

# Poland 2016



Total: 72.3

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## Quick facts

Population:	38.006 million
Unemployment rate:	7.5 %
GDP:	444.864 billion EMU
GDP growth rate:	3.7 %
GDP per capita:	11 700 EMU

## Political Freedom

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### Free and Fair Elections : 10

During 2015, citizens had opportunity twice to exercise their right to elect the authorities at free and fair elections, and political parties to compete freely for their votes. Firstly in May, Poland had presidential elections, and then in October the elections for the bicameral Polish parliament. Andrzej Duda, representative of the Law and Justice (PiS) political party became President after the runoff, thus making a stepping stone for the change of political power in the country. This process was completed with a huge victory of a conservative PiS party, itself winning enough seats in the Sejm - the lower house of parliament - to govern alone for the first time in post-communist history of Poland. Voters had one more opportunity in 2015 to go to the polling stations. Government organized a referendum prior to October elections, in order to change some aspects of the electoral law. However, this opportunity was unattractive to the most of the population and thus the turnout was extremely low - only 7,8%.

### Absence of Unconstitutional Veto Players : 8.33

Decision making process of all elected authorities in Poland is free from interference by unconstitutional veto players. With the affiliation of around 90% of population, The Roman Catholic Church exercise certain influence in the society and on everyday politics. According to Freedom House 2016 Nations in Transit report, another actor who can affect decisions by some officials, especially now when PiS is in power, is Jaroslaw Kaczynski – chairman of the PiS party and the person who has overwhelming influence on the current President and the Prime Minister. Polish problem of corruption among officials came again on surface in June 2015, when documents on

Watergate scandal leaked from the Prosecutor's office. Immediately afterwards, three ministers resigned.

## **Freedom of Press : 7.2**

Broadcast, printed, radio and online media outlets in Poland enjoy certain degree of freedom. Media scene is highly pluralistic, expressing diverse opinions, but outlets are often politically biased. Large fines for defamation, which are brought against journalists on regular basis, led to higher presence of self-censorship, especially among local media which traditionally have fewer available funds. In June 2015, a journalist was beaten to death. However, police didn't find a proof of the connection between his work and the attack. The alleged act of de-politicization by the newly elected government, to switch control over public media from the National Broadcasting Council to Ministry of Treasury, was seen as a threat to the freedom of the press in Poland. In protest to that act, directors of all public media outlets resigned.

## **Rule of Law**

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### **Independence of the Judiciary : 4.92**

Instead of badly needed reform of judiciary, itself the least reformed part of the system of power in Poland - characterized through dysfunctional regional organization, backlog of cases and political pressures on courts - the new right-wing government which had taken power in autumn 2015 has soon driven the country's entire constitutional order into crisis. President refused to swear in the judges of the Constitutional Court nominated immediately prior to elections, while the new Parliament elected their replacements. The Parliament and Senate later, in December, passed a new law on organization of the CC, which made it easier for CC judges to be dismissed and envisaged a higher decision-making quorum than required by the Constitution. When the CC proclaimed the law as unconstitutional, government refused to officially publish the ruling. The system of checks and balances was thus paralyzed. The row over CC has polarized the country, divided the opposition and caused serious concerns in the EU about the true intentions of the Polish government regarding democracy and rule of law. Putting CC under political control has often proved, e.g. in Hungary, as a fast lane to authoritarian governance, itself freed from constitutionalist scruples. Even international credit rating agencies have lowered Poland's rating, fearing uncertainty about the future protection of the rule of law in it.

### **Corruption : 6.2**

Poland somewhat improved in fighting corruption between 2014 and 2015. In the Transparency International's Corruption Perception Index 2015 it was ranked as 30th of 168 countries (together with Taiwan). It scored 62. As Freedom House noted, "anticorruption laws are not always effectively implemented, and corruption within the government remains a problem, particularly in public procurement." Completed corruption cases during the past few years were mainly targeting local politicians, while national ones seemingly enjoyed impunity, even though some of them resigned upon disturbing revelations by the press. Accusations of corruption, alongside purely political motives, led to the change on the top of the country during 2015, whereby both the President and the government majority in the Parliament have come from the previously opposition PiS party. Instead of re-energizing the anti-corruption struggle, the new President of

Poland Andrzej Duda fully pardoned, in November 2015, a former head of the Anti-Corruption Bureau CBA Mariusz Kamiski (himself found guilty in March 2015 and sentenced to 3 years in prison and 10 years of ban of public service).

## **Protection of Human Rights : 8.35**

On the top of policies that jeopardized the independence of the judiciary, pardoned a proven corruption offender from the ranks of anti-corruption apparatus and caused rows with and within the EU, there were serious human rights` setbacks by the new PiS government. They refused the previously agreed inner-EU quota of (5.000) refugees or asylum seekers. They tightened media laws and exercised pressure on media. They withdrew state support to a theater because of the contents of one show. Finally, in April 2016, an initiative was launched to totally ban abortion (atop the anyway very restrictive legislation as of 1993 and the tolerated extra-legal obstacles to it), which soon became a draft bill. That sparked protests by civil society organizations, which would most probably topple the proposal. Such mobilization of the civil society in Poland was possible because of its large size and long traditions, as well as legal changes as of 2014 which had made NGOs` financing more stable, transparent and free of administrative red-tape. In some other areas of human rights and civil liberties, e.g. in protection of LGBT people against discrimination, Poland also lags behind the most advanced EU countries. Same sex partnerships are not regulated at all. Likewise, their adoption rights are very much restricted. Anti-discrimination protection is generally inadequate.

## **Economic Freedom**

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### **Security of Property Rights : 5.84**

Property rights are overall secure in Poland, but there are many shortcomings within the system. Court impartiality and low judicial independence remain serious obstacles. Enforcing contracts is a long process due to high number of procedures involved. Resolving insolvency is better organized, providing high recovery rates. Overall, slow and overburdened court procedures are among the negative characteristics of the Polish legal system. Furthermore, there is a significant variation of court-procedure length in different parts of the country. New legislation, which is envisaged to strengthen bankruptcy rules and increase efficiency in the procedures - Bankruptcy Law and Restructuring Law - became effective in early 2016. Civil Procedures Code amendment provides arbitration-friendly standards, by introducing internationally recognized standards. Foreign ownership is limited in certain sectors: air transport, radio and broadcasting, airport and seaport management, where it is confined only to minority ownership. The restriction does not apply to EU citizens. Since May 2016, all restrictions on acquisition of agricultural land by the EU nationals were lifted. However, newly adopted legislation has imposed new bans and restrictions on the acquisition of agricultural property for foreigners, calling even for an EU enquiry.

### **Size of Government: Expenditures, Taxes, and Enterprises : 6.1**

Size of government in Poland is not excessive, with total government spending reaching 41.5% of GDP in 2015, a much lower level than in many EU countries. Although Poland was one of few countries in Europe which did not experience recession during the financial and fiscal crisis, and has recorded solid growth rates - 3.7% in 2015 - high annual deficits have accumulated a substantial amount of public debt, reaching 51.3% of GDP in 2015. Fiscal austerity measures that were implemented have lowered the deficit in order to enable Poland to exit from Excessive Deficit Procedure of the EU in 2015, one year in advance than previously envisaged, but there are warnings that further actions need to be taken, since public expenditures are being expanded and privatization plans have been stalled. Government still owns and operates numerous enterprises in various sectors of the economy, even though a thorough privatization process took place in the 1990s. Some of these companies do not operate inefficiently, relying on direct funding from the state for their operations via subsidies. The current government has suspended the privatization plan of the previous government, regarding most of the remaining SOEs. As much as 50 SOEs are recognized as being of strategic importance and therefore they are to remain in the government portfolio, while the government has announced strong improvements in their corporative practices and management. Income tax is progressive, with lower rate at 18% and higher at 32%, applied above a moderate threshold. VAT level is set at 23%, with privileged rates of 5% and 0% on some products. High social security contributions have led to a high share of non-fixed temporary working contracts ("junk contracts") among the working population, because of lower social contributions scheme applied to them.

## **Regulation of Credit, Labour, and Business : 6.56**

Business regulation in Poland is mostly positively oriented towards entrepreneurial activities. Although starting a business does not require many procedures, it takes a substantial amount of time and incurs high cost, both in necessary fees and minimum paid-in capital. Obtaining a construction permit and getting electricity on the other hand are not expensive, but are burdened with many long procedures. The latter was made more efficient by decreasing delays in application processing. Licensing restrictions in certain service professions are present, lowering competition by providing barriers to entry. Compliance with complicated tax procedures is burdensome, incurring administrative costs. Tax regulations complexity and labour-code rigidity are cited as the two most problematic factors in doing business in the country. Labour code regulates working hours flexibly, with 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 years in tenure, making more seasoned workers more secure in their workplace, but also harder to be employed once back to the labour market. Firing regulations, mostly in the area of redundancy process, and reassignment or retraining obligation and priority rules of employment, make the process of firing complicated, which leads to a number of people working on civil contracts instead of on regular labour ones. New rules in the labour code are now implemented, meaning that employees might be on short term contracts up to the period of 33 months, instead of indefinitely. The role of trade unions is significant only in certain professions, such as mining and ship building.

## **Freedom to Trade Internationally : 8.8**

Freedom of trade is mostly respected in Poland. As one of EU member states, Poland applies its common trade policy. Therefore, overall tariffs are low (simple average tariff is set at 5.47%) and majority of tariffs apply only to agricultural products. Border compliance and documentation are not burdensome due to efficient customs office. However, the process of standardization and certification of the imported goods from non-EU countries is complicated and it incurs costs,

posing obstacles to international trade. Good public infrastructure in transportation as well as its geographical location fosters international trade by decreasing freight costs. However, railroad quality is lagging behind roads and ports. Major Polish trade partners are other EU countries, most notably Germany. Imposed restrictions on imports of agricultural products by the Russian government due to political tensions in the Ukraine and EU sanctions have damaged Polish agriculture export, and improvement of the political situation is expected to alleviate these problems. The National bank of Poland imposes a wide array of capital controls in order to manage the flow of short-term capital, which is mostly connected to the exchange rate regime of the national currency, which is in free float.