

Key Reforms in Poland (as of 31 August 2016)

Introduction

The table on “Key Reforms in Poland” presents briefly **25 reforms** introduced, being introduced or planned by the Polish government that was formed in November 2015. There are **social and economic reforms, public finance reforms, reforms on national security and justice, and others**. They are summarized on 10 pages and presented, in principle, as of 31 August 2016 (with a few updates as of early September 2016). The table outlines the diagnosis of the situation before the reform (explaining why the reform is needed), goals and key elements of the reforms, their implementation dates, and some other useful information.

The reforms are beneficial for the Polish society and economy. The Polish citizens are very keen on those reforms (e.g. the Family 500+ program, the Home+ program, education and healthcare reforms, minimum pay for work, etc) since they genuinely contribute to the improvement of their day-to-day life. For example, this year, thanks to the Family 500+ program, many Polish families could afford holidays with children for the first time, spend more money on home equipment, children education, etc. As indicated in the recent report of the World Bank, published in August 2016, the introduction of the Family 500+ program has already made an important change in reducing poverty. The World Bank also noticed that another planned reform – extending the tax-free amount in personal income tax – is expected to further improve the redistributive impact of fiscal policy.

In this context, it should be emphasized that **the reforms are to be introduced by the government in a responsible way, i.e. keeping in mind public finance discipline**. New budgetary spending are accompanied by new budgetary revenues (e.g. new taxes on banks and supermarkets, sealing the tax system, etc). If some reforms are too expensive to be introduced immediately, they are either a bit postponed or modified to some extent in order to respect the EU fiscal rules and limits. This is confirmed in the draft Budget Act for 2017 (adopted at the end of August 2016) assuming that the budget deficit next year (2.9% of GDP) will not exceed the 3% limit required by the Excessive Deficit Procedure under the Stability and Growth Pact.

There are examples of **positive public perception of the government reforms**. For example, according to the recent public opinion poll in Poland, conducted in August 2016 and published last week, 44% of people think that the Polish authorities are currently well prepared to preventing the terrorist attacks (33% are of the opposite view). In April 2016, i.e. before the adoption of new anti-terrorism measures in June 2016, only 20% of people perceived the authorities as well prepared while 63% were of the opposite opinion. Similar results were also in 2013 and 2015 – respectively, 26-28% (prepared) vs. 55-58% (unprepared).

Contrary to the reforms, the Polish citizens are not really interested in the conflict on the Constitutional Tribunal, which is more and more incomprehensible for them. In fact, they are not interested in it since it has no impact on their day-to-day life (they enjoy all benefits and freedoms of democratic societies, such as, for example, free elections, freedom of speech, freedom of assembly, more pluralism in media than before, etc). Moreover, they often regard the Constitutional Tribunal as a politicized rather than impartial institution, which is being confirmed by the recent public opinion poll: as of 30 August 2016, 38% of people expressed a negative opinion on the functioning of the Tribunal, while 29% had a positive opinion (similar results were

also in July and June - 39% and 37% vs. 27% and 29% respectively). Nevertheless, the issue of the Constitutional Tribunal – that also needs to be reformed – is included in the table.

Overall, the table on “Key Reforms in Poland” was prepared (in English and Polish) in order to explain the reforms that are currently being introduced in Poland. This would **facilitate understanding the current social, economic and political situation in Poland, which is often presented in a misleading and unreliable way by both domestic and foreign media as well as some politicians.**

Annex: Table on “Key Reforms in Poland (as of 31 August 2016)”

Key Reforms in Poland (as of 31 August 2016)

Reform	Diagnosis and goals (why the reform is needed)	Key elements of the reform	Implement- ation (actual/planned)	Additional information
Social reforms				
1.	<p>Supporting families with children and improving demography (Family 500+)</p> <p>According to the Central Statistical Office, Polish population will continue to decline. In 2050, it will drop to 34.9 million, i.e. 3.1 million (8.3%) less than in 2014. The birth number will decline from 2016 - in 2050, it will be 24% lower than in 2014.</p> <p>Family 500+ is to support Polish families raising children and improve Polish demography in the long term. Thanks to the program, the birth number is to increase within 10 years by about 280 000, and the fertility rate from 1.29 to 1.6 (EU average).</p>	<p>Financial support for families: PLN 500 per month for the second and subsequent child.</p> <p>Financial support for poor families: PLN 500 per month also for the first (or the only) child – if net monthly family income does not exceed PLN 800.</p> <p>Financial support for families with disabled children: PLN 500 per month also for the first (or the only) child – if net monthly family income does not exceed PLN 1200.</p> <p>Financial support to be paid until the child reaches the age of majority (in Poland, 18 years).</p>	<p>Act of 11 II 2016 (Family 500+) entered into force on 1 IV 2016.</p> <p>By 30 VI 2016: 2.6 million applications; 3.2 million children benefited; Polish families received PLN 5 billion.</p>	<p>Similar programs exist in the EU (e.g. in Germany, Ireland, France).</p> <p>Bank Morgan Stanley (III 2016): Family 500+ will boost household spending, which in turn will accelerate GDP growth. The bank revised upward its GDP growth forecasts for Poland for 2016 and 2017 (from 3.2% and 3.4% to 3.6%). Similar opinions expressed by the National Bank of Poland and the Ministry of Finance (increase in GDP growth by 0.5 pp).</p>
2.	<p>Housing program (Home+)</p> <p>It is estimated that some 60% of Poles have no creditworthiness. They cannot afford to buy or rent an apartment on the market. In Poland, some 140 000 apartments are offered each year, of which about 95% are addressed to people with relatively high income.</p> <p>A government program designed to meet the housing needs of families with low and medium income is needed.</p>	<p>Setting up the National Housing Fund (which will manage state-owned lands) and constructing apartments for rent with the option leading to ownership (large families preferred).</p> <p>Supporting social housing (affordable apartments for rent for low and medium income earners).</p> <p>Individual housing accounts – State support for long-term saving for housing purposes (e.g. house construction or renovation, purchase of a dwelling).</p>	<p>Program outline: Q3 2016.</p> <p>Legal acts: Q4 2016, mid-2017.</p> <p>Housing accounts: from 2018.</p>	<p>Expected rental rates with using state-owned land: PLN 10-20 per m² (apartments with the ownership option: about 20% more). Rental rates in social housing: PLN 10-15 per m². Market rental rates: PLN 20-50 per m².</p>
3.	<p>Ban on taking children away from poor families</p> <p>The Children Ombudsman and NGOs noted many "hasty" court decisions to take children away from parents due to the family's difficult financial situation. Better protection of families and children is needed.</p>	<p>Limiting too far-reaching court interference in family life and parental responsibility – inter alia, by introducing the rule that it is unacceptable to place children in foster care against their parents' will solely because of poverty.</p>	<p>Act of 18 III 2016 (family code) entered into force on 30 IV 2016.</p>	<p>In 2013 – according to the Ministry of Labour and Social Policy – 771 children were in foster care because of poverty and helplessness of their parents.</p>

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4.	Pension system	<p>In 2012, against the will of the society, the PO-PSL government raised the retirement age to 67 years – from 60 years (women) and 65 years (men). In 2014, it transferred 51.5% of assets of the open pension funds (OFE) to the state system (ZUS – 1st pillar).</p> <p>The retirement age should be reduced (keeping in mind budgetary impact) and the pension system reformed to increase savings and investment rates, and GDP growth.</p>	<p>Re-introducing the previous retirement age (60 and 65 years) – President’s proposal.</p> <p>2nd pillar – transfer of 75% of OFE assets to Individual Pension Accounts (IKE), and 25% to the Demographic Reserve Fund.</p> <p>3rd pillar – Employee Capital Plans (PPK) and Individual Capital Plans (IPK). Employees (aged 19-55) would be automatically enrolled to the PPK or IPK with an opt-out clause.</p>	<p>Pension system reform outlined: VII 2016 (legislation: 2016-2017; implementation: 2018-2019).</p> <p>Retirement age (60/65 years): work in progress, new provisions from X 2017.</p>	<p>Voluntary savings forms are based on the UK’s National Employment Savings Trust.</p> <p>Expected effects of the reform: 5.5 million more participants of the 3rd pillar (now 380 000), 12-22 billion of new savings per year, and additional 0.4 pp of GDP growth annually.</p> <p>The cost of returning to 60/65 years: about PLN 10 billion per year.</p>
5.	Education	<p>The PO-PSL government introduced compulsory education for 6-year-old children. It was done against the will of most parents who strongly protested in 2012-2015.</p> <p>The system 6+3+3 has failed (aggression in gymnasiums, too little time to prepare to the high-school exit exam (<i>matura</i>), etc). Despite the falling number of pupils (demographic decline), the number of gymnasiums rose.</p> <p>The education system needs reforming, e.g. liquidating gymnasiums, modernizing, adjusting to labour market, patriotic education.</p>	<p>Re-introducing compulsory education for 7-year-olds (voluntary for 6-year-olds on parents’ request).</p> <p>New school system (8+4), i.e. primary school of 8 years and secondary school (lyceum) of 4 years.</p> <p>Vocational education (in cooperation with employers) – two-tier industrial school of 5 years (3+2) or technical school (<i>technikum</i>) of 5 years.</p> <p>In all schools: broadband internet, interactive whiteboards, computer programming, but also more emphasis on Polish history and language.</p> <p>Changes in professional development of teachers.</p>	<p>Act of 29 XII 2015 (compulsory education) entered into force on 23 I 2016.</p> <p>Education reform (outlined in VI 2016) will begin in 2017/2018 and it will be completed in 2023/2024.</p>	<p>Country-wide education debate “Pupil. Parent. Teacher. Good Change” (III-VI 2016): debates in 16 cities bringing together the Ministry of Education, teachers, parents, local authorities, etc. The Ministry set up 16 expert groups (1840 experts).</p> <p>Sealing the grant system for non-public schools will bring some savings for the State budget (PLN 25 million annually) and local authorities (PLN 100 million annually).</p>
6.	Healthcare	<p>The main healthcare problems are long queues to doctors, underfunding, bureaucracy, lack of coordination, etc. Some citizens have no access to health services.</p> <p>Currently, anybody could be the owner of a pharmacy in Poland. Many pharmacies make illegal sales of medicines abroad.</p> <p>All citizens should have access to healthcare regardless of their financial situation (Art. 68 of the Constitution).</p>	<p>Free basic healthcare for all – including the uninsured (about 2.5 million people).</p> <p>Liquidation of the National Health Fund – instead, funding from the state budget (increase in healthcare spending from 4.8% to 6% of GDP in 2025).</p> <p>Free medicines for senior citizens (75+) for age-related diseases (Alzheimer’s, hypertension, etc).</p> <p>“Pharmacy for a pharmacist” – min. 51% of pharmacy shares must belong to a master in pharmacy.</p>	<p>Reform outlined: VII 2016 (implementation: 2017-2018).</p> <p>Act of 18 III 2016 (seniors) entered into force on 12 VI 2016 (list of medicines: by 1 IX 2016).</p>	<p>Public spending on healthcare: OECD average - 6,7% of GDP, Hungary - 5,1%, Czechia - 6,3%, UK - 7,8%, Germany - 8,7%.</p> <p>Budgetary spending on medicines for senior citizens: PLN 8.3 billion (2016-2025).</p> <p>The “pharmacy for a pharmacist” is applied in 12 out of 28 EU countries.</p>

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7.	Toxic financial products	<p>In 2000-2013, banks granted indexed/denominated mortgage loans (mainly to/in CHF) without informing customers about the foreign exchange risk. On 15 I 2015, there was a strong appreciation of CHF against PLN an a significant increase in loan installments for people repaying the above mortgages – often beyond their financial capabilities. As of end-2015, there were 560 000 people repaying such loans (worth PLN 144 billion).</p> <p>In 2009-2013, banks and insurers massively offered deposits combined with insurance without informing customers about the liquidation costs (losses up to 90% of capital).</p>	<p>Banks must reimburse their customers with undue payments being a result of excessive spreads used by banks for converting loan installments from CHF to PLN. Refunding of overpayments (with interests) will be made at the customer's request. Claims relate to the entire loan/loans or its/their part (up to the total limit of PLN 350 000).</p> <p>The forced one-off conversion of mortgage loans postponed but not abandoned. In the meantime, banks should independently and voluntarily (through negotiations and agreements with customers) made a gradual conversion of loans. There will be strong incentives from the authorities (inter alia, banking supervision) for doing so.</p>	<p>Presidential draft act (refunding spread overpayments): 1 VIII 2016.</p> <p>Proposals on resolving the deposit-insurance products problem: analytical work in progress.</p>	<p>Costs of refunding overpayments: PLN 4 billion. Costs of converting loans: PLN 21-22 billion (NBP/KNF, VIII 2015); PLN 67 billion (KNF, III 2016, based on a bank survey); PLN 30-40 billion (President's office, VI 2016).</p> <p>Financial Ombudsman's report (VI 2016): invalidity of prohibited clauses in loan contracts (e.g. indexing loans to the PLN/CHF exchange rate). Consumer Protection Office's report (IX 2009): irregularities in spreads.</p> <p>The deposit-insurance products problem: PLN 50 billion, 4 million Poles.</p>
Economy and public finances					
8.	Plan for Responsible Development	<p>The sources of growth so far (e.g. low labour costs) have run out. The development model so far has largely built on foreign capital. Too few Polish companies place innovations on the market and too many build their competitiveness on low prices. From 2016, the number of working population will decline (in 2050, it may decrease by 5 million people). Public administration is ineffective.</p> <p>If we do not want to get stuck in the group of middle-income countries, we must find new drivers of growth. We need: more investment and more spending on innovation, much better cooperation science-business, facilitate the functioning of enterprises, support development and foreign expansion of enterprises, promote savings, etc.</p>	<p>Five pillars of the new development model:</p> <ol style="list-style-type: none"> 1. Reindustrialisation – developing strategic branches of the economy, clusters/industrial valleys, etc. 2. Development of innovative companies – New “Business Constitution”, friendly legal environment, review of research institute, etc. 3. Capital for development – PLN 1 trillion for investments (Polish Development Fund, EU funds, EBI, EBOR, World Bank, etc), growing savings. 4. Foreign expansion – Export Support Division at the Polish Development Fund, strong Polish brand, review of business diplomacy, etc. 5. Social and regional development – education adjusted to the labour market needs, comprehensive demographic program, pact for rural areas, etc. 	<p>Plan outlined: II 2016.</p> <p>Package for entrepreneurs: VI 2016 (see item 9).</p> <p>Capital Accumulation Program (incl. the pension system reform): VII 2016 (see item 4).</p> <p>Detailed Strategy in public consultation since VIII 2016.</p>	<p>Government goals for 2020:</p> <ul style="list-style-type: none"> - increase in investment from 18% to 25% of GDP; - increase in R&D spending from 0.8% to 2% of GDP; - increase in the number of medium and large enterprises from 18 000 to 22 000; - more Polish foreign direct investments (increase by 70%); - growth of industrial production exceeding the GDP growth; - Polish GDP per capita at the level of 79% of EU average (now 60%).

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9. Package for entrepreneurs	Main problems of Polish companies to be addressed: high taxes, endless proceedings in offices, administrative penalties disproportionate to offences, bureaucratic burden, time-consuming recovery of debts , lack of legal provisions for innovative start-ups , lack of provisions allowing for smooth operation of a firm after the death of the owner, etc.	100 improvements for companies (micro/SMEs): - reform of administrative procedures; - less burdensome controls and protection against changes in law interpretation; - easier recovery of debts; - smooth succession of sole-proprietorship firms; - creating a new type of company for start-ups (simple joint-stock company – PSA). Reducing CIT for small firms from 19% to 15% .	1 st package: VI 2016. 2 nd package (Business Constitution): fall 2016. Act of 5 IX 2016 (CIT 15%) will enter into force on 1 I 2017.	Number of controls carried out in 2013: 77 000 (Chief Sanitary Inspectorate), 78 000 (Social Insurance Office – ZUS), etc. Currently, the storage period of employee files is 50 years (one of the longest in the world). It is to be reduced to 7-10 years.
10. Sealing the tax system	The leaky tax system of the PO-PSL government fostered various pathologies, e.g. tax frauds or aggressive tax optimization and avoidance of taxation of profits in the country of their origin, i.e. in Poland. It resulted in enormous losses for the state budget . The estimated CIT shortfall was about PLN 10-40 billion per year, and the VAT shortfall – PLN 25-55 billion per year. In 2007-2015, the so-called VAT gap increased from 8.8% to 26% (the EU average is 15%). It is necessary to strengthen the enforcement of taxes and toughen penalties for offenders . This will ensure larger budgetary revenues.	Measures to seal the tax system in 2017-2019: - introducing the General Anti-Avoidance Rule (GAAR) and clarifying provisions on PIT, CIT, VAT and excise duties; - reducing the limit on cash transactions between companies from EUR 15 000 to PLN 15 000; - setting up the National Fiscal Administration and the Register of Debtors of Public Liabilities; - computerization of the tax books' audit (Standard Audit File) and modernization of ICT systems of the Ministry of Finance; Confiscation of assets derived from crime (VAT extortion, money laundering, etc).	Act of 13 IV 2016 (PLN 15 000) will enter into force on 1 I 2017. Act of 29 IV 2016 (IT systems) entered into force on 12 VI 2016. Act of 13 V 2016 (GAAR) entered into force on 15 VII 2016. Act of 7 VII 2016 (VAT avoiding) entered into force on 1 VIII 2016.	According to the “ <i>Multiannual Financial Plan of the State for 2016-2019</i> ”, implementing the measures to seal the tax system would contribute to: - increasing tax revenues by about PLN 22-33 billion (in 2019); - reducing the budget deficit – from 2.8% (2014) to 1.3% of GDP (2019), in structural terms. Act on the National Fiscal Administration : work in the Parliament. Confiscation of assets is in line with Directive 2014/42/EU. A draft act on this was prepared by PiS in 2006.
11. New sources of budgetary revenues	Poland was one of the few EU countries that had not introduced a bank levy. In recent years, the Polish banking sector generated large profits (PLN 15-16 billion per year) . The government's goal is obtaining additional budgetary revenues to finance some important social spending (e.g. Family 500+).	Tax on financial institutions (bank tax) – annually, 0.44% of assets of banks, credit unions, insurance companies etc (banks and credit unions - taxation of assets over PLN 4 billion). Retail sales tax – 0.8% and 1.4% of revenue from retail sales. Tax-free amount: PLN 17 million per month. The second tax rate applies to revenue above PLN 170 million.	Act of 15 I 2016 (bank tax) entered into force on 1 II 2016. Act of 6 VII 2016 (retail sales tax) entered into force on 1 IX 2016.	Budgetary revenues from the two new taxes are estimated at PLN 5.5-7.5 billion (about 4-5.5 billion from the bank tax and about 1.5-2 billion from the retail sales tax). The annual cost of the Family 500+ program: PLN 21-22 billion .

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12.	Single tax and tax-free amount	The PO-PSL government set the tax-free amount at PLN 3089. It meant taxing income below the poverty level , i.e. PLN 6504 per year. On 28 X 2015, the Constitutional Tribunal found those provisions unconstitutional and repealed them from 30 XI 2016. The tax-free amount must be raised. It may be combined with the planned tax simplification .	Incorporating the raised tax-free amount (about PLN 8000) into the single tax. Introducing a single tax combining the current income tax (PIT), health contribution (NFZ), social insurance contribution (ZUS), Labour Fund contribution, etc. Collecting the tax by a single institution (now there are two – the tax office and ZUS) will reduce the cost of tax collection.	Draft act (single tax and tax-free amount): fall 2016. Planned entry into force: 1 I 2018.	The government refrained from raising the tax-free amount by PLN 1000 per year until reaching PLN 8000 since it would mean substantial burden for the state budget (PLN 4, 8 and 12 billion in 2017, 2018 and 2019). Incorporating this amount in the single tax is to be neutral for the budget (balanced by tax progression).
13.	Minimum pay for work	In Poland, civil law contracts (so-called junk contracts) often replace normal employment contracts. This is to reduce labour costs since persons employed under civil law contracts (1.3 million people) have very low hourly rates for work (e.g. PLN 5-6) and their total pay is lower than the minimum wage . This is unfair competition for the companies employing staff on employment contracts. It is necessary to protect low-paid workers and discourage employers to conclude civil law contracts.	Introduction the minimum pay for work at the level of PLN 12 per hour (gross) with regard to civil law contracts (contracts of mandate, specified-task contracts) and self-employment. Ensuring an annual increase in the hourly rate , in line with the minimum wage increase. Abolition of provisions discriminating young people on the labour market, i.e. the principle that remuneration in the first year of employment may reach 80% of the minimum wage.	Act of 22 VII 2016 (minimum pay) will enter into force on 1 I 2017.	Minimum pay for work (hourly rates) exist in the EU and in the world (applied by half of the OECD countries, recently introduced in Germany). In Poland, the minimum wage is currently PLN 1850 per month (gross). The application of the minimum hourly rate of PLN 12 (gross) would increase the minimum wage to PLN 2016 per month (gross), assuming 168 hours worked per month.
National security					
14.	Armed forces	As a result of Russia's aggression in Ukraine (2014), Europe's security deteriorated significantly. This applies notably to NATO's eastern flank (Poland, Romania, Bulgaria, Lithuania, Latvia, Estonia). In these countries, there are no permanent military bases of NATO (such as e.g. those in Germany). Despite the potential threat from the east (Russia), the PO-PSL government dislocated Polish troops from the eastern part of the country and deployed them near the western	Deployment of NATO troops on the eastern flank (in Poland and some other countries) – on a permanent rotational basis. Construction of NATO's Ballistic Missile Defence in Romania and Poland. Increasing the size of the Polish army in the coming years (from the current 100 000 to 150 000 soldiers) and its modernization (technical, structural, human resources).	V 2016: Construction of the US military camp in Redzikowo launched. 8-9 VII 2016 (NATO summit in Warsaw): NATO battalions in Poland by 2017.	At the NATO summit in Warsaw (VII 2016) it was decided to strengthen the military presence of NATO in Eastern Europe (Poland, Lithuania, Latvia, Estonia) – 4 battalions in total (4000 soldiers). In the region, there will be deployed a US armored brigade (4500 soldiers) and the NATO high-readiness forces – VJTF (5000 soldiers).

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	<p>border. Despite significant budget spending in recent years (PLN 50 billion), the government has not completed any of the army modernization programs.</p> <p>It is necessary to strengthen the defence capability of NATO, as well as expanding and modernizing the Polish army.</p>	<p>Creating the Territorial Defence Forces (WOT) – ultimately 17 paramilitary brigades in 16 provinces (in total, 35 000 soldiers-volunteers).</p> <p>Increasing budgetary spending on the army to 3% of GDP (the previous government spent on defence between 1.69% and 1.93% of GDP).</p>	<p>End-2016: setting up 3 WOT brigades in eastern Poland.</p>	<p>7-17 VI 2016: Poland hosted the largest post-1989 military exercise “Anaconda” (land, air, marine and special forces). It was attended by 31 000 soldiers from 18 NATO countries and 5 other countries (including 12 000 Polish soldiers).</p>
15.	<p>Anti-terrorism measures</p> <p>The terrorist attacks in France, Belgium and Germany (2015/2016), as well as the earlier ones in Madrid and London (2004/2005), confirm growing terrorist threat in Europe. This is facilitated by the uncontrolled inflow of migrants to Europe (notably, in 2015 when between 1 million and 1.5 million migrants from Asia and Africa arrived to Europe).</p> <p>Despite the above, the PO-PSL government has not prepared anti-terrorism law. State authorities (police, special services) must have effective tools to combat threats (such as terrorism) to ensure the safety of their citizens (which can involve some restrictions of civil liberties, similarly as for example in the US after the terrorist attacks of 11 IX 2001).</p>	<p>The Internal Security Agency (ABW) will create a register of persons suspected of terrorism and gain broad access to databases (incl. banking secrecy).</p> <p>Operational control of foreigners (surveillance, monitoring of calls and correspondence) up to 3 months (renewable). Possible to block the phone calls and internet access. Mandatory registering of pre-paid cards (so far anonymous).</p> <p>Persons suspected of terrorism can be arrested for 14 days. Arresting and searching possible 24/24h (so far from 6.00 to 22.00 only).</p> <p>New penalties for terrorists (e.g. up to 5 years in prison for participating in terrorist training). Possible immediate expulsion of foreigners posing a threat, temporary closure of borders, ban on organizing mass events, etc.</p>	<p>Act of 15 I 2016 (police) entered into force on 7 II 2016.</p> <p>Act of 10 VI 2016 (anti-terrorism measures) entered into force on 2 VII 2016.</p>	<p>Anti-terrorism law was aimed at being adopted before two very important events in Poland in VII 2016: the NATO summit (Warsaw) and the World Youth Day (Kraków, about 3 million participants).</p> <p>The PO-PSL government ignored the Constitutional Tribunal judgement of 30 VII 2014. As a result, there was a threat of paralyzing police and special services from 7 II 2016 if the Act on police and other acts were not amended.</p> <p>The PO-PSL government liquidated half of the police stations (418 out of 817). They are now being restored.</p>
16.	<p>Energy security</p> <p>Completing Nord Stream 2 (by end-2019) would make the EU dependent on Russian gas supplies and decrease energy security of the EU and Poland. It is thus desired to block the construction and look for alternatives.</p> <p>The PO-PSL ruling resulted in a coal sector crisis: lack of restructuring, increase in debt (PLN 14 billion), protests of miners, etc. Privatizations of energy companies were</p>	<p>Polish activities at the EU forum to prevent the construction of Nord Stream 2 that is contradictory to the idea of the European Energy Union. Considering the Baltic Pipe (Norway-Denmark-Poland).</p> <p>Setting up the Ministry of Energy and the Polish Mining Group (PGG). The PGG, which took over 11 mines and 4 plants of the indebted Coal Company, is to become profitable within 2 years.</p>	<p>The PGG was set up on 1 V 2016.</p> <p>Acts of 20 V (wind farms), 22 VI (renewable energy) and 22 VII 2016 (energy law) entered into force on 16 VII, 1</p>	<p>In V 2016, the construction of the Trans Adriatic Pipeline (TAP) was launched. From 2020, it is to supply gas from Azerbaijan to Europe (via Turkey, Greece and Albania to Italy) – initially 10 billion m³ per year, and over time 20 billion m³, which would cover about 20% of the EU needs.</p> <p>The capacity of the LNG terminal in</p>

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	<p>chaotic and ad hoc. Moreover, there were some wrong investments that generate losses (e.g. the power plant in Stalowa Wola).</p> <p>Poland's energy security requires maintaining coal as an energy source as well as completing and expanding the gas terminal.</p>	<p>Launching the LNG terminal in Świnoujście (first gas supplies from Qatar in XII 2015 and II 2016; fall 2016 – commercial gas supplies). It is considered to build another LNG terminal (near Tri-City).</p> <p>Restructuring the energy sector and developing renewable energy in Poland.</p>	<p>VII and 2 IX 2016.</p> <p>New energy strategy after expiry of the agreement with Gazprom (2022).</p>	<p>Świnoujście is 5 billion m³ per year, i.e. 1/3 of the Polish gas needs. It is considered to expand it to 7.5 billion m³ (50% of the needs).</p> <p>Setting up the PGG saved about 100 000 jobs.</p>
Justice				
17.	<p>Prosecutor's office</p> <p>In 2007-2015, there were chaos and anarchy in the prosecutor's office. Heads of district/regional/appeal prosecutor's offices could ignore their superiors' commands, but they could not be dismissed (terms of office). The prosecutor's office acted in a sluggish and selective way – they dealt with minor offences rather than serious ones.</p> <p>Functional separation of the Justice Minister and Attorney General was fictitious (the government was able to influence the Attorney General's office, controlled their budget, etc).</p> <p>It is necessary to restore the efficiency of the prosecutor's office as well as public confidence in the justice system.</p>	<p>Combining the functions of the Minister of Justice and the Attorney General. The Minister will appoint and dismiss heads of prosecutors' offices at any time (abandoning terms of office).</p> <p>Setting up specialized units in the prosecutor's office to quickly and effectively prosecute corruption and organized crime, including economic, financial and fiscal offences.</p> <p>Liquidation of the military units of the prosecutor's office. Military prosecutors will also conduct proceedings in general matters.</p> <p>Principle of openness and transparency: decisions in writing, public disclosure of prosecutors' asset declaration, open disciplinary proceedings, etc.</p>	<p>Act of 28 I 2016 (prosecutor's office) entered into force on 4 III 2016.</p>	<p>Subordination of the Attorney General's office to the Justice Ministry is applied in the EU countries (France, Belgium, the Netherlands, Czechia).</p> <p>During the PiS ruling (2005-2007), detection of corruption increased by 80%, and crime decreased by 25%. The number of Poles positively perceiving the justice system increased from 22% (X 2005) to 46% (IV 2007).</p> <p>On average, military prosecutors conducted 17 times fewer proceedings than general prosecutors.</p>
18.	<p>Judiciary system</p> <p>The current structure of general courts is too extensive (district, regional and appeal courts). Court proceedings are chronic despite a large number of judges.</p> <p>The process of appointing KRS members is complicated and undemocratic. Their terms of office are different (individual/group).</p> <p>The judiciary system in Poland should be simplified, improved and democratized.</p>	<p>Structure of the judiciary system simplified to two instances: regional and appeal courts (medium-sized courts will replace small, less efficient courts).</p> <p>Transparent process of appointing 15 judges for 4-year terms of office in the KRS. The terms will begin at the same time. It will be possible to serve as a KRS member one term only (now, two terms).</p> <p>Introduction of effective disciplinary measures for inefficient judges.</p>	<p>Draft act of 2 V 2016 (KRS): in public consultation.</p> <p>Draft act on the general courts system: work in progress.</p>	<p>District courts (now 321) are to be liquidated. The number of regional courts will increase from 45 to 170, and appeal courts – from 11 to 40.</p> <p>Constitution (Art. 187): the National Council of the Judiciary (KRS) comprises 25 members, incl. 15 members appointed from judges and 6 from the Parliament (deputies/senators).</p>

Reform		Diagnosis and goals (why the reform is needed)	Key elements of the reform	Implementation (actual/planned)	Additional information
19.	Criminal law	Penalties for brutal and cruel crimes of a sexual nature are relatively mild in Poland. The “zero tolerance” principle for such crimes and significantly stiffer penalties for criminals (including pedophiles) are needed. Assets deriving from crime should be confiscated.	Proposed penalties of imprisonment : - murder in connection with rape: 25-30 years or life imprisonment (currently 12-25 years or life imprisonment); - rape with particular cruelty: 10-30 years (currently 5-15 years); - gang rape: 8-20 years (currently 3-15 years).	Act of 13 V 2016 (register) will enter into force on 1 X 2017. The “zero tolerance” reform outlined: VI 2016.	One of the two parts of the register of sexual criminals (including pedophiles) is to be public. Planned changes: confiscation of criminals’ assets using the reverse burden of proof (<i>vide</i> Germany, Italy, UK).
20.	Constitutional Tribunal	The unconstitutional changes in the CT Act made in VI 2015 by the PO-PSL coalition (appointment of CT judges) led to a constitutional crisis . The new Parliament reappointed 5 judges, but 3 of them are not allowed to judge by the CT Chairman. The CT judgements of 9 III and 11 VIII 2016 (on the CT Acts of 22 XII 2015 and 22 VII 2016) were adopted unlawfully . Thus, the government has not published them (21 other judgements were published in VIII 2016). It is necessary to resolve the crisis in order to prevent legal chaos .	According to the Act of 22 VII 2016, the CT sitting as a full bench (at least 11 judges) shall adjudicate in particularly complicated cases, President’s veto, the CT Act, etc (before, full bench meant at least 13 judges). The constitutionality of laws and other legal acts shall be adjudicated by of 5 or 3 judges . The CT shall handle the cases according to the date of receipt (except for President’s veto, the Budget Act, the CT Act, etc). The CT shall adopt judgements by a simple majority (rather than a 2/3 majority as before). Blocking minority – opposition of 4 judges during a CT meeting in full composition (meeting to be postponed for 3-6 months, ultimately voting).	Act of 22 VII 2016 (CT) entered into force on 16 VIII 2016. Act of 22 XII 2015 (CT) entered into force on 28 XII 2015 (repealed by the Act of 22 VII 2016). New CT Act: fall 2016.	The PO-PSL coalition wanted to dominate the CT (by appointing 14 out of 15 judges) to be able – after the lost election – to paralyze the work of the Parliament and prevent introducing the reforms planned by PiS. The Act of 22 VII 2016 (containing some suggestions of the opposition and the Venice Commission) was a compromise aimed at putting an end to the CT crisis. The term of office of the current CT Chairman expires on 19 XII 2016 .
Other reforms					
21.	Cultural and historic policy	A feature of the PO-PSL ruling was so-called pedagogy of shame , i.e. permission for selective and biased (often false) presenting Polish history and national characteristics that discredited Poland and Poles, destroyed Polish identity and national pride. It is necessary to actively and skillfully promote patriotism, Polish culture and history as well as a positive image of Poland both domestically and abroad.	Promoting patriotism in the society, notably among young people (“Poland is trendy” – national heroes, discovering unknown pages of history (e.g. the cursed soldiers), celebration of anniversaries, modern museums, patriotic movies, etc). Strengthening cultural diplomacy (promoting Polish point of view on history, national interest, etc) and reforming the Polish Institutes that are responsible for promoting Polish culture abroad. Reforming the Institute of National Remembrance .	Act of 29 IV 2016 (IPN) entered into force on 16 VI 2016. MSZ guidelines for the Polish Institutes: 20 V 2016.	The Warsaw Uprising Museum , initiated by President L.Kaczyński (2004), is very popular among Poles and foreigners, adults and youth. Other modern museums to be built. Ceremonial State celebration : 1050 th anniversary of the Baptism of Poland (2016), 225 th anniversary of the Constitution of 3 May (2016), 100 th anniversary of independence (2018), etc.

Reform	Diagnosis and goals (why the reform is needed)	Key elements of the reform	Implementation (actual/planned)	Additional information
22. Public media	<p>During the past 8 years, the public media (managed by the PO, PSL and SLD people) were very biased and practiced government propaganda: they clearly supported the ruling coalition (PO-PSL) and strongly attacked the opposition (PiS). Over 50 independent journalists were subject to surveillance by special services.</p> <p>Impartiality and pluralism must be restored in the public media. They should also better fulfill its statutory mission (inter alia, promoting Polish culture and values).</p> <p>The efficiency of audiovisual fee collection must be improved (the fee is being paid by a small part of the population – about 30%).</p>	<p>Setting up the National Media Council, which will appoint managers (management and supervisory boards) of the public media (Polish Television, Polish Radio, Polish Press Agency).</p> <p>The Council (5 members) comprises representatives of the government and the opposition – 3 members appointed by the Parliament (Sejm) and 2 members appointed by the President from candidates nominated by the opposition parties. The term of office of a Council member lasts 6 years.</p> <p>National media's mission will be financed by audiovisual contributions paid by individuals and legal persons. The contributions will replace the existing RTV subscription fee and will be charged together with the electricity bill.</p>	<p>Act on 22 VI 2016 (National Media Council) entered into force on 7 VII 2016.</p> <p>Audiovisual contribution: work in progress.</p>	<p>As a temporary measure – aimed at stopping anti-government propaganda in the public media – the so-called “small” media law was adopted (30 XII 2015), which made changes in the management bodies of public television and radio.</p> <p>Similar systems of audiovisual fee collection exist in the EU (e.g. in Italy). The planned audiovisual contribution in Poland (€ 40-45 per year) will be one of the lowest in the EU (Czechia - € 60, Italy - € 100, France - € 137, Ireland - € 160).</p>
23. Digitization of public administration	<p>The PO-PSL government had a large budget to build e-government until 2015 (about PLN 4 billion, of which PLN 3.4 billion from the EU funds). The lack of an integrated strategy of state digitization caused that projects were implemented in an uncoordinated and chaotic way, leading to duplication and errors, inefficient use of financial resources (EU and domestic ones), etc. As a result, such systems as e-taxes or e-health do not function in practice.</p> <p>It is necessary to put an end to the competence chaos in digitization and catch up on creating citizen-friendly and secure e-administration. Every citizen, organization and entrepreneur should be able to easily settle electronically any administrative case.</p>	<p>Reparation/improvement of the key IT systems of the state (e.g. ePUAP2, CEPIK, SRP, eHealth, ZUS).</p> <p>Implementation of digital public services (e-services) by: introduction of trust services and digital identity (eID (Trusted Profile) and MIDs); integration of state registers and databases aimed at their cooperation and data exchange.</p> <p>Program “Internet for schools”: connecting all schools to high-speed broadband network and provide them with modern equipment.</p> <p>Program “Digital Poland”: digitization of resources of administration, science and culture and ensuring that every Pole has access to broadband internet.</p> <p>The “cashless/paperless” initiative: increasing non-cash transactions in the economy and eliminating paper in administrative procedures (promoting e-payments and e-documents).</p>	<p>Act of 25 II 2016 (use of public sector info) entered into force on 16 VI 2016.</p> <p>Act of 9 VI 2016 (telecom networks) entered into force on 1 VII 2016.</p> <p>Other legal acts (trust services, e-identification, cyber-safety): work in progress.</p>	<p>NIK report: the ePUAP system – that is to facilitate citizens' communication with public administration – was used mostly for communication between offices (96% of cases) rather than for dealing with affairs of citizens and businesses (4% of cases).</p> <p>The cost of the ePUAP system was PLN 120 million, but it is unreliable (frequent system breakdowns), user-unfriendly (too complicated) and reluctantly used by citizens.</p> <p>During the PO-PSL ruling, IT equipment purchased for PLN 320 million was not ready to use for some years. The PO-PSL government missed PLN 500 million of the EU funds due to non-completed projects.</p>

Reform	Diagnosis and goals (why the reform is needed)	Key elements of the reform	Implementation (actual/planned)	Additional information
24. Transport infrastructure	<p>In IX 2007, the PiS government planned to build 3200 km of highways in 2008-2012. In XII 2007, the PO-PSL gov't planned 4000 km. By end-2012, 1400 km of highways and express roads were built, and 2060 km by 2015.</p> <p>In IX 2015, the PO-PSL government adopted a program of building domestic roads for 2014-2023 (3900 km of highways and express roads, and 57 ring roads). It is rather unrealistic since its financial limit is PLN 107 billion, and the investment cost is PLN 198 billion. The program should be optimized.</p> <p>Other transport infrastructure should also be developed to create a modern transport network integrating roads, railways, inland waterways, seaports and airports.</p>	<p>Expansion of highways and express roads, of which:</p> <ul style="list-style-type: none"> - Connecting Polish ports (Świnoujście, Szczecin, Gdańsk) with southern Europe (roads S3 and A1); - Completing the Polish sections of international routes – Via Baltica (S61/S8) and Via Carpatia (S19). <p>Amending the public procurement law to increase the participation of SMEs in tenders (e.g. the issue of abnormally low prices, strengthening non-price assessment criteria, splitting contracts into smaller parts, elimination of ghost-firms, etc).</p> <p>Changing the toll collection system on highways (the ViaTOLL system expires in 2018).</p> <p>Implementing recommendations of the Steering Committee of the Ministry of Infrastructure.</p>	<p>Act of 13 V 2016 (electronic toll) entered into force on 18 VI 2016.</p> <p>Act of 22 VI 2016 (public procurement) entered into force on 28 VII 2016.</p> <p>Updating the road development and railways modernization programs: work in progress.</p>	<p>The highway construction cost in Poland is € 9.6 million per km (Germany - € 8.2 million, Spain - € 6.7 million, Denmark - € 5.9 million).</p> <p>Via Carpatia – the route from Lithuania to Greece via 7 EU countries (in Poland, via eastern provinces).</p> <p>Via Baltica – the express road from Warsaw to Tallinn (via Poland, Lithuania, Latvia and Estonia).</p> <p>In II 2016, the Minister of Infrastructure launched the Steering Committee on the optimization of road investments, and the Board of Experts was set up in V 2016.</p>
25. Agriculture (land purchasing)	<p>The principle – expressed in Art. 23 of the Constitution – that family farms (run by individual farmers) are the core of the agricultural system in Poland, was not always respected. Hence, it should be fully applied now.</p> <p>The land in Poland was often acquired for speculative purposes by persons interested in profits from its sale rather than in its cultivation. As a result, land prices were rising steadily (during about 20 years they rose several-dozen times, up to about PLN 40 000 per ha on the private market). It is therefore necessary to limit speculative land purchasing and rising land prices.</p> <p>According to FAO, by 2050, demand for food will increase by 70%. Thus, agricultural land should be used for agricultural production and should be cultivated by qualified people.</p>	<p>In principle, the land can be bought by an individual farmer who runs the farm (up to 300 ha) himself /herself, has relevant agricultural qualifications, and lives for at least 5 years in a commune where one of his/her agricultural properties is located.</p> <p>Some entities (e.g. family of the seller) may acquire agricultural land without restrictions. Other eligible entities must get permission of the President of the Agricultural Property Agency (ANR).</p> <p>Obligation to cultivate the farm, part of which is the purchased land, for at least 10 years (private land) or 15 years (state-owned land). Those periods may be reduced with the permission of the court or the ANR President.</p> <p>Suspension of sale of state-owned land for 5 years (in justified cases, purchasing will be possible with the permission of the Minister of Agriculture).</p>	<p>Act of 14 IV 2016 (land purchasing restrictions) entered into force on 30 IV 2016.</p> <p>1 V 2016: expiry of the 12-year transition period, when foreigners could not buy land in Poland.</p>	<p>Restrictions on land purchasing exist in many EU countries (France, Germany, Denmark, Italy, Spain, Hungary, Bulgaria).</p> <p>Regulations introduced in IV 2016 are based on the principle of equal treatment, i.e. the same rules apply to citizens of Poland and other countries, and to companies with Polish and foreign capital.</p> <p>In Poland, the agricultural area is being regularly reduced. In 2002-2010, it was reduced by 1.4 million ha, i.e. 8.3% of the total.</p> <p>Prices of land in Poland (€ 6300 per ha) are much lower than in the EU, e.g. in Germany (€ 16 000), Denmark (€ 22 000), Netherlands (€ 52 000).</p>