

Poland 2015



Total: 72.22

Political Freedom

Free and Fair Elections : 10

All elections in Poland since 1990 were considered as free and fair, however distrust in electoral institutions was spread among public after the local elections in November 2014. Delay in the tabulation of votes and publishing of the results, as well as high percentage of spoilt ballots – 17.47%, incited opposition to call for a repeat vote. Allegations were declared as unsubstantiated, thus the elections as valid. Almost all members of the National Election Commission had resigned, and their replacements raised concern that the Commission will not be prepared for the 2015 presidential elections. Political scene in Poland could be described as a pluralistic and free. The two strongest parties in the country are Civic Platform, the governing party, and Law and Justice, which is the strongest opposition party. Beside them, few more parties are creating the political life of the parliament. Minority groups enjoy some benefits in Poland, in that their registration procedure is easier and they are not subject to the electoral threshold of 5%.

Absence of Unconstitutional Veto Players : 8.33

Problems with corruption among the officials remain among the biggest issues in Poland. It attracted special attention after a weekly magazine had published, in June 2014, the wiretapped conversations between high-level politicians. The content of those conversations revealed corruption practices among them. According to the Freedom House, few months prior to that the government adopted new anticorruption strategy which aimed to strengthen the position of the Interior Minister and placed greater emphasis on education and prevention. The government has power to govern effectively and interferences are rare. However, Roman Catholic Church still has serious influence on society, especially on some topics like LGBT rights or educational issues, and tries to interfere in the decision-making process in Poland.

Freedom of Press : 7.4

Freedom of the press is granted by the constitution, but there are some laws which restrict this right. Libel, defamation and offending of the religious feelings remain punishable by fines or imprisonment in Poland. Wide variety of broadcast, print and online media are expressing broad range of opinions but they are mostly biased. Politicians tend to influence reporting via National Broadcast Council, a body composed of members elected by the government, or through advertisements. Importance of the media in Poland in shaping public opinion was emphasized during the “Waitergate” tape scandal, considering that it has seriously shaken the government.

The offices of the Wprost magazine, which published the secret conversations between high-ranking officials, were raided few days after the publishing. The raid was recorded and created outrage throughout society, after which the Prime Minister Tusk apologized and promised to launch an investigation. Two journalists were arrested during the protests which followed local government elections in November 2014, but they were found not guilty.

Rule of Law

Independence of the Judiciary : 4.92

The problems encountered during the past several years have persisted. Throughout 2014 no reform of the judiciary was in sight. Courts remained unevenly burdened with casework. Their regional organization is dysfunctional. Their proceedings are slow, while some rulings are regarded as biased in favour of politicians or other public figures. Judiciary remains as a sector which was least reformed during the post-communist transition period. It is the main limitation factor to the implementation of the rule of law in Poland. Political pressure on the courts was especially notable in the case of detainees of the secret CIA centers in Poland between 2002 and 2003, where after European Court of Human Rights intervened and ruled that their rights were violated. By early 2015, some improvements regarding spatial and sanitary conditions in prisons were notable due to the new regulation.

Corruption : 6.1

A minimal improvement in fighting corruption was noted between 2013 and 2014, whereby Poland rose in Transparency International indexing, from 60 to 61 points, just to take the place 36 (of 175) instead of 38 (of 177) countries. Combating corruption had varying results in different fields of public life. The Central Anticorruption Bureau completed 214 investigations in 2014, plurality of them related to cases in local government. However, the two most outspoken of such cases from 2013, when a high ranking national and a local politician were sentenced for taking bribes, got a U-turn in 2014, with the acquittal of the defendants by the Supreme Court. Two major corruption scandals were revealed in sports, regarding organization of the already held or planned international tournaments. Issues of misuse of travel refunds by the MPs, or of corruption in medical consultancy services for the government also came into focus. Public has been showing ever greater awareness of the problem of corruption and has demanded reforms in order to suppress it.

Protection of Human Rights : 7.78

In late April 2015, Poland completed the ratification of the Council of Europe Convention on preventing and combating violence against women. The convention met sharp disputes, resistance and blockage in the Parliament, as well as outside it. Catholic Church strongly opposed it on the ground that it was spreading "gender ideology" and destroying traditional family values. President Komorowski signed the ratification bill nevertheless. Yet another bill, opposed by the Church albeit supported by a firm majority of population, was about the in vitro fertilization, which

was thereby for the first time legally regulated. Accordingly, couples got equal IVF treatment regardless of marital status. Law was adopted in Sejm in late June 2015. The third major breakthrough, which might positively affect human rights in Poland in future, occurred during 2014: the effectuation of the new, more liberal rules for NGOs` fundraising. The liberalization would diminish red tape, hence encourage even more private donations to civil society organizations and thus further improve the anyway admirable record of Polish civil society in both the fields of humanitarian work and of human rights advocacy, monitoring and protection.

Economic Freedom

Security of Property Rights : 5.84

Property rights are overall secure in Poland, due to established integrity of the legal system. However, court impartiality and low judicial independence remain as serious obstacles. Business costs of crime are low and police system is reliable. Restrictions on the real property ownership by foreign nationals are present: permits by the Ministry of Interior Affairs are necessary for acquisitions, even in a case of acquisition of a legal entity that owns real property. Furthermore, foreign nationals (including even the European Economic Area nationals) cannot hold agricultural land, a measure which is expected to be lifted in 2016. Enforcing contracts is a long process due to the high number of procedures involved. Resolving insolvency is a much better organized process, which provides high recovery rates in spite of lengthy procedures it involves. Overall, long and inefficient court procedures make property rights considerably less secure.

Size of Government: Expenditures, Taxes, and Enterprises : 6.46

Poland is one of few countries in Europe which did not experience recession during the financial and fiscal crisis. In 2014, growth has accelerated, to 3.3%. Government expenditures are at the average EU level, exceeding 42% of GDP. Continuous high fiscal deficits increased the medium size public debt to 51% of GDP, but it was put on a sustainable path through implementation of fiscal consolidation with measures both on the public revenues and on the expenditure side. Successful implementation of the program led to Poland's exit from the Excessive Deficit Procedure of the EU in 2015, one year in advance than previously envisaged. Income tax is progressive, with the lower rate of 18% and the higher one of 32%, applied above the threshold of approximately 160% of GDP per capita. VAT level is set at 23%, with privileged rates of 5% and 0% for some products. Total payroll tax wedge reaches OECD average of 36% mostly due to high social insurance contributions, which are divided between those paid by the employer and those by the employee. High social security contributions have led to high share of non-fixed temporary working contracts ("junk contracts") among the working population, because of the lower social-contributions scheme having had been applied. Although thorough privatization process took place in 1990s, the government is still in possession of many enterprises in various sectors, including the biggest bank in the country PBK BP, although that one is listed in stock exchange with private minority shareholders. Some of those companies do not operate efficiently, receiving direct funding from the state for their operation, especially in the mining sector, although the overall level

of subsidies is low, at 0.6% of GDP. The plan for privatizations of state owned enterprises has been downsized since last year, with a number of companies excluded from the program. Emphasis was put on the inclusion of minority shareholders via stock exchange public offering.

Regulation of Credit, Labour, and Business : 6.59

Business regulation is overall positive oriented towards entrepreneurial activities. Problem rests in the administrative requirements for conducting daily business operations, which sometimes involves unnecessary, lengthy and expensive procedures, all of which incurs significant costs on businesses. Similarly, starting a business is not as quick and easy as in many other European countries, with substantial costs and relatively high minimum capital requirements. Two examples of processes with expensive and long procedures are obtaining a construction permit and getting electricity. Licensing restrictions in certain professions and industries are present, lowering the competition by putting obstacles to entry. Tax procedures are also complicated to comply with. Labour regulation is mostly flexible: working hours are not rigid, due to possible longer workweek in case of increased workload, although the maximum number of workdays is set relatively low. Notice periods and severance pay increase with the years in tenure, making more seasoned workers more secure in their workplace but also prone to less chance for re-employment if they are back on the labour market. Priority rules in the redundancy process and reassignment / retraining obligation and priority rules of employment make the process of hiring and firing complicated, as yet another major factor, apart from high social security contribution for widespread temporary working contracts. There are plans to reform the tax administration of large payers by setting up a new Large Taxpayers Office. Deregulating professional licensing is necessary in order to enhance labour market efficiency and lower rents.

Freedom to Trade Internationally : 8.8

Being a member of the EU, Poland is a part of its common market and applies its common trade policy. Therefore, tariffs are low (simple average tariff is set at 5.47% and most products have either lower tariffs or none at all, excluding the agriculture products). However, the process of standardization and certification for the imports of goods from non-EU countries is complicated and incurs costs, thus serving as a barrier to international trade. Capital controls introduced by the National bank of Poland to stop the inflow of short-term capital at the offset of the financial crisis are still present. Coupled with flexible exchange rate of the national currency, this lowers the risk of possible external shocks. Documentation for the international trade is not burdensome. Good public infrastructure fosters trade by lowering transportation costs. Major market for Polish products is the EU, most notably Germany. The Russian Federation is another important trade partner. The restrictions on trade, imposed by the Russian government due to political tensions in Ukraine, have damaged Polish agriculture export.