

BTI 2008 | Poland Country Report

Status Index	1-10	8.76	# 11 of 125	
Democracy	1-10	8.80	# 13 of 125	➔
Market Economy	1-10	8.71	# 10 of 125	➔
Management Index	1-10	5.32	# 53 of 125	

scale: 1 (lowest) to 10 (highest) score rank trend

This report is part of the Bertelsmann Transformation Index (BTI) 2008. The BTI is a global ranking of transition processes in which the state of democracy and market economic systems as well as the quality of political management in 125 transformation and developing countries are evaluated.

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Key Indicators

Population	mn.	38.2	HDI	0.86	GDP p.c.	\$	12,319
Pop. growth ¹	% p.a.	0.0	HDI rank of 177	37	Gini Index		34.5
Life expectancy	years	75	UN Education Index	0.95	Poverty ³	%	<2
Urban population	%	62.1	Gender equality ²	0.61	Aid per capita	\$	-

Sources: UNDP, Human Development Report 2006 | The World Bank, World Development Indicators 2007 | OECD Development Assistance Committee 2006. Footnotes: (1) Average annual growth rate 1990-2005. (2) Gender Empowerment Measure (GEM). (3) Percentage of population living on less than \$2 a day.

Executive Summary

In September 2005, Poland's elections changed the political landscape of the country once again. Frustrated with the scandals and corruption of the Democratic Left Alliance (SLD), voters turned to the political right. Law and Justice (PiS), a party derived from the independent trade union Solidarnosc, won the elections with its promise to clean up Polish politics. The leading politicians of PiS, the twin brothers Lech and Jaroslaw Kaczynski, became the dominant forces in Polish politics. Lech was elected president in October 2005. Before he became prime minister in July 2006, Jaroslaw had acted as the grey eminence behind the scenes, backing the PiS Prime Minister Kazimierz Marcinkiewicz. Unable to form a coalition with the liberal-centrist Civic Platform (PO), PiS first ruled as a minority government, supported by two populist-nationalist parties, Samoobrona and the League of Polish Families (LPR). In April 2006, the PiS entered into a formal coalition with Samoobrona and the LPR. The government has declared itself to be the beginning of the Fourth Republic, characterized by nationally oriented policies, an emphatic break with the corruption and nepotism associated with the country's socialist past, and policies meant to care for the poor. However, in the course of implementing these policies, the government frequently overreached, installing its allies whenever possible in key positions and threatening the rights of minority parties. PiS has also pursued a national approach in the economy; it denies the independence of the central bank, has halted the process of privatization, and has installed political allies on the boards of trustees of state enterprises. Thus, the PiS has focused less on fostering economic and democratic reforms than on implementing the government's vision of a Fourth Republic. This has also caused friction with Poland's neighboring nations, especially Germany, and their partners in the European Union. Recent polls indicate decreasing support for the smaller radical parties in the government coalition, suggesting that Poland is not truly in danger of becoming an autocratic state. Yet the inefficient governance of the PiS continues to waste the resources of the country, thus alienating the Polish population.

History and Characteristics of Transformation

The initiation of democratic and economic transitions in Poland after 1989 was inadvertently set in motion by the implementation of martial law on 13 December 1981. This measure was introduced after the government decided that the opposition movement, under the leadership of the newly established Solidarnosc, threatened the stability of the socialist political and economic system. Yet the government was not able to silence Solidarnosc, and Solidarnosc's dissent became increasingly coherent and effective. As the economic situation continued to worsen in the late 1980s, the leadership of the ruling Polish United Workers Party (PZPR) realized that substantial changes were necessary in order to consolidate their power, and that these changes were only possible through cooperation with the opposition. The Catholic Church moderated round table negotiations between the PZPR and Solidarnosc from February to April 1989. As a result, the two parties agreed to several economic reforms, decisive revisions of the constitution, and semi-free parliamentary elections, and Solidarnosc was re-legalized. Although the PZPR did not intend a real transition to democracy and maintained a majority in parliament after the elections, an opposition candidate was elected prime minister with the votes of the former so-called bloc parties. As a result, the PZPR gradually lost power and the transition to democracy became reality. The new government, led by Tadeusz Mazowiecki, introduced further political and economic reforms. With a series of bold economic reforms, the Minister of Finance, Leszek Balcerowicz, managed to decrease the country's high foreign debt, reduce the budget deficit and the inflation rate, and stimulate economic growth. While the stability oriented path of these economic policies were not really the subject of debate in the first years, the direction of political reforms led to intense struggles among the political elite. One of these struggles was the protracted process of revising Poland's constitution. Political parties were not able to reach a compromise on the roles of each specific political institution, and the relationship between state and church remained controversial. In 1992, a provisional Small Constitution was passed that included several contradictory regulations, which rendered policy-making very difficult. In 1997, a new constitution, legitimized by a referendum, replaced the old one. It defined the roles of the president, government and parliament more precisely and firmly established political pluralism. After concluding an association agreement with the European Union in 1991, Poland submitted its formal application for accession to the EU in April 1994, and negotiations continued from 1998 on. The following years, Poland labored intensively to meet the conditions of the EU and to implement these measures into Polish law. This process was accompanied by several conflicts initiated by national clerical parties on whether and to which extent these conditions match Poland's national interests. At the Copenhagen summit in December 2002, the country's efforts to implement the *acquis communautaire* received a positive

assessment and the accession treaty was signed on 16 April 2003. Shortly thereafter, heated discussions in Poland focused on such issues as the common agricultural policy, the role of the church and Christian values, and the free movement of people. In June 2003, 58.85% of all eligible voters took part in the referendum and 76.9% of them voted to ratify accession to the EU. Poland became a member of the European Union in May 2004. Today, Poland has nearly completed its transformation, although there is a growing, twofold split in the country: political leaders continue to wrestle with issues stemming from Poland's socialist past, while the country's population nurtures a growing distrust of their politicians. Poles, generally more pragmatic and EU-friendly than their rulers, appear to be concerned about individualization and the imposition of foreign cultural values.

Transformation Status

I. Democracy

1 | Stateness

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

Monopoly on the use of force

All citizens have the same civic rights. The constitution protects the status of ethnic minorities. Special rules encourage the political representation of minorities in parliament, allowing their parties to be represented in parliament even if they do not meet the 5% threshold that other parties have to meet.

State identity

The state is defined in principle as secular. However, marriages conducted in church remain legal, and the clergy still possesses a certain influence on politics and society. After the elections in September 2005, religious dogmas have regained considerable influence; parties promoting a strict anti-abortion policy and conservative family values participate in the government. The coalition parties pay special attention to Radio Maryja, an influential fundamentalist Christian and anti-Semitic radio station. Still, 75% of Poles think that the church should not be involved in politics. Currently, the church is engaged in a scandal over recent investigations that revealed the involvement of several priests in the socialist secret service. It is not yet clear how this affair will affect the church's influence.

No interference of religious dogmas

Administrative offices are organized in a decentralized manner. Reforms enacted in 1999 enhanced the functions of self-governments at the regional and local level. Poland consists of 16 voivodships, 314 counties (poviats), 65 cities with poviat status, and nearly 2,500 communities (gminas). Despite these reforms, Poland's administration tends to function in a more centralized fashion, which sometimes results in unnecessary bureaucratic complexity.

Basic administration

2 | Political Participation

Since 1990, Poland has held free and fair elections. The electoral law has been revised several times. The last modification was enacted in April 2001 to account for the reform of the country's administrative structure. This revision also favors smaller political parties.

Free and fair elections

The president and the government are elected officials and have the effective power to govern. Populist parties such as Samoobrona – originally a farmers' union – have attempted to veto actions of the former government and have organized street protests against EU membership, but they were not successful in either attempt. The church does not exercise real veto power, but it exercises a certain influence on decision-making in the current government and is heavily politicized.

Effective power to govern

Poland's democracy guarantees political and social groups the unrestricted freedom of association and assembly. Still, several government politicians seek to deny this right to certain groups that do not conform to their national-conservative views. In June 2006, the national-conservative city government in Warsaw nearly succeeded in preventing a gay parade, as it had also attempted to do two years before. The parade could take place only after significant protests, both inside and outside of Poland, led to political interventions on behalf of the parade's organizers.

Association / assembly rights

The freedom of opinion and of the press is constitutionally guaranteed and principally realized in practice, but has always been subject to political intervention. The current government recently curtailed the freedom of the press. Two months after coming into office, it introduced a new media law in order to secure its influence on public radio and television. When PiS signed an agreement of cooperation in parliament with two other nationalist-populist parties, only the nationalist-Catholic Radio Maryja and TV Trwam were allowed to cover the event. The Council for Media Ethics argued that favoring one media group over another is a clear violation of the right to information. Governmental influence is also visible in some newspapers. In 2005, the watchdog group Reporters Without Borders named Poland as the EU member state least respectful of press freedom. Some newspapers purposely stir up anti-European and anti-German sentiments. Nevertheless, the daily *Gazeta Wyborcza*, RMF radio and TVN/TVN24 continue to attract large audiences with their responsible investigative journalism.

Freedom of expression

3 | Rule of Law

There are no constraints on the basic institutions involved in the separation of powers. Still, mutual checks and balances are compromised by the fact that the president and prime minister currently belong to the same party. This does not have to pose a problem in practice, but the relationship between the president and prime minister is often described as follows: Prime Minister Jaroslaw Kaczynski creates political strategies and aims, and his brother, President Lech Kaczynski, executes them.

Separation of powers

The judiciary operates relatively independently. The mechanisms for judicial review of legislative or executive acts are sufficient and the Constitutional Court enjoys a good reputation. But the judicial system remains partially compromised by corruption. In addition, legal cases last too long from initiation to resolution, and the courts are inefficient, despite the fact that Poland is one of the countries with the highest number of judges in Europe. Since the minister of justice also acts as prosecutor general, prosecutors are under political control.

Independent judiciary

As a rule, corrupt officeholders are prosecuted under established laws. Politicians who misuse their office can be accused at the state tribunal. Since November 2001, MPs are required to publish their incomes on the parliament's website (Sejm). Nonetheless, targets of corruption inquiries sometimes slip through political, legal or procedural loopholes. In reaction to the frequent corruption scandals of the SLD government, PiS founded an anti-corruption office in July 2006. Since the office's employees are hired and controlled by the government, however, this office is not fully independent of political influence.

Prosecution of office abuse

There are no restrictions on civil rights with regard to the law. Violations of human rights under the previous authoritarian regime can be prosecuted in court, and since summer 2000, all citizens have the right to view the files of the former security service. In practice, members of the governing parties have verbally violated the civil rights of homosexuals, women and refugees.

Civil rights

4 | Stability of Democratic Institutions

Democratic institutions perform their functions in principle. Political decisions are prepared, implemented and reviewed in legitimate procedures by the appropriate authorities. But efficient political governance continues to be hindered by political instability; all of the governments before and after the last parliamentary elections have suffered internal political struggles and constant debates on early elections. The implementation of laws suffers from the growing politicization of the administration.

Performance of democratic institutions

All relevant political and social players accept democratic institutions as legitimate. The populist parties in government sometimes demonstrate an autocratic understanding of democracy, but they do not appear to be eager to overthrow political institutions.

Commitment to democratic institutions

5 | Political and Social Integration

The party system in Poland remains unstable and fragile with weak roots in society. Since 1989, they have been trapped in a vicious cycle: after a period of consolidation, parties fragment again, and new groupings appear. A high degree of voter volatility and low turnout contribute to this fragmentation. Even the post-socialist SLD, formerly the most stable political organization, only received 11.3% of the vote in the September 2005 elections. The party system is currently divided along two main issues: how strictly criminal offenses from the socialist past should be dealt with (*lustracja*), and the struggle between Polish nationalism and liberal European values. The latter manifests itself in a conflict between market liberals and moderate conservatives, mostly Euroenthusiasts (federalists), on one side, and advocates of state intervention and strong conservatism, mostly Eurosceptics (Europe of nation states), on the other side.

Party system

There is a close-knit network of interest groups that promote participatory democracy, although their development has slowed recently. Many of them demonstrate their independence by openly criticizing the governmental parties. Trade unions are still the largest interest groups, although more than half of hired workers (51%) do not have the opportunity to join a trade union at their workplace. Other interest groups, such as religious groups or sport associations, also represent their interests effectively.

Interest groups

Consent to democracy is moderate to high. About 60% of Poles believe that democracy is the best form of government and do not call the constitutional framework into question. These figures are accompanied by a strong, growing alienation of the public from politics: the trust in political parties (24%), political institutions (parliament: 30%, government 47%) and courts (39%) is very low. Participation in elections has decreased to 40.6%, and about 47% of the population remains confident in the effective functioning of Poland's democracy.

Consent to democratic norms

There is a robust web of over 20,000 autonomous, self-organized, non-governmental organizations in Poland. However, there has recently been a decline in civic activity and a trend to retreat from public life. There is also increasing mistrust toward the political class and representative democracy. The level of trust in charitable institutions like the Polish Red Cross and Caritas (both 83%), or the Catholic Church (81%), is very high, compared to political institutions, the police (59%), or the press (48%). The Ukrainian Orange Revolution and the

Associational activities

“jeans opposition” in Belarus gave a boost to activism in Poland; more than 3,000 observers of the presidential elections (out of a total 13,000) in Ukraine came from Poland, thanks to the spontaneous efforts of students, political parties, and established civic organizations.

II. Market Economy

6 | Level of Socioeconomic Development

Social exclusion is quantitatively and qualitatively limited, but is structural in character. The Gini Index (34.5) shows a relatively high level of development, similar to the EU average. Poland’s GDI (0.859) indicates a comparatively lesser standard of living. There have been no policies to address the problems of those most threatened by poverty, including pensioners, unemployed juveniles, and single mothers. Income inequality between rural and urban regions remains a persistent problem, especially in southeastern Poland. Twenty-five percent of Poles believe reform has worsened their standard of living. Ten percent of the population lives on less than \$4 a day, and in 2004, 48% of the population described their standard of living as below average.

Socioeconomic
barriers

Economic indicators		2002	2003	2004	2005
GDP	\$ mn.	198,029	216,545	252,668	303,229
Growth of GDP	%	1.4	3.8	5.3	3.4
Inflation (CPI)	%	1.9	0.8	3.6	2.1
Unemployment	%	19.9	19.6	19.0	-
Foreign direct investment	% of GDP	2.1	2.1	5.1	3.2
Export growth	%	4.8	14.2	14	8.1
Import growth	%	2.7	9.3	15.2	4.9
Current account balance	\$ mn.	-5009.0	-4599.0	-10676.0	-5105.0
Public debt	\$ mn.	27,543.7	33,251.0	34,737.8	35,093.9

		2002	2003	2004	2005
External debt	\$ mn.	76,676.6	93,749.8	97,332.7	98,820.6
External debt service	% of GNI	6.8	8.9	14.3	11.6
Cash surplus or deficit	% of GDP	-2.7	-3.9	-3.7	-2.3
Tax Revenue	% of GDP	16.8	16.8	15.5	16.5
Government consumption	% of GDP	19.1	19.3	18.7	19.4
Public expnd. on edu.	% of GDP	5.4	5.6	-	-
Public expnd. on health	% of GDP	4.5	4.3	4.3	-
R&D expenditure	% of GDP	0.6	0.6	0.6	-
Military expenditure	% of GDP	2.0	2.1	2.0	1.9

Sources: The World Bank, World Development Indicators 2007 | UNESCO Institute for Statistics | Stockholm International Peace Research Institute (SIPRI), Yearbook: Armaments, Disarmament and International Security

7 | Organization of the Market and Competition

The state fully guarantees the rules of the game for market competition and all market participants have equal chances. Despite their protectionist rhetoric, the current government has not restricted economic activity.

Market-based competition

The formation of monopolies is regulated coherently and effectively. The Office for Competition and Consumer Protection functions adequately. In 2005, an amendment to a December 2000 act governing competition and consumer protection brought Polish law into full compliance with EU requirements.

Anti-monopoly policy

Foreign trade is mostly liberalized, characterized by uniform, low tariffs. No fundamental state intervention exists, since Poland's trade policy is the same as those of other members of the European Union. There are still trade barriers with EU countries on the import of used cars, advertisement for alcohol, labels for textiles, and the law regulating the use of Polish.

Liberalization of foreign trade

The Polish banking system complies with international standards, with functional supervision, minimum capital requirements and market discipline. Capital markets are open to domestic and foreign capital, with sufficient resilience to cope with speculative investment. A recent and heated debate on this topic concerned a government plan to reorganize the banking supervision agency in order to allow more political control of this institution.

Banking system

8 | Currency and Price Stability

Controlling inflation is a recognized goal of economic policy, and inflation has been moderate in recent years. The PiS government has pressured the central bank to loosen its restrictive monetary policy. The European Central Bank and the European Commission intervened in March 2006 to prevent any such actions. In January 2007, the zloty's valuation was damaged by political maneuvers at the central bank; the government replaced the central bank's president, Leszek Balcerowicz, with Slawomir Skrzypek, an inexperienced economist and close ally of president Kaczynski. Foreign exchange rate policy toward the euro has been poor but now is back on a firm footing. According to its new convergence program, the government is planning to postpone the introduction of the euro from 2009/10 to 2012/13. The European Union and the Polish business community have criticized this decision.

Anti-inflation /
forex policy

Under the SLD government, the budget deficit was -2.4% of GDP and public debt was 42.0% of GDP. The current government is eager to return to a consistent stabilization policy, but could have taken better advantage of economic growth to consolidate the budget. The government states that expenses for social policy and infrastructure programs, which it claims are necessary in order to attract business and stimulate economic growth, have led to these deficits. But experts regard these claims as illusory. In November 2006, the EU criticized Poland for not undertaking any efforts to decrease the budget deficit below 3% of GDP, as demanded by the convergence criteria.

Macrostability

9 | Private Property

Regulations regarding property rights and the acquisition of property are well defined. The right of foreigners to buy land is restricted.

Property rights

Private enterprises are given appropriate legal safeguards and comprise the backbone of the economy. For the last several years, private enterprise employs approximately 70% of all employees in Poland. Thus, the current government has almost blocked further privatization of state enterprises, in such sectors as the electricity and petrochemical industries, in order to defend "national interests." The government even re-nationalized some enterprises, such as the banking sector. In addition, the government has appointed PiS members to the boards of directors in large state enterprises, a measure that has somewhat paralyzed the leadership of these industries. In general, Poland's private sector suffers from too much bureaucracy, high tax burdens, and prohibitive costs associated with starting up new businesses.

Private
enterprise

10 | Welfare Regime

Social networks are well developed but do not cover all risks for all strata of the population. Considerable portions of the population are still at risk for poverty. In 2004, 39% of the population reported that they have to watch every penny of their income. After thorough reforms in 1999, the health system is still inadequately funded and inefficient due to a centralized organizational structure. The pension system is performing well, especially in its private investment holdings. The government publicly promotes solidarity, but in reality it has no consistent program for how to cope with the challenge of poverty. Expenditures for social policy are on par with the European average, although more and more funds are allocated to ZUS, the central Polish social security insurance organization. The funds allocated to social policy measures are declining.

Social safety nets

Equality of opportunity exists in principle, and women and members of ethnic and religious minorities have equal access to education, public office and well paid jobs. Still, women earn only about 83% of men's earnings, more women than men are unemployed (19.1% compared to 16.6% in 2005), and violence against women is a widespread problem. In November 2005, the government dissolved its agency for gender equality. Proactive initiatives for women, the handicapped, the homeless, and other disadvantaged social groups are insufficient or non-existent. Institutions of higher education are well developed, but most are private and require tuition fees, effectively excluding students from disadvantaged socioeconomic backgrounds. A recent study by the European Commission showed that none of the new EU member states have implemented the necessary measures for equal opportunities thus far, especially concerning anti-discrimination laws. In Poland's case, government members have recently made anti-homosexual speeches; Minister of Education Roman Giertych went one step further, introducing a draft law that would exclude homosexuals from becoming teachers.

Equal opportunity

11 | Economic Performance

Growth of GDP is relatively high. During the course of 2005, GDP grew by 3.4% and was projected to rise by 5% in 2006. Still, GDP per capita in Poland is only 51.9% of the average GDP per capita in the EU. Unemployment has slowly decreased from 19.0% in 2004 to 17.6% in 2005. Youth unemployment has remained consistent at about 40%, partially due to insufficient links between the education system and the labor market. The employment rate of 53% is one of the lowest in the entire EU, due to unemployment and early retirement. Although it has recovered, the national budget remains unbalanced; in 2005, the budget deficit amounted to -2.4% of GDP and public debt was 42% of GDP. Foreign

Output strength

debt decreased to 43.3% of GDP in 2005. Since EU membership, import growth exceeded export growth due to the need for capital goods to modernize the economy. Poland's trade balance continues to improve, with export growth significantly outpacing import growth. EU countries, foremost among them Germany, remain Poland's most important trade partners. Inflation decreased again thanks to the successful policy of the central bank, from a peak of 3.5% in 2004 to 2.1% in 2005. Interest rates have continuously declined in recent years. Tax revenue is below the EU average.

12 | Sustainability

Article 5 of the Polish Constitution provides guidelines for environmentally compatible growth and the principle of sustainable development. This institutional framework was established in the course of EU accession talks, and Poland had to implement certain legal standards concerning air and water pollution, as well as waste management. Nevertheless, economic growth remains a top priority, and environmental policy is weak.

Environmental
policy

State and private institutions for education, training, and research and development are strong and continue to improve. Education is regarded as a key qualification on the global market. Private institutions have developed most extensively. Public expenditures on education (5.6% of GDP) correspond to the EU average; expenditures on secondary schools have grown enormously in recent years. Still, participation in adult training is low and, as elsewhere, seems to be concentrated among already relatively highly educated groups. Adult education programs do not seem to have improved the human capital of older and less skilled groups. Expenditure on research and development (0.6% of GDP) is below the EU average and is mostly undertaken in the public sector, particularly in specialized research institutes.

Education policy
/ R&D

Transformation Management

I. Level of Difficulty

Structural constraints on governance are moderate. The relatively high standard of development, a well-educated workforce, a well-developed infrastructure – with the exception of southeastern Poland – and the state of law and institutional stability produce rather favorable conditions for the government. Poland’s EU membership has encouraged the structural framework of governmental activities. There are lingering concerns regarding the effectiveness of the administration and the court system.

Structural
constraints

The moderate traditions of civil society, resulting in a relatively low engagement in public affairs and in NGOs, the deepening alienation from politics, the low voter turnout and low trust in political parties and political institutions do not yet endanger the further consolidation of democracy. Still, these developments made people more susceptible to populist parties and make it more difficult to create a stable government.

Civil society
traditions

Ethnic conflicts do not exist. Elites and the general population are polarized along social differences and cultural values. Because of the high budget deficit, it is difficult to properly fund public welfare systems. This increases poverty and enhances the appeal and influence of populist parties currently in the government, such as Samoobrona or the League of Polish Families. These parties aggravate the polarization of society by stirring up feelings of hatred and fear.

Conflict intensity

II. Management Performance

14 | Steering Capability

The political leadership claims to pursue long-term aims, namely the introduction of a so-called Fourth Republic. But the measures connected with this goal do not fully correspond to the objective needs for enhancing democracy and the market economy in Poland. The government has focused on cleaning up Polish politics, which has meant further lustration . It does not promote consistent policies in order to foster economic development. It implemented isolated measures in order to promote social welfare, such as the introduction of a birth premium. The government has not delivered on other promises made during the electoral campaign; for example, instead of building three million new apartments as promised, only 300,000 were constructed.

Prioritization

The government seeks to enact reforms that are to a certain extent necessary, but often implements these reforms in problematic ways, thus strengthening its power. Examples include the establishment of the anti-corruption office, the new lustration law and the liquidation of the military intelligence services (WSI), which has been the last section of the intelligence services to undergo professional verification since 1989. The same effect has been observed in the media and economic institutions, where the government has done more to enhance its influence than facilitate free market principles. Hence, most reforms seem to be counter-productive.

Implementation

The political leadership shows little willingness and ability to learn. Policies are rigidly enforced, and the government is characterized by a remarkable lack of internal coordination. Power in the government centers around Prime Minister Jaroslaw Kaczynski, who makes decisions in isolation due to his mistrust of his fellow politicians. In foreign policy, the government has learned that a more flexible approach, both in terms of personal style and political goals, is more successful in dealing with its neighbors. The resignation of high-ranking officials also precludes continuity and learning in policy development. After the LPR and Samoobrona formed their coalition, the liberal-leaning foreign minister, Stefan Meller, and the special agent for German-Polish relations, Irina Lipowicz, both resigned.

Policy learning

15 | Resource Efficiency

The government uses some of its available resources efficiently. The civil services have been reformed into a professional civil service, with competitive recruiting procedures designed to mitigate political influence on hiring practices. By law, civil servants are supposed to be hired through a competitive selection process. But in reality, all governments between 2005 and 2007 continued to engage in politically motivated dismissals and appointments of public servants. Although the Kaczynski brothers had formerly criticized such practices, they have become even more egregious than their predecessors. This conforms to their stated aim of creating an ideologically homogenous public service, thereby carrying out a “moral revolution.” Recent changes in the civil service law allow some civil servants, such as departmental directors and general directors, to be hired from a “government staff pool” that requires qualifications through an exam administered by the National School of Administration. The staff pool has not been properly supervised, however, and political selection criteria continue to inform hiring practices. The SLD government has increasingly neglected the efficient use of budget resources. Auditing, planning and implementation practices remain inefficient and non-transparent, and national budget deficits continue to rise. Also, the PiS government uses a large share of public spending for social transfers, which are expensive, poorly targeted and have negative incentive effects for the labor market. Administrative organizations have benefited from Poland’s decentralization policies. Local governmental organizations have taken advantage of their new legal and financial autonomy, and have arranged for the transparent conduct of government affairs. Procedures and institutions on the local level have become more efficient, especially with regard to the use of EU regional and structural funds. Still, local administration suffers from increasing politicization.

Efficient use of assets

The government tries to mediate between conflicting interests, but it has achieved only limited success. Disagreements within the government are frequent, and with the three coalition parties holding only 243 of the 460 seats in parliament, their hold on power is tenuous. The government claims to dominate both state and society, and such proclamations, combined with their autocratic behavior, are clearly colliding with their fragile political basis. Prime Minister Kaczynski, for example, has an autocratic and centralized management style. He decides upon the direction of governmental politics mostly on his own, without consulting the ministers; hence, there is not much discussion at cabinet meetings. Former Prime Minister Marcinkiewicz also suffered from this mode of decision making. Additionally, Marcinkiewicz was unable to appoint liberal-leaning officials; instead, his party leader, Jaroslaw Kaczynski, appointed officials more in line with his nationalist orientation. PiS was and is dependent on the support

Policy coordination

of LPR and Samoobrona, and has to make concessions in order to ensure their support for PiS bills.

Integrity measures have been implemented with limited effectiveness. High-ranking government officials and all members of parliament must publicly declare the value of their private assets on the Sejm website. These declarations are more detailed than those filed by the members of the European Parliament. Still, corruption is one of the biggest problems in Poland. Transparency International ranked Poland as the most corrupt EU member state. According to the current government, current regulations are not effective. The government claims that a cabal of post-communist politicians, old business nomenklatura, former secret service members and criminals continue to influence political decisions. In fact, many scandals involving the former SLD government seem to indicate that such a network actually exists. Therefore, one of PiS's central promises during the election campaign was to create an anti-corruption office (CBA) as part of its "moral revolution." This office consists of 500 members, and is equipped with the same legal powers as the police and intelligence services, such as the ability to carry weapons, inspect personal data, interrogate or even arrest suspects. The CBA is directly responsible to the prime minister, without parliamentary control of its budget. CBA employees are recruited from the three governmental parties, leading to public perceptions that the CBA was only created to fight political enemies of the ruling coalition. Concerning the halt of privatization efforts, the public is also convinced that the PiS government's only intention was to protect its influence and financial interests by further controlling state enterprises. At the beginning of the PiS government, public opinion was different. Because of his strict fight against corruption, Prime Minister Marcinkiewicz was one of the most popular politicians the country had had in years. He fired the first treasury minister for a financial peccadillo that would have attracted little notice in former times. A recent bribery scandal has reinforced public suspicion of the government. Shortly after the coalition with Samoobrona temporarily broke down in October 2006, a close ally of Prime Minister Kaczynski, vice-party leader Adam Lipinski, was caught on film in a hotel-room as he offered money and a job to Renata Beger, a member of the Samoobrona parliamentary fraction, if she would switch to the PiS faction. Had Beger agreed, this would have secured the PiS majority in parliament. Two weeks later, Samoobrona returned to the government.

Anti-corruption
policy

16 | Consensus-Building

Almost all politicians agree that a market-based democracy is best for Poland. The government is less enthusiastic than the parliamentary opposition. Most members of the populist parties do not seek a return to the socialist authoritarian

Consensus on goals

regimes of the past, but their understanding of democracy remains quite autocratic, preferring traditional values and strong state intervention. Some have stridently nationalist political attitudes. In general, there is a basic consensus favoring democracy and a market economy, but politicians continue to debate what these terms mean in the Polish context.

Reformers cannot control all veto actors, but at least they can limit the use of their powers. In the current election period, reformers are typically members of the opposition parties, and they are attempting to maintain their influence on political and economic development. The ruling government itself has not focused on promoting economic reforms, and still experiences difficulties implementing democratic modes of decision making. Since the LPR and Samoobrona are part of the government, however, this forces the government to moderate their populist demands somewhat. And being in government seems to have lessened their support among the population, as recent polls and their weak results at the latest local elections of November 2006 show.

Anti-democratic veto actors

The present leadership has not reconciled existing divisions within the government, nor has it prevented cleavage-based conflicts. The Kaczynski brothers' vision of a Fourth Republic imagined the national unification of Poland and the correcting of the wrongs of past regimes, but in the course of pursuing their ideal, they have not acted in a conciliatory manner themselves. Their own government now shaken by the same scandals they sought to prevent, the Kaczynskis have failed to build the model government that they promised to voters. In addition, the Kaczynskis, firm believers in a number of conspiracy theories, engage in rhetoric that reflects their black-and-white thinking full of polarizing and incredible verbiage. Thus, instead of reducing the cleavages extant in Poland, such as structural inequalities between larger cities and rural areas in infrastructure and education, the government has created additional divisions.

Cleavage / conflict management

The political leadership frequently ignores civil society actors and formulates its policies autonomously. Since the Kaczynskis trust no one but themselves and decide on their political actions behind closed doors, there are very few opportunities for the civil society actors who wish to participate in political decision making. Only the Catholic Church, as one of the largest NGOs, exercises influence upon the political decision-making process.

Civil society participation

The political leadership, especially the PiS, strongly recognizes the need to deal with historical acts of injustice. Lustration and de-communization are two big goals of the PiS, although their aim is not reconciliation but increased prosecution of crimes committed in socialist times. According to them, the existing regulations concerning lustration are not sufficient. Officials must declare whether they worked as agents for the socialist secret police and

Reconciliation

intelligence services. Those who admit such activities are not punished. Those who are found guilty of lying about their past by the lustration court are banned from working in public service for 10 years. The Institute for National Memory (IPN) has collected all of the files of the former secret services, and has made them accessible for affected persons since 2000. In January 2005, the journalist Bronislaw Wildstein, writing in the Polish daily Rzeczpospolita, published a list containing some 170,000 names of socialist era secret police agents, reinvigorating debates about the past. Both PO and PiS, leading in the polls, promised to dig up all of Poland's "skeletons in the closet" in order to prevent irresponsible lustration by Wildstein followers, who put the list online. After winning the elections, PiS worked out a new lustration law that expands the group of people obliged to give evidence about their former activities, and the IPN is now also working as an organization responsible for lustration. President Lech Kaczynski signed the law in November 2006.

17 | International Cooperation

Although the Polish government cooperates with individual or bilateral international donors, it views external advice as undesired political interference. Institutions such as the UNDP or Transparency International are active in Poland, but they perform a watchdog function. The government only rarely cooperates with international institutions in order to improve its policies. Because it neglects reform policy in favor of its own national, value oriented policies, the government does not seek out active cooperation with international partners.

Effective use of support

The government tries to present Poland as a country committed intensely to its own national priorities, and often acts rather erratically towards the international community. Sometimes it supports international projects, and at other times it inexplicably rejects others. During the debates on the new financial framework of the EU, Poland acted very constructively and flexibly. Poland also supports European security and defense policy. But Poland also blocked several other European decisions, including the reduction of the value added tax and new regulations for the sugar market. On other occasions, several Polish ministers made procedural mistakes during EU meetings, partly because they show little interest in foreign policy, and partly because many of the civil servants who were familiar with European politics have been removed from their posts. This renders the government unreliable and incredible. Nevertheless, Poland cooperates on economic issues, and foreign investors are not frightened away by the government and its rhetoric.

Credibility

The government cooperates with most neighboring states and more or less complies with the rules set by regional and international organizations. The

Regional cooperation

current government regards transatlantic relations as a critical element of Poland's security. Although the public remains critical of Poland's support of American troops in the Iraq war, the government has maintained its policies. It also actively supported the EU missions in the Democratic Republic of Congo and Lebanon. Poland's relationship with the EU on non-military matters is rather ambivalent. Its policy is determined by a mix of national priorities that block EU decision making, half-hearted initiatives – such as a common European energy policy – and few successes. Prime Minister Marcinkiewicz proved to be a good lobbyist for Poland's interests in Brussels when he secured his country a deal worth 60 million Euro from 2007 – 2013, the largest portion of EU subsidies among the member states. He also managed to improve the way in which Poland spends the money from the EU's regional and structural funds. On the one hand, the national conservative parties accept Poland's membership in the EU because it brings many financial advantages that are regarded as compensation for Poland's suffering in historical times. On the other hand, the government is eager to maintain Poland's national identity and works against further integration. It favors further enlargement, especially the accession of Ukraine and Turkey to the EU. Some prominent politicians from PiS, like the Sejm President Marek Jurek for example, even voted against Poland's EU membership. Polish citizens, unlike their politicians, are much more pro-Europe. Since Poland has joined the EU, two thirds of the population support EU membership. Trust in the EU has grown significantly (from 46% in 2004 to 62% in 2006) and is higher than in their own government (22%). All surveys prove that the European Constitution would have been supported in the referendum. Foreign policy is currently shaped by the president in collaboration with his brother, rather than Foreign Minister Anna Fotyga. Lech Kaczynski, relatively inexperienced in international affairs, perceives Poland as a constant victim of European imperialism, threatened by Russia and Germany. Relations with Germany have eroded during the last two years, due to debates about a German-Russian gas pipeline in the Baltic Sea and the Center against Expulsion, and the activities of the Prussian Claims Society. This organization demands compensation or the restitution of properties to Germans displaced from the present territories of Poland after the end of World War II, and it lodged its first 22 complaints with the European Court of Human Rights in Strasbourg in December 2005. The Polish leadership's mistrust towards Germany has become so strong that a satiric text in a German newspaper comparing the Polish president to a potato provoked such an overreaction in Poland that President Kaczynski decided not take part in the consultations of the Weimar triangle with France and Germany.

Strategic Outlook

Poland has found itself in an increasingly difficult situation over the last two years. The country has been shaken by several scandals, and the political environment remains unstable. Despite its nationalist rhetoric, the government has addressed important problems in Poland's political development: corruption, nepotism and social exclusion. But the ways in which the government has attempted to solve these problems has deepened cleavages instead of improving the situation. Hence, the Law and Justice party (PiS) should choose a different approach in order to realize its goals. Instead of concentrating so much on its socialist past, it should try to improve the situation of those negatively affected by reforms by investing more in education (see below). In addition, the government needs to focus on further reforms of the ministerial administration, courts, health institutions and universities in order to guarantee more appropriate formulation and implementation of policies. PiS should also reduce its conflict-oriented rhetoric and its dependency on the votes of the populist and national parties. It should search for closer ties with the liberal centrist opposition, namely the Civic Platform party (PO), and should abstain from practicing rent-seeking, discriminatory political behavior and respect the independence of the media. This would also improve Poland's reputation in the international community and help the country to become a reliable partner again. In order to take efficient advantage of the gains from positive economic growth, several measures should be taken. First, the government should address unemployment with greater urgency. The functioning of the labor market has to be improved through reform of labor market policies that increase investment in both human capital and infrastructure. The government should focus on strengthening the links between the education system and the labor market in order to activate internal mobility and to raise Poland's very low employment rate. Second, the government should concentrate on reducing bureaucratic obstacles for Polish and foreign entrepreneurs. They should be encouraged to develop and expand their businesses so that innovation and investment can flourish. This is especially important for small- and medium-sized enterprises, as well as the agriculture and steel sectors. It is also necessary to enact a substantial tax reform. Third, further fiscal reforms are crucial. Social transfer payments absorb too large a share of public spending and GDP. They should be reduced to make room for other priorities, such as health and long-term care, child care and education, and active labor market measures. In addition, this would reduce the risk of volatility in the exchange rate and a destabilization of the economy in the run-up to the adoption of the euro. In this respect, the government should enhance

its efforts to meet the convergence criteria before 2010 and not delay further reforms. All of these measures are especially important in order to slow the massive brain drain the country has experienced in recent years. Although so far only Great Britain, Ireland and Sweden opened their countries for work-migrants from the new EU member states, many Poles have already taken advantage of the chance to work abroad. Today, the numbers of those working in important professions such as engineers and doctors are dwindling in Poland. The city of Warsaw, for example, has placed advertisements in Polish newspapers abroad that it is urgently searching for employees.