expenditure systems. Budgetary transparency has significantly deteriorated. The EBRD noted that harmonization with Eurostat definitions should be improved.

In addition to social spending, which also includes the 13th and 14th pensions, two additional payments on top of the regular 12 monthly payments, and increased expenses for health care, expenditures for the military are rising. From 2023 on, the government will spend 3% of the GDP on defense. In order to finance this, the government introduced a bill to change the constitution in April 2022, aiming to allow the suspension of the debt brake of 60% of GDP. In April 2022, new Finance Minister Magdalena Rzeczkowska, previously secretary of state, was appointed, taking the position that Mateusz Morawiecki had formerly filled in addition to his job as prime minister.

Fiscal stability



## 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 accession to the European Union, foreigners from EU member states and European Economic Area (EEA) countries have been allowed to purchase land and real estate. Further amendments to the land law that eased restrictions for investors from non-EU member states were introduced in 2011. Obstacles today include the slow and increasingly unpredictable functioning of the judicial system and the continuing piracy of intellectual property, despite the government's efforts to improve protections. The actions taken to "repolonize" Polish banks and media enterprises do not directly constrain the property rights of nationals from other EU member states but create a climate that is less open to them. The government's attempt to abolish activities by media companies from outside the European Economic Area, which would have entailed the withdrawal of the broadcasting license of the TV channel TVN, owned by Discovery, is an example of this. Only after domestic and U.S. protests did President Duda veto the bill, which was subsequently tabled.

Private companies are viewed institutionally as the primary engines of economic production, and they enjoy appropriate legal safeguards in principle. The private sector has increased to around 75% of employment and 70% of GDP and faces only moderate bureaucratic obstacles. However, 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. While many private companies survived the pandemic, due in part to several protection shields set up by the government, fast-changing legislation and its low quality cause problems for 77% of domestic businesses, as a study by the European Commission found.

In recent years, the government has not prioritized the private sector. For instance, in the energy sector, the Polish state continues to be the most influential actor. In summer 2022, four Polish state energy firms, PGNiG, Enea, Energa and PGE, announced that they would sell their shares of Poland's largest coal producer, Polska Grupa Górnicza (PGG), for PLN 1 (€0.21) each to the state treasury. This is part of the government's plan to reorganize the energy sector and start shifting away from the coal mining industry. It also illustrates that this is perceived as a state business and not a sector in which private companies should be involved.

### Property rights

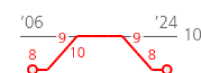
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### Private enterprise

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## 10 | Welfare Regime

Poland has a public, contribution-based welfare regime, and the PiS government continues to expand it. New additional payments increased individual household incomes and helped to reduce absolute poverty. Social inequality has been shrinking as well. These policies also eased the situation of many Poles during the pandemic. However, the increase in state benefits for certain groups of the population has not always been accompanied by structural reforms or investments in better infrastructure for nurseries, schools or institutions for the elderly.

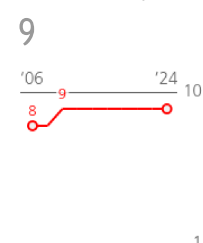
The PiS government's bestseller is the Family 500+ Program, which provides childcare benefits and has been in effect since April 2016. Initially, the benefit was paid only to parents with two or more children. In May 2019, the program was extended to cover the first-born child as well. The program costs PLN 23 billion or 1.7% of GDP but is very popular. While similar payments exist in other EU member states, PLN 500 per month is very high compared to the Polish average net disposable income per capita in households (PLN 1,843 per month in 2019). In addition, families with low incomes (less than PLN 674 per person per month) receive a family allowance between PLN 95 and PLN 135 monthly for child rearing and PLN 300 annually for school expenses.

The government also increased spending on pensions. First, a 13th pension payment was introduced in 2019 and, in November 2021, a 14th pension payment as well. The only exemption is for people among the 10% of the population that receive the highest pensions, which start at PLN 2,900 per month (around €640 at that time). Pensions were increased overall in February 2021 by 4.24%. Under the new tax scheme, implemented as part of the Polish Deal, except for those who receive more than PLN 5,000 per month, pensioners will pay very little income tax.

In contrast to families and pensioners, unemployment benefits were not adapted, but the government responded with measures such as short labor and state support for companies during the pandemic. It also increased the minimum wage to PLN 2,800 in 2021. According to Eurostat, in February 2021, Poland had the European Union's lowest unemployment rate, at 3.1%, compared to 7.5% across the European Union.

The health care system is inefficient, and fundamental reforms are delayed. Health insurance covers 98% of the population, but this provides for only a limited range of services. Additional out-of-pocket payments account for 23% of health care spending (the EU average is 16%). Poland has the lowest patient-doctor ratio in the European Union, and access to health care is not evenly distributed throughout the country. The government announced an increase in spending to 6% of GDP by 2024 and to 7% by 2027 through the 2021 Polish Deal tax reform.

Social safety nets



Since early 2022, rising inflation has caused difficulties for people with low incomes. Heating costs also increased significantly. The government distributed a one-time subsidy of PLN 3,000 (€642) to all households with coal stoves.

Support for Ukrainians who fled their country after February 2022 is generous. In addition to other assistance, they can receive financial support for childcare at PLN 1,000 per month over the course of one year.

Due to Poland's strong economic performance, unemployment and regional disparities are decreasing. The increase in family allowances, child support benefits and the minimum wage have helped to improve families' finances. Yet, childcare and other institutions that enable women to combine work and family life have not been improved by the government. Rather, the new Demography Strategy from 2021 and the new tax scheme, the Polish Deal, encourage home childcare and preferentially benefit married couples.

Discrimination against women in the labor market is still an issue, despite equal access to education. The ratio of female-to-male enrollment is 1 for primary and secondary education, but women constitute the majority of university students, with an enrollment ratio of 1.3, according to World Development Indicators 2022. However, this does not secure equal levels of employment for men and women. In 2021, the female labor force was 45.0%, having not changed much over the years. The female employment rate increased to 65.4% but remains low compared to other EU member states, and the gender employment gap is 15.1, mainly due to a lack of nurseries.

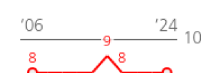
Nevertheless, the European Institute for Gender Equality, which publishes the gender equality index and country assessments annually, indicates some improvements for women in Poland (including the maternal mortality rate and representation in parliament), with Poland's score increasing to 56.6 out of 100 points, ranking it 23rd in the EU. Despite the slight increase in female members of parliament (29%, an increase of two percentage points from the 2015 election result), women remain under-represented in politics. Although legislative gender quotas are used for Sejm elections, some political parties do not promote gender equality in politics and do not actively support women's enhanced political representation and participation.

Anti-discrimination policy has not featured prominently on the agenda of the PiS government. On the contrary, the government continues to promote a strong anti-LGBTQ+ discourse, although there is no systematic legal discrimination. Same-sex marriages are not legally recognized.

Poland bestows legal residence on Ukrainian refugees who entered the country after February 24, 2022, the right to work and access to health care, in addition to financial support for a certain period of time. These benefits did not extend to citizens of third countries, and there were reports from NGOs that African or Arab students coming from Ukraine were not treated in a similarly friendly way.

#### Equal opportunity

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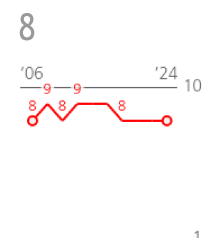
## 11 | Economic Performance

The performance of the Polish economy has been generally good but is now mixed. Growth rates recovered quickly after the pandemic-related decline due to several anti-crisis shields, from about -2.2% in 2020 to a projected growth of 4.0% of GDP for 2022, according to the EBRD Transition Report. GDP per capita continues to grow and was at \$38,135 in 2021, with a total GDP of \$674,048.3. This development is relatively sustainable insofar as it rests on solid domestic consumption, high consumer confidence and relatively low unemployment (decreasing from 3.5% in 2019 to 3.1% in 2021), as well as improved tax collection. However, the inflation rate rose tremendously from 2.1% in 2019 to 10.2% in March 2022 and up to 17.9% in October 2022. In addition, the war in Ukraine created new problems for Poland. These include social spending for Ukrainian refugees, expenditures for defense, insecurity regarding economic development due to security threats and the necessity of redirecting energy production and import routes.

In terms of productivity, Poland caught up with more developed EU member states, although it is still at 63% of the EU average. The diversified export structure of the manufacturing sector helps to balance developments in trading partner countries. These are all favorable conditions for foreign investment (notably, Microsoft will invest PLN 1 billion in a company to expand data processing in Poland, and Google opened a new cloud data hub in April 2021, investing €1.7 billion). However, Poland's competitive position has some shortcomings. The regulatory framework for setting up a business is quite complicated. Moreover, the decline in legal security and the government's attempts to "repolonize" ownership of the economy or to engage, at times, in erratic interventions make the country somewhat unpredictable for investors. The rate of foreign investment in 2020 was 2.9% of GDP, which is somewhat below that seen in some previous years, but, in general, this rate is quite volatile.

As a measure to address the impact of the war in Ukraine, the government reduced income tax as an anti-Putin shield from 17% to 12% beginning in July 2022 in order to stimulate domestic consumption and indirectly increase people's income. While trade in goods with Russia is no longer important to Poland, the supply of energy and raw materials is relevant and has become more expensive. Russian coal makes up 65% of the Polish energy mix. This creates quite a challenge, impeding Poland's plan for a coal phase-out, and forced the government to look for new supply options. Since May 2022, more energy has been imported from Germany than from Russia, but the dependency on Russia still remains.

Output strength



## 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, the government has always prioritized economic growth over the protection of the environment and was especially concerned about the domestic coal industry. This even created problems with the neighboring Czech Republic, when Poland continued to mine coal close to the border in Turow, despite complaints about environmental problems. The Czech government sued Poland in February 2021 at the Court of Justice of the European Union, which ruled in September 2021 that Poland had to pay a daily fine of €500,000 since it ignored the initial request to end the mining.

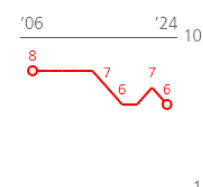
In the meantime, the government has started to invest in renewable energy. Its share has grown to 16.9% in 2021. It also now recognizes the costs of coal mining, including the implications of high emissions and air pollution, which is a big problem in Poland, as the European Air Quality Index shows. In 2020, the government reached an agreement with trade unions and the mining sector to phase out coal by 2049. By 2040, only 11% to 28% of electricity should be coal-based. Today, that percentage is still around 70%. Due to the various difficulties the war in Ukraine creates, the government argues that this process must decelerate.

Poland participated in the Baltic Pipe gas pipeline, which sends Norwegian gas to Poland and allows Poland to transport gas to Denmark. Another new gas pipeline between Slovakia and Poland opened in August. Moreover, Poland wants to build a nuclear power plant; the first of three will start operations in 2026 with aid from an American company.

In summer 2022, a fish disaster in the Oder River was detected, and strained relations with Germany due to the nontransparent handling of the search for the root of the problem. The Polish authorities investigated the issue and found elevated levels of salt and the growth of certain algae but did not identify the source of pollution. The government compensated companies with PLN 3,010 per employee if the company's income loss due to the environmental catastrophe was higher than 50% compared to the previous year and plans to expand the Oder, a project that German experts criticize.

Environmental  
policy

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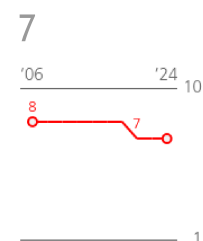


Education policy has begun to produce good results in education and training. This is especially visible in Poland's PISA results, which improved above the OECD average prior to 2018. In the U.N. Education Index, Poland ranked near the top of the region in 2021, with a score of 0.884. In 2019, Poland returned to the traditional two-tier school system, which combines eight years of primary schooling and four years of upper-secondary schooling or vocational education. This reform was poorly prepared and insufficiently discussed with teachers, teachers' unions, parents and students. Hence, it received a lot of criticism and was widely questioned. The result is decreased equality in access to education, with wealthy parents being able to afford to pay extra tuition or private school education. The key complaint is that the reform simply helped the government change the content of textbooks and curricula, with national ideology becoming more visible. In 2021, the parliament debated a bill that aims to reduce the autonomy of schools, for example, by inviting NGOs. It also plans to sanction principals for up to three years of imprisonment if they do not perform their duties properly.

Due to their low salaries, despite some increases, and poor working conditions, teachers frequently go on strike to protest inadequate attempts to implement structural reforms and a lack of increased recruitment of qualified teachers. The government also left local communes to finance school reform without external support. In October 2021 and again in September 2022, another series of teacher protests took place. Teachers are still dissatisfied with curriculum content and workload and demand a large increase in the number of teachers employed. The teachers' trade union, ZNP, also criticized the education minister for refusing to discuss these matters with the union.

The central government's expenditure on education increased to 5.2% of GDP in 2020, according to World Bank data, and 1.4% of GDP for research and development. Full and partial school closures were still practiced in 2021 and in 2022. In terms of duration, Poland closed its schools the third most often of all OECD countries. What this implies for the education level of students is not yet fully clear. R&D has increasing relevance. The government launched a Science for Society program in 2021 that aims to promote collaboration between universities and research institutes and provides funding between PLN 100,000 and PLN 2 million for a duration of two years. The EU Commission's Innovation Scoreboard 2022 still ranks Poland in the fourth-to-last place among member states as an "emerging innovator."

Education policy /  
R&D



## Governance

### I. Level of Difficulty

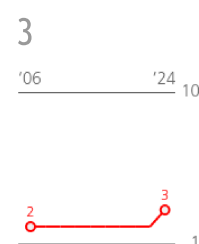
The structural constraints on governance have increased. While the pandemic is coming to an end, governance has been challenged since February 2022 by the war in Ukraine. As a neighboring country, Poland received a huge number of refugees (1.4 million by October 2022), who have to be accommodated. The country also faces severe threats to its own security. The government had already declared a state of emergency from September 2, 2021 to early July 2022 in an area along the border to Belarus because of an increased influx of refugees, mostly from the Middle East. In 2022, the government also erected a 5.5-meter wall along 186 kilometers of the border, almost half its total length. Both measures had been criticized by many observers and the U.N.

Considering the general domestic socioeconomic conditions, Poland faces no constraints. A relatively high level of economic development, a well-educated workforce and well-developed infrastructure produce favorable conditions. Regional imbalances persist but have been mitigated by EU structural funds and anti-crisis shields set up during the pandemic and now during the energy crisis. These help to mitigate high economic outlays among the population. Unemployment has decreased.

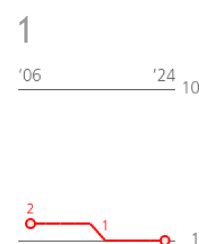
However, there are concerns about the effectiveness of public administration. Due to the government's changes to the judicial system and its pressures on the media and the educational system, the previously high levels of trust in institutional stability and in the functioning of the rule of law have decreased since November 2015.

Traditions of civil society are very strong in Poland. The emergence of civil society dates back to the late 1970s, with the events surrounding the recognition of the Solidarity trade union by the communists and its unique activities during 1980/1981 and after. Groups linked to the Catholic Church also acted as forums for critical discussions that allowed the promotion of democratic values during communism. The democratic transition provided an impetus for the development and mushrooming of civil society organizations over the last 30 years in Poland. Today, there are more than 9,100 non-profit organizations in Poland, according to the portal ngo.pl, which lists an overall number of 138,000 social organizations of different kinds. About 50% of them are fully operational. They are spread all over the country, even in villages and smaller cities. While the pandemic was challenging for them, it also made people value solidarity and engagement to a greater extent than before. In 2020, the level of

Structural  
constraints



Civil society  
traditions



trust in strangers increased (40% compared to 29% in 2018), while the majority trusts their immediate environment most: family (98%) and friends (95%). Those surveyed also trust charity organizations, the military and the police more than political institutions, according to a survey by CBOS.

Voting participation has increased for the 2020 presidential election to 68.18% in the run-off (in 2015, it was 55.34%). Many people of different ages and professions have participated in demonstrations against the politicization of the judiciary and the Constitutional Court's abortion ruling. The All-Polish Women's Strike (Ogólnopolski Strajk Kobiet) movement has called for broad political changes. NGOs critical of the government have a difficult position. The National Freedom Institute – Center for the Development of Civil Society, which the government created in 2017, favors and supports NGOs that are in line with the government. Many activists regard the institute as a means to control NGOs. The requirement to register foreign-funded NGOs that Justice Minister Ziobro proposed in 2020 has not yet materialized due to missing support.

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 around 90% of Poles are Catholics, about half of the population contests the public interference of the Church. However, the main divide is between supporters of Law and Justice (PiS) and the main opposition party, Civic Platform (PO), which is now part of Civic Coalition (KO). The parliamentary opposition is supported by several grassroots civil society organizations, which often call for demonstrations against the incumbent government.

The polarization of society is still tangible. The hostile climate created and the hate speech expressed by right-wing and far-right platforms and groups have not stopped. Hate speech, especially against LGBTQ+ people, in the course of previous elections was a prominent element of PiS's public discourse. In addition, demonstrations against the abortion ruling and other demonstrations, for example, in support of the refugees on the border with Belarus, were met with excessive police response and often police violence. This violence was not condemned by the government.

Russia's invasion of neighboring Ukraine increased conflict intensity from a security perspective. The government submitted a new law on national defense, including voluntary, 12-month military service, increased involvement by reservists and an increase in the number of army personnel. In March 2022, the Polish secret service expelled 45 members of the Russian secret service who had been active in Poland. The country is facing disinformation campaigns from Russia and an increased number of cyberattacks.

Conflict intensity

3

'06 '24 10



## II. Governance Performance

### 14 | Steering Capability

The PiS government's priorities have not changed in recent years. It announces initiatives and aims to implement them one after the other. These initiatives mainly focus on issues that benefit the government's targeted electorate and, thus, maintain the PiS's political support: families, pensioners and rural populations. These priorities entail a continued focus on state intervention in economic and social policies, especially increases to the minimum wage and pensions, and tax reforms. Measures that marginalize certain social actors, pluralistic worldviews, and independent institutions remain in place. The same is true for the government's vision of national sovereignty within the European Union, which fundamentally differs from the more integration-friendly ideas of the opposition parties. The intention to disenfranchise democratic institutions is still evident in several measures against the judiciary, private media outlets and civil society.

The current priorities of the government are listed on the website of the Office of the Prime Minister. They include the expansion of social benefits, the modernization of schools and the promotion of clean air, as well as reducing bureaucracy and administrative reforms. The latter appear to be euphemisms for greater state control and do not reflect a desire to improve state structures. During the pandemic, the problem of understaffed and inefficient public administration, especially in public health care departments, became increasingly visible.

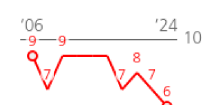
Available instruments that could be used to plan and organize policy measures, such as regulatory impact assessments, strategic planning units, and stakeholder and expert consultation, are either not applied or only used to foster the ideological purposes of the government. Social dialogue and evidence-based policymaking are rare.

In summer 2021, the government was occupied with another ministerial reshuffle because Economic Minister Jarosław Gowin was dismissed and his party Porozumienie left the government. The loss of a parliamentary majority was compensated for by other members of parliament and dissenters from Porozumienie. Due to the war in Ukraine since February 2022, the government has had to redirect many of its strategies, and energy- and defense-related issues have gained importance.

Question  
Score

Prioritization

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The government tends to neglect certain reforms, such as modernizing schools, promoting clean air, reducing bureaucracy and introducing administrative reforms, while promoting social welfare policies for political reasons. Meanwhile, it has faced increased opposition in its own camp since 2021, and it is no longer so easy for it to get its reform proposals passed. The tax bill, dubbed the Polish Deal or the TVN Bill, was met with criticism and resulted in parting ways with Minister Gowin and his remaining allies from Porozumienie in summer 2021.

The PiS majority now depends on the consent of members of parliament outside its faction. It must avoid further quarrels with Solidarna Polska, which heavily opposes rapprochement with the European Commission, which became visible by late 2022, in order to pass legislation. Considering the government's rising costs due to various impacts of the war in Ukraine and the new financial burdens it entails, money from the EU is dearly needed. Because the European Commission stayed firm regarding the rule of law mechanism in order to access the EU budget, the expected funds have not yet been transferred to Poland.

In terms of procedures, the government continues to use the strategy of convincing individual members of parliament to introduce bills, which bypasses the consultation steps and allows for speedy decision-making. The opposition's majority of one seat in the Senate can only delay decisions since the Senate's vote can be overruled, in most cases, in the Sejm. However, this can slow implementation and sometimes results in changes to legislation.

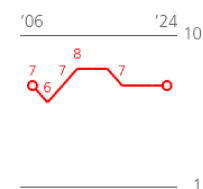
Institutional mechanisms for policy learning through regulatory impact assessments are hardly used in Poland. Previous governments had developed these tools and aimed to professionalize the staff in the chancellery, ministries, parliament and public administration. However, since 2015, the PiS government either does not use these tools anymore or uses them in a more politicized way. Policy experts provide advice to the government, but they are primarily selected based on partisan criteria. Hence, the government's ability to replace failed policies with innovative ones is limited. In addition, many bills are prepared in a hurry, and the rapid speed of lawmaking often leads to poor-quality laws. Recently, the Senate has attempted to amend laws, but these attempts are mostly ignored by the Sejm majority.

The government does not engage in public hearings with independent experts and social partners. As a result, policy learning and thorough consultations on bills are rarely possible, which further lowers the quality of laws. In addition, this approach shows that the government disrespects democratic procedures and open deliberation.

During the coronavirus pandemic, policy learning was visible only to a certain extent. For example, protests by entrepreneurs led the government to amend parts of its anti-crisis shield and broaden the group of recipients from micro-companies to middle-sized and large firms. Regarding the medical sector, only some changes were made after consultation with experts. For the vaccination campaign, there was an exchange

## Implementation

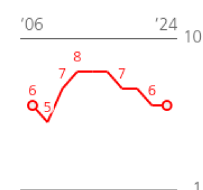
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## Policy learning

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with experts, and hospitals that specialized in treating COVID-19 patients received more financial support than others. However, the lack of specialized staff, respirators and medical equipment was not sufficiently addressed. These quarrels continued in 2021. Almost all the members of the Medical Council that consulted the prime minister resigned (13 of 17 members) in January 2022 because they decided the government did not heed their advice and had not done enough to prevent a high number of deaths in the population. In response, the health minister simply created a new council.

Regarding the scandal about the usage of Pegasus spy software that the government was accused of having used against the opposition in December 2021, the government was not eager to investigate the issue and engage with experts. Only the Senate set up a special committee in January 2022.

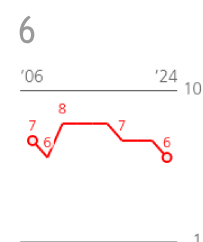
## 15 | Resource Efficiency

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 workforce, will result in higher expenditures from the state budget. Public debt increased to 53.8% of GDP in 2021. While economic recovery after the pandemic balanced out the debt, expenditures for social benefits in 2022 rose. The effects of the new tax scheme that came into effect in January 2022 and the amendment in July that lowered income tax from 19% to 12% are not yet clear due to the complexity and contradictory elements in the new tax scheme.

The Supreme Audit Office (NIK) remains a well-functioning institution that aims to control expenditures and guarantee the efficient use of public funds. As a result, the NIK's director faces some politically motivated pressure.

The planned reforms regarding digitalization and the professionalization of administrative structures are still pending, and the political grip on bureaucracy continues. Politically motivated changes in personnel beyond the usual level demonstrate the government's perception of human resources and its intention to restructure public administration according to its political interests. In addition, burden sharing between national, regional and local levels has deteriorated. Large cities, which are typically governed by opposition politicians, receive less funding than others since the PiS government changed the subnational distribution of financial resources, compounding the fact that it also receives less income from its own tax sources due to lower economic activity during the lockdowns and increasing expenditures for energy and accommodating Ukrainian refugees in 2022.

Efficient use of assets



Structurally, policy coordination obliges the Chancellery of the Prime Minister to monitor the government's legislative work and to issue opinions on documents that are to be submitted to the Council of Ministers. A standing committee coordinates work in the chancellery and prepares cabinet meetings. The number of cabinet committees and their role under the PiS government has been limited. Instead, informal mechanisms for coordination have played an important role, with PiS leader Jarosław Kaczyński being the main decision-maker. Kaczyński has made many important decisions himself, and the standing of government ministers has been strongly dependent on their relationships with him. Yet, since the 2019 elections, more conflicts about policy proposals among the members of the cabinet have been reported, and there has been an increased need to balance the interests of the parties involved in government.

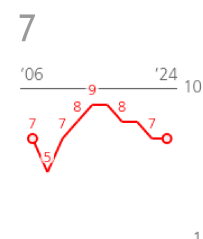
Another sign that policy coordination through informal and centralized means has become harder to handle for the PiS is the return of Jarosław Kaczyński to the government as vice-prime minister between October 2020 and July 2022. As chair of the Committee for National Security and Defense, Kaczyński controlled the Ministry of Justice, the Ministry of Foreign Affairs, the Ministry of National Defense and the Ministry of Interior and Administration. Since then, he has wanted to concentrate again on leading the party and preparing for the 2023 elections. For Morawiecki, the challenge remains fighting against losing popular support and keeping the PiS' very narrow majority of 231 seats in parliament. The Kukiz' 15 Party, which supported the PiS with its four members of parliament until October 2022, ended this support because the PiS did not invest enough energy in realizing a pet project of Kukiz' 15.

The government claims that it is eager to contain corruption and has, therefore, expanded the tasks of the Central Anti-Corruption Bureau (CBA) in the past. However, this office is not independent of the government and therefore does not engage in containing corruption very actively. Legal integrity mechanisms are implemented. Nevertheless, the Council of Europe's Group of States against Corruption's (GRECO) latest report from September 2021 mentioned many shortcomings and found that public officeholders are not sufficiently confronted by these measures. In addition, only one of the 21 recommendations from GRECO from their last visit was addressed. GRECO again lists shortcomings among police and border guards and demands a more ambitious approach than exists concerning integrity policies for persons exercising top executive functions. The government did not generate a new anti-corruption strategy after their program (2018 – 2020) ended.

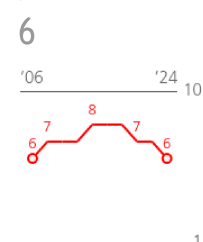
In essence, the government uses the CBA and the topic of corruption for political purposes and does not care sufficiently about its own malpractices.

The National Election Commission, which is responsible for controlling party financing, is no longer politically independent, which may negatively affect the transparency of party funding. Moreover, the government has increased control over the media, the judiciary has lost independence, and the government has opaque

## Policy coordination



## Anti-corruption policy



administrative procedures. Hence, corruption is primarily a matter of clientelism and the politically motivated one-sided distribution of money and offices, as the provision of funds to local self-administration based on political partisanship shows. The Supreme Audit Office (NIK) is the only institution that tries to monitor public procurement procedures but is itself a target of government attacks.

According to a CBOS survey from December 2021, the majority of respondents (52%) think that politics is the most corrupt arena, compared to health care (23%) and state-owned companies (20%), while only 7% think that private companies are the most corrupt. However, during the PO-PSL government in 2013, 62% of the population stated that politics was the most corrupt sphere.

The revelations regarding the government's use of the spy software Pegasus on the opposition did not lead to further investigations by Polish authorities. Only the NIK tried to shed some light on the issue, and members of the European Parliament paid a visit to Warsaw in September 2022 to investigate the issue.

## 16 | Consensus-Building

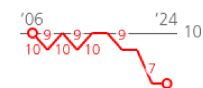
All major political actors agree on the primacy of democracy, but political parties have different ideas about the desired form of democracy (e.g., the level of self-administration, checks and balances, and the degree of integration with the European Union). While the Civic Coalition (KO), Nowa Lewica and PSL favor a decentralized mode of governance, the governing PiS and its allies in Solidarna Polska support a highly centralized mode of governance and strive to concentrate political power in the national core executive.

All major political actors agree on the primacy of the market economy, but political parties have different views on the relationship between the state and the market. The liberal opposition parties, such as KO and Polska 2050, favor less state involvement in the economy or different policies. In contrast, PiS opts for more intensive economic governance of state structures, a demand-oriented economic policy and a paternalistic welfare state.

Relevant political actors follow democratic norms and procedures in principle, but anti-democratic actors are becoming stronger. The incumbent government continues to act in ways that are anti-democratic, such as undermining the independence of the judiciary and the public media. The extreme right, the Confederation of Liberty and Independence (Konfederacja, KON), has been represented in the parliament since 2019. The National Rebirth of Poland Party and the National Movement, which organize demonstrations on Polish Independence Day (November 11), do not abstain from violence during the parades. The majority of the political opposition sees itself as the defenders of democratic values and principles and aims to reform the country to return to democratic procedures and policies.

### Consensus on goals

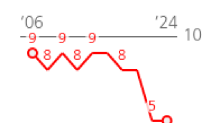
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### Anti-democratic actors

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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, 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. With several economic and political crises emerging in 2022, public discontent is rising too. According to CBOS, support for the PiS fell to 26%, and in October 2022, 47% declared themselves opposed to the government, the highest number ever. The two largest opposition parties, KO and Polska 2050, together would have a majority, but they also have to overcome several conflicts to be able to form a coalition.

Another prevailing conflict centers around women's rights since the ruling of the politicized Constitutional Tribunal to impose a near-total ban on abortions. The Women's Strike has become a powerful NGO, and the opposition parties have to take a stance on the topic as well as on the other topic of societal debate, LGBTQ+ rights.

The political leadership does not promote the participation of civil society in policymaking. By law, the government is obliged to consult all parties affected by proposed legislation. Online consultations with ministries have been introduced, as has the opportunity to follow a bill through the lawmaking process online. In practice, consultations with trade unions and employers' associations, or committee hearings with experts rarely take place.

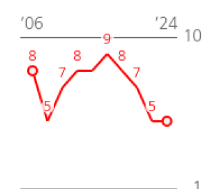
Members of the Social Dialogue Council (Rada Dialogu Społecznego, RDS), an institutionalized form of consultation between trade unions and employers' associations, have not always collaborated successfully. The trade union, NSZZ Solidarność, even resigned in October 2020 in protest. In addition, the employers' associations criticized the lack of real dialogue, especially during the pandemic. During the pandemic, relations between trade unions and the government further deteriorated as the RDS became rather irrelevant. Moreover, employers' associations were not satisfied with the government's handling of the anti-crisis measures.

When the influx of refugees on the border between Poland and Belarus increased in autumn 2021, Prime Minister Morawiecki's response was to declare a state of emergency in this region. NGOs that had been very engaged in helping people who had crossed the border were immediately banned from the area. This increased tensions between civil society and the government. NGO staff were not only frustrated that they could no longer help, but they were criminalized themselves. When Russia invaded Ukraine on February 24, 2022, civil society organizations and the public in general were again very quick with help and support, this time supported by the government.

The government not only disregards civil society but also uses the registry of foreign-funded NGOs to control them, while loyal NGOs receive public funding from the National Freedom Institute – Center for Civil Society Development.

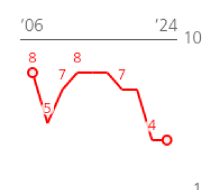
#### Cleavage / conflict management

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#### Public consultation

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Ignorance of social actors' interests coincides with other government practices that demonstrate the government's limited interest in real dialogue. This includes the PiS government's practice of getting individual members of parliament to introduce bills in order for the bills to be read quickly in parliament and bypass consultation. Moreover, the government's attempts to control civil society and influence funding opportunities clearly demonstrate that the government has no interest in a dialogue or the exchange of opinions. All this hampers consensus-building and the involvement of civil society actors in policymaking.

Regarding trade unions, the quarrels with the government mentioned above do not imply that they are fully in line with the opposition. Rather, they, especially Solidarity, oppose the coal phase-out and the European Green Deal and blame the European Union and the PO for agreements made during its time in power for rising energy prices.

Rules on dealing with Poland's communist past are in force. However, the government uses these rules to fulfill its own agenda regarding national values and not for reconciliation. The PiS uses the past as a means of defamation.

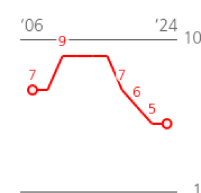
The Institute of National Remembrance (Instytut Pamięci Narodowej, IPN), established in 1998, obtained the archives of the communist police, and it has made the files of the secret services accessible to affected persons since 2000. Officials have to declare whether they collaborated with the communist 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, PiS has often used the tool of lustration to discredit political opponents. This was very pronounced during PiS's first term in government (2005 – 2007), and it has continued to be used to justify the elimination of the judiciary's independence since 2015.

Other examples of politicizing history include the minister of culture's actions to promote a distinct nationalist narrative of Polish history in museums, especially the Museum of the Second World War in Gdansk and the Museum of the History of Polish Jews in Warsaw, and the education minister's revisionist stance on textbooks in schools. The IPN has engaged in the development of video games, apps and other devices to promote a nationalistic and often militaristic image of Polish history. It has also initiated investigations about priests and the opposition being allegedly killed by communist forces before the 1989 transition.

Since Russia's full-scale invasion of Ukraine in 2022, the IPN has renewed its efforts to tear down monuments and other symbols of the Soviet army across Poland. Before summer, 20 monuments had been dismantled, with another 40 in the running. While there are bilateral treaties that require Poland to maintain war cemeteries and graves, the public monuments have always been contested.

#### Reconciliation

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## 17 | International Cooperation

In terms of international assistance, Poland occupies an intermediate position. On one hand, as a member of the Organization for Economic Co-operation and Development (OECD), Poland donates development assistance. On the other, Poland also receives funding for its own development projects. The World Bank and International Bank for Reconstruction and Development (IBRD) have provided a loan of \$795 million for two projects, which will extend until 2024.

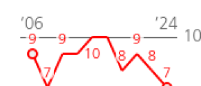
Poland benefited more than any other country from EU structural funds from 2014 to 2020. In total, Poland received €106 billion (PLN 441 billion) in funding, including €73 billion (PLN 304 billion) from the Cohesion Policy and €29 billion (PLN 119 billion) from the Common Agricultural Policy (Polish Ministry of the Treasury, 2014). According to the Ministry of Finance, a quarter of Poland's growth and 600,000 jobs are attributable to EU aid. Since accession, Poland has received foreign investments totaling over €200 billion (\$240 billion).

Poland's violation of the rule of law clause for the Multiannual Financial Framework (MFF) is still unresolved and is obstructing the payment of €1.8 trillion, which includes the €750 billion COVID-19 recovery fund called Next Generation European Union. Poland was supposed to receive €37.7 billion. Justice Minister Zbigniew Ziobro (PiS) openly rejects any reconciliation with the EU, while President Duda advocates for substantial changes to the disciplinary mechanisms in Poland's court system. This includes not only dissolving the Disciplinary Chamber of the Supreme Court but also transferring its responsibilities to another institution.

Despite these disagreements, corruption related to EU funds is relatively low in Poland. The PiS government welcomes international assistance and has clear aims for utilizing it to promote political and economic development through plans and actions. Since early 2022, its focus has shifted away from mitigating the effects of the coronavirus pandemic and toward hosting many Ukrainians, for which Poland has sought help in Brussels. However, this does not necessarily indicate that the government's policy proposals are developed in collaboration with international partners. For instance, despite changes in energy policy, Poland maintains a skeptical stance toward the European Union's environmental policies and the further harmonization of climate change efforts. Additionally, in 2021, Poland declined assistance from Frontex at the border with Belarus when numerous migrants crossed into Poland.

Effective use of support

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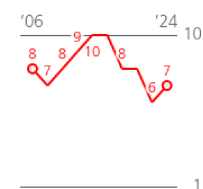
Poland complies with most international agreements (including the ICC and most ILO conventions), engages in international cooperation and contributes development assistance. Until recently, the government was very reluctant to comply with international climate change agreements. Even though it signed the Paris Accords, it was not committed to implementing them and sought opt-outs from EU climate targets. Now, a certain change toward efforts to engage in energy transition has become visible. During the pandemic, the Ministry of Foreign Affairs reported that the country allocated over €90 million to fight the COVID-19 pandemic around the world, including funding for research on the SARS-CoV-2 virus, vaccines, drugs and tests. Yet, Poland does not support international organizations' policies on migration and is against the Council of Europe's Istanbul Convention to combat domestic violence, from which Justice Minister Zbigniew Ziobro wants to withdraw. Until now, despite all the debates on the issue, the government has not yet made the announcement true.

In the EU, the current Polish government is not considered a reliable partner, although it hoped to receive more rewards for its strong support of Ukraine. Poland has also been very adamant in supporting EU sanctions against Russia, the delivery of weapons and the banning of Russian citizens. Since September 2022, Russians are no longer allowed to enter Poland for tourist, sports-related or business purposes. However, the government's attacks on media freedom and its opposition to equal rights and a liberal migration policy did not change. Moreover, it did not give up on non-compliance regarding the coal mine in Turow. The government instead faced another financial penalty set by CJEU and then changed policy. The signs of willingness to comply with EU rule of law demands are only very recent. In October 2022, Morawiecki dismissed Minister for European Union Konrad Szymanski, with the argument that this could help solve the dispute with the European Union about Poland's judicial system. The deputy foreign minister then received Szymanski's portfolio. A real policy change has not yet taken place. The Article 7 procedure, related to infringement practices in the Court of Justice of the EU, and the halt on payments are still in place. All in all, it is clear that it is the financial and economic dimensions in which the government is interested and not further political integration into the EU.

Poland's government has a clear cost-benefit approach to regional and international cooperation. In recent years, relations with the European Union have deteriorated because of Poland's rule of law infringements and its rejection of EU migration policy. The fence that Poland erected at the border with Belarus in order to keep refugees out of the country, 130 out of 186 kilometers, was finished in June 2022. The ban on moving houses within 183 localities along the border only ended on June 30, 2022. It was based on a state of emergency and vigorously criticized by human rights activists. The government also has a history of rejecting European and international climate change mitigation policies. It considers EU integration to be primarily relevant for economic purposes. Now, a slight change seems to have

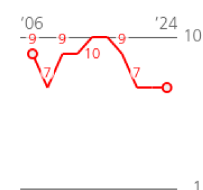
## Credibility

7



## Regional cooperation

7



occurred regarding energy policy, with a new focus on renewables, and some concessions regarding the court structure were made. Polish society has always been very supportive of the European Union, over 80%. Hence, the idea of a “Polexit” – which some PiS politicians have voiced – never fell on fertile ground among the population.

Among EU member states, Germany would be a natural partner because of its intensive trade and newly expanded energy relations. But new tensions have emerged, especially regarding defense and support strategies for Ukraine, in which the Polish government considers the German one to be too hesitant. Two other conflicts also emerged in 2022.

First, in August 2022, when the mass death of fish in the Oder River was detected, the Polish authorities did not behave in a trustworthy manner. They were very reluctant to share information with German authorities and did not inform them early enough to prevent more fish from dying. Justice Minister Ziobro established an inquiry committee in September 2022, but there was not much help on the local level. The relations between the two environmental ministers became tense when the Polish officials warned against fake news being spread in Germany regarding the causes of the mass death of fish, which were never properly disclosed. Second, Poland again requested reparations from the German state for the damages caused during the Second World War. The government demanded a sum of PLN 6.2 billion or \$1.5 billion, but the German government responded that a settlement had already been made and there were no grounds for further demands.

Bilateral relations with Hungary shifted in 2022. While the Polish government used to maintain a close relationship with Hungary’s government based on their similar attempts to dismantle pluralist democracy, Hungary’s reluctance to support the sanctions against Russia and send military equipment to Ukraine produced a rift. Poland may look for a new partner. Prime Minister Morawiecki sent a letter to Giorgia Meloni after she was sworn into office that proposed a new alliance between Poland and Italy.

Due to the war in Ukraine and the political situation in Belarus, relations with other neighboring countries have changed too. Poland became very supportive of the societal protests against the government in Belarus and for those who fled Belarus and Ukraine. In January 2022, the Polish government decided to support Ukraine with defensive weapons after the Russian government had installed about 100,000 soldiers on the border with Ukraine. In August 2022, the governments of Poland, Slovakia and the Czech Republic concluded an agreement on the common protection of Slovak airspace, and, in September, Poland held consultations with the Danish defense minister. Despite these initiatives, defense policy is still a field where Poland trusts NATO and especially the United States more than the EU, as is shown in the new 2022 defense strategy.

## Strategic Outlook

Poland's advantages lie in its robust and diversified economy, along with its stable domestic consumption, which proved advantageous during the pandemic. The country's proximity to other European nations, its well-educated workforce, and comparatively low wages have attracted foreign investment. The Ministry of Economy has devised strategies to reestablish Poland as a European hub for pharmaceutical production and foster technological innovations, particularly in its small and medium-sized enterprises. Continuing along this trajectory would undoubtedly contribute to developing the R&D sector.

However, for the future, a more substantial allocation of funding for R&D and a commitment to education and adult learning are imperative. The demographic shifts due to low fertility rates and increasing unit labor costs, which could somewhat diminish Poland's competitive edge, must be countered by a growing capacity for innovation. The ideologically driven alterations imposed by the Minister of Education upon textbooks, curricula and teaching methodologies do not align with the requirements of a modern, pluralistic society. Another significant ongoing challenge pertains to the health sector. The government's intention to allocate more funds from the Polish Deal to health care has not materialized thus far, nor has it translated into improved patient-doctor relations, increased staffing or higher salaries. Notably, Poland could greatly benefit from acknowledging ECJ rulings and amending its contentious legislation, which would unfreeze the EU budget and COVID-19 recovery funds. EU funds have contributed to up to a quarter of economic growth.

On the domestic front, Poland faces its most substantial challenge from its illiberal and populist government. Although the coalition's stability has wavered and it has lost public support, its political agenda has scarcely changed. The departure of Jarosław Gowin, the chairman of Porozumienie, shifted the main lines of conflict between Justice Minister Zbigniew Ziobro from Solidarna Polska, who adopts a hardline stance, and President Andrzej Duda and occasionally Prime Minister Morawiecki, who are more open to external criticism, whether from the European Union or the United States. With the upcoming elections in September 2023, opposition parties need to provide substantive policy alternatives. The Left has already formed a coalition of several parties, while for PO and Polska 2050, the question remains open as to whether they will run together or opt for a coalition if their share of votes proves sufficient to replace the PiS in the government.

Beyond the aforementioned pressures, the ongoing conflict in neighboring Ukraine casts a shadow over all other activities and has various social, economic, energy and security implications for the future. This includes heightened expenses for the Polish army. Amidst these challenges, Ukrainians also bolster the Polish labor market by launching new businesses and contributing their labor.