

Primer to Poland



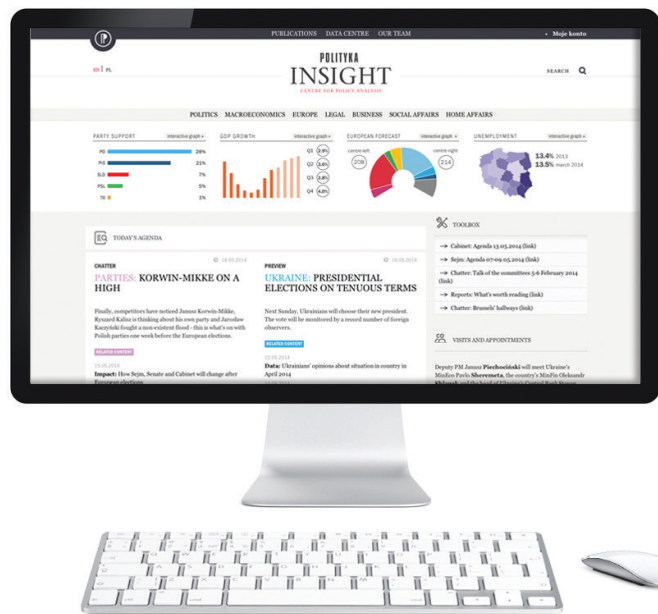
All you need to
know about the
country and its
people in 20 pages.



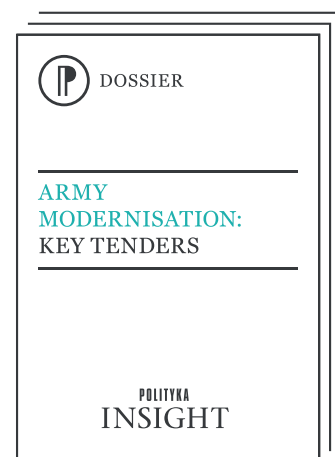
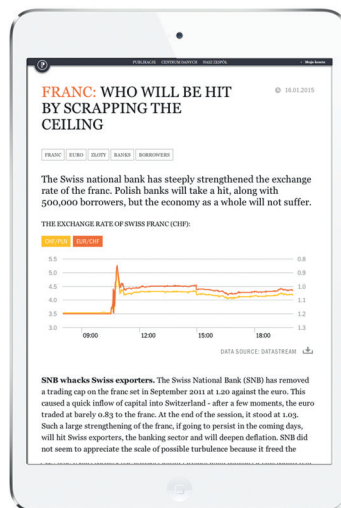
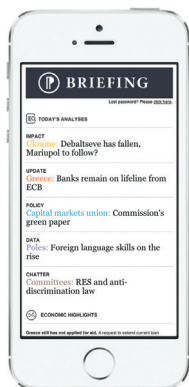
POLITYKA INSIGHT

The premier source for political and economic analysis in Poland.

Polityka Insight is read
daily by ministers, CEOs
and ambassadors,
who use our service
as a reliable source
of knowledge.



REGISTER FOR FREE TRIAL ACCESS:
www.politykainsight.pl/en



PI Briefing

A daily headstart for those who need to be in the know. Our flagship product delivers crucial news from business and politics, a selective press digest, promotions at ministries and companies.

PI Analyses

Five analyses a day on leading issues from the business and government agenda. Economic forecasts, sectoral trends, political developments and policy chatter from Brussels.

PI Publications

Timely briefs on complex topics of the day. Useful dossiers on mid-term policy issues. In-depth reports on systemic questions in politics, business and Europe.

Poland in a nutshell

Welcome.

If you have come to work in Poland you're starting an interesting stretch of your career. With a buzzing economy, a market of 35 million consumers and growing political clout in Europe, Poland is the place to be – provided you enjoy the unknown and unexpected.

Foreigners who have lived here often say that Poland is difficult to compare to other countries. Polish politics is often bizarre, the economy might seem unstructured and society deeply divided. Add to that the tongue-bending language, and making sense of the country can be quite a challenge.

Hence our Primer, intended to make your life a little bit easier – a smart introduction for someone who will soon know Poland much better than casual visitors.

We have divided it into four sections: politics, economy, society and international relations. You will get to know the decision makers and party system, we will introduce you to Poland's real economy and its business leaders. You will also learn some important things about Poles and how their country relates to the rest of Europe. If you need to know anything else just log on to POLITYKA INSIGHT or ask our analysts to brief you on a subject of your interest.

We are Poland's leading provider of executive-level analysis – our briefings are read daily by cabinet ministers, leading CEOs and ambassadors in Warsaw. Our subscribers include over 40 embassies as well as multinationals such as Airbus, EDF or Citibank. Polish and international decision-makers draw on our expertise and capacity to explain the intricacies of the Polish economy, politics and society in a unbiased and trustworthy way.

I hope you enjoy our Primer, and see you in Poland!

Wawrzyniec Smoczyński



Wawrzyniec Smoczyński

**Managing Director,
Polityka Insight**

Poland at a glance

Distances



Numbers

Population

38.5 million

GDP per capita (PPS)

€ 18,118

Doing Business 2014 rank

32th

Human Development Index rank (2014)

35th

Average hourly wage (2014)

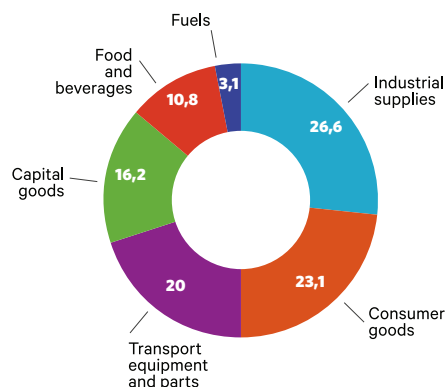
€6.7

Unemployment rate (2015)

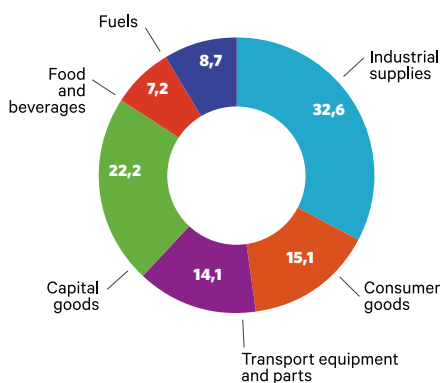
9.6%

Trade

Exports (2014)



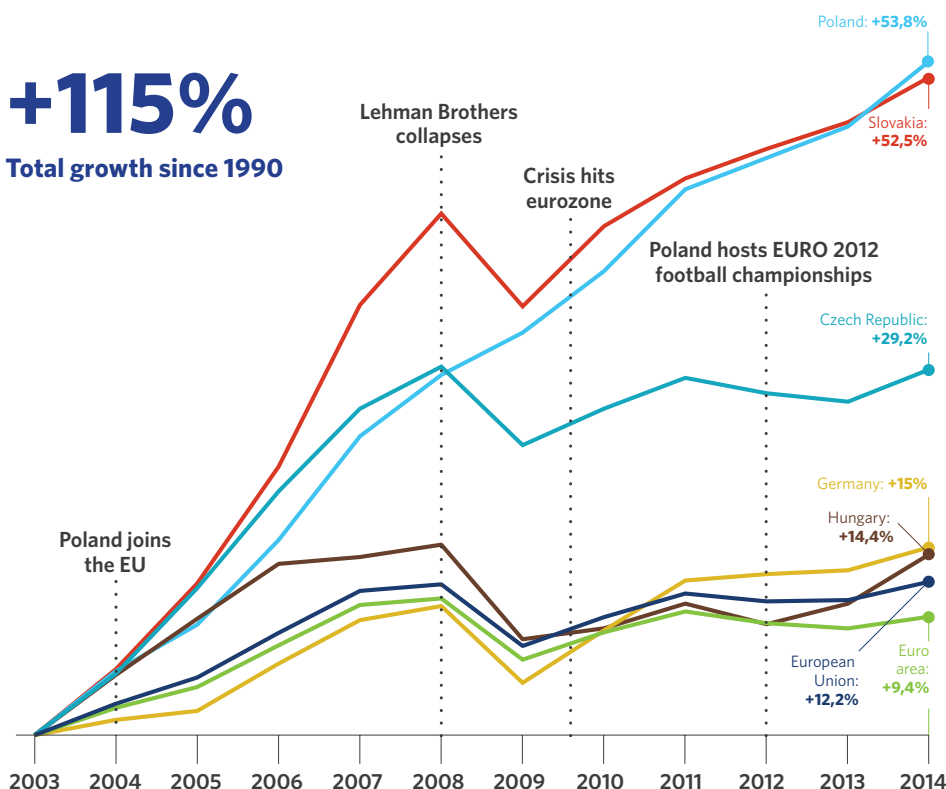
Imports (2014)



GDP

+115%

Total growth since 1990



Who runs the country

Polish politics is dominated by the Prime Minister, with the President performing a largely ceremonial role.



Piotr Tumidajski/FORUM

Andrzej Duda

The president of Poland since May 2015, sworn in on August 6. Currently non-partisan, he was previously a member of European Parliament for PiS. He also served as deputy justice minister and secretary of state at Presidential Chancellery. In spring 2015 Duda placed his bid as an underdog against the then incumbent Bronisław Komorowski and won the presidency despite being unknown to the wider public at the beginning of the campaign. In the Polish regime, the President has limited powers, but given the fact that he is chosen in general elections, he is sovereign from other centres of power. It is hard to predict whether Duda will stick to his promises of being independent from Jarosław Kaczyński and PiS. Duda's staff and advisors are PiS members from outside party mainstream. In July 2015, 56 per cent of Poles trusted him.



Ewa Kopacz

Poland's prime minister since September 2014, appointed by Donald Tusk after his appointment as President of the European Council. Before that she was the Marshal of the Sejm (2011-2014) and health minister (2007-2011). As the prime minister, she follows Tusk's policies in economic and social matters. Ideologically Kopacz has shifted PO to the centre-left. She does not have a faction of her own within the party, but tries to weaken the influence of the existing ones to maintain leadership after the elections. She manifested her clout by redrawing the party's provisional electoral lists in nearly all districts, relegating many of PO regional leaders to lower spots.



Małgorzata Kidawa-Błońska

The Marshal of the Sejm since June 2015. Before that she served as MP and government spokesperson. Kidawa-Błońska has never been at the forefront of faction wars inside PO and she was not part of the Kopacz's inner circle, but since her time as spokesperson she has been one of PM's chief advisors. That has not changed even when she moved to become Sejm Marshal. By exercising that role, Kidawa-Błońska plays an important role for the government – she ensures the Sejm adopts those pieces of legislation that are considered to be key by PO. Kidawa-Błońska is praised for her political manners even by the opposition. She is closer to the party's left wing.



Marek Belka

Head of the National Bank of Poland (NBP) and a former PM (2004-2005). Politically, he has had left-wing affiliations – he was a deputy PM and finance minister in Leszek Miller's SLD cabinet. As the Chairman of NBP, he chairs the Monetary Policy Council (RPP) and the Bank's management board, responsible for issues such as currency interventions and cooperation with the IMF and the World Bank. Belka's decisions are driven by hard data and the views of other members of the RPP – he rarely supports proposals for changing interest rates if they have no chances of adoption. His term in NBP ends in 2016 and he will not be reelected, as he has been a vigorous critic of PiS economic programme.



Grzegorz Schetyna

Minister of Foreign Affairs since September 2014, former deputy PM and the Marshal of the Sejm. He was one of the co-founders of PO and a close collaborator of Donald Tusk. In 2009, Tusk forced Schetyna to resign following the gambling scandal and started to marginalise him. Kopacz gave him a Cabinet post in order to avoid unrest in party ranks – Schetyna is the leader of the one of most powerful factions in PO. He is respected by a number of party members and has some influence on the PM's decisions. Schetyna had never dealt with diplomacy but it was the last chance to rebuild his position in the party. As foreign minister, he has less real power than Radosław Sikorski.

Strong right, weak left

Both the ruling party and the main opposition in Poland are centre-right. The left has been unable to regain its influential position lost in the early 2000s.

Platforma Obywatelska Civic Platform

August 2015: **27%**, 2011 elections result: **39%**

Poland's main political party, since 2007 in a ruling coalition with PSL. PO has the biggest caucus in the Sejm (202 seats) and the majority in the Senate (57 senators). In 2010 Bronisław Komorowski, one of PO's leaders at the time, won the presidential race. The Sejm and Senate speakers, as well as the mayors of five out of eight largest cities, including Warsaw, all belong to PO. But its support has been dropping since 2011 and in 2013 PiS caught up in the polls. Since May 2015, when Komorowski was ousted by Andrzej Duda, PiS has been far ahead and PO is now scheduled to lose the parliamentary elections in October.

PO started in 2001 with a liberal agenda, but once in power, it gradually shifted towards statism – reduced the role of private pension funds (OFEs), established Polish Investments for Development (PIR) and failed to privatise key energy companies. In the European Parliament, PO belongs to the Christian Democrat faction and is generally rather conservative, despite having politicians with diverse ideological backgrounds. Its members include pro-lifers as well as supporters of civil partnerships. PO enjoys greatest support in the largest cities, among the well-educated and the middle-aged.



Donald Tusk

The co-founder of PO and its leader since 2003. He has led the party to seven consecutive electoral victories: in local (2006 and 2010), parliamentary (2007 and 2011), European (2009 and 2014) and presidential elections (2010). He is the first post-1989 PM to remain in office for a second term. In August 2014 he was chosen to head the European Council for a term starting later that year. Upon his departure, Ewa Kopacz took over his role as PO's leader.

Prawo i Sprawiedliwość Law And Justice

August 2015: **39%**, 2011 elections result: **30%**

The main opposition party since 2007, with 134 MPs, 32 senators and 19 MEPs. It controls a single regional council. PiS was most successful in 2005 when it won both the presidential and parliamentary ballots. Its leader, Jarosław Kaczyński, was the PM until PO's victory in 2007. Three years later his twin brother, then president Lech Kaczyński, died in a plane crash near Smolensk, Russia. In May 2015, PiS's MEP Andrzej Duda won the presidential race, beating Bronisław Komorowski in the second round.

Over the past few years PiS has experienced several internal struggles - since the 2011 elections,

more than 20 MPs and MEPs have left the party. However, PiS survived the crisis and in 2013 began to catch up with PO in the polls. It also managed to attract smaller right-wing parties (Solidarna Polska and Polska Razem) and stands a major chance to win the 2015 parliamentary elections. PiS's agenda is morally conservative (it enjoys the support of the Catholic Church), economically welfarist (it cooperates with trade unions) and moderately eurosceptic (it shares EurParl faction with the British Tories). PiS has greatest support in small towns and rural areas, among the older and the less-educated.



Jarosław Kaczyński

Leaders since 2003, enjoys full control over the party. He is both the PiS's main asset and its main weakness – his emotional speeches have hit the party's ratings on several occasions, to PO's benefit. Kaczyński's opponents recall PiS's time in power as a string of conflicts, while for his supporters he symbolises the greatest triumph of the right – the victories in the parliamentary and presidential elections. In 2015, he has stepped back a little, putting forward Beata Szydło as PM nominee.

KUKIZ '15

August 2015: **15%**

Paweł Kukiz's movement was founded after the rockman unexpectedly won 20,8 per cent of the vote in the 2015 presidential election. In June, the IBRIS poll gave the movement as much as 27 per cent support, but in August it fell to 8 per cent. Kukiz loses support because he lacks a coherent political programme and has fallen out with his allies from the presidential campaign. The movement is ideologically incoherent as Kukiz cooperates with both nationalists and unionists.

Kukiz '15 focuses on single member districts (SMDs) – its leader says that it is the only way to save political system. Kukiz declares his lists will mainly be made up of young people, including representatives of NGOs. Kukiz opposes the dominant position of parties – he wants to increase the participation of citizens in the decision-making process. He gives priority to changing the constitution and criticises PO for abandoning its previous promises, such as the introduction of SMDs.



Paweł Kukiz

Kukiz is an ex-rock singer turned anti-system politician. In 2014, he became a councillor in Dolny Śląsk's regional assembly. He was a non-mainstream candidate in the 2015 presidential election and attracted voters dissatisfied with traditional political actors. Kukiz's candidacy was fuelled by Poles' fatigue with the political class and disappointment with PO's rule. However, his former partners from the presidential campaign accused him of being unpredictable.

Zjednoczona Lewica United Left

SLD August 2015: **4%**, 2011 election result: **8%**
 Twój Ruch August 2015: **1%**, 2011 election result: **10%**

The left in Poland is split between two: the post-communist SLD and the ultra-liberal Twój Ruch, but both parties will place a joint bid in the upcoming elections. SLD was in power twice since the transition: in 1993-1997 and 2001- 2005. It is represented by 35 MPs and three MEPs. Twój Ruch, founded by a PO renegade Janusz Palikot, enjoyed a spectacular electoral success in 2011, but has lost support and now finds itself below the electoral threshold. 28 MPs left the party, 12 remained. The left wanted to unify before the parliamentary elections and have formed coalition of almost 20 groupings -mainly SLD, Twój Ruch, the Greens and Unia Pracy.

SLD has dominated the left in polls since early 2012. The formation is a successor to the communist party which ruled in Poland until 1989 and many of its current members, including Leszek Miller, were holding influential posts back then. Currently, SLD's ideological position is mainly social-democratic and mildly anti-clerical. It has the largest support among the elderly, the residents of small and medium-sized cities and those with secondary education. In turn, Twój Ruch is strongly anticlerical, liberal and populist. The party enjoys the greatest popularity among the young, better-educated big city dwellers.



Leszek Miller

The head of SLD since 2011. Prior to this date, he was the party's leader between 1999-2004 and served as Prime Minister in 2001-2004. For many party activists was a symbol of SLD's strength in the past but his authority has weakened since.



Janusz Palikot

For several years, he was one of PO's influential politicians but he left the party in 2010 to build his own political entity. His sharp tongue has brought him recognition, but at the same time, he is the least trusted among all Polish politicians.

Polskie Stronnictwo Ludowe Polish People's Party

PSL August 2015: **4%**, 2011 election result: **8%**

PO's junior coalition partner since 2007. PSL's chair is the deputy PM and economy minister Janusz Piechociński. The party has two more Cabinet ministers: Marek Sawicki (agriculture) and Władysław Kosiniak-Kamysz (labour). PSL has 38 MPs, two senators and four members of European Parliament. For decades the party has maintained a stable electorate allowing it to exceed the 5 per cent threshold in all general

elections. PSL represents a single interest group - the Polish farmers. It has held seats in Sejm since its formation in 1990, although its importance has diminished over the years. In 1993-1997 and 2001-2003 PSL was SLD's junior coalition partner. PSL's voters are small town and rural residents. It's positions are socially conservative and economically liberal - except for agricultural policy.



Janusz Piechociński

Chairman of PSL since 2012, elected after an unexpected fall of previous party leader Waldemar Pawlak. Some activists accused Piechociński of giving in too much to Donald Tusk when the latter was PM. Currently, he has a weak position both in the party and in the government and could be overthrown by younger activists, such as Kosiniak-Kamysz.



If you are interested in:

- election scenarios for Poland
- latest polls and political impact analysis
- our in-house Government Stability Index

REGISTER FOR A TRIAL

PiS likely to take power

The October parliamentary elections will probably mark the end of PO rule. After eight years in opposition, PiS stands a major chance of coming back to power.

After years of political stability, the May presidential ballot brought a sensational victory of little-known Andrzej Duda, heralding a revolution on Poland's political scene. Duda's ascent paved the way for PiS to steadily gain support, so that it has now a considerable advantage over PO. Some polls suggest that Jarosław Kaczyński's party could rule on its own, which has not happened in Poland since the democratic transition of 1989.

What's the story behind this success? PiS has abandoned revanchist rhetoric and focused on economic issues instead. PiS now aims to be perceived as more socially-minded than ideology-driven. Its leader, 66-year old Mr. Kaczyński still controls the party but is less visible - PiS' new faces are Mr. Duda and the party's PM nominee Beata Szydło. A more moderate image has attracted new voters - support for PiS now exceeds 35 per cent. PiS has risen on a general fatigue with the PO-led government. Ewa Kopacz's party is still supported by a significant part of the electorate and will likely come second in the October elections. It stands, however, little chance of retaining power - largely due to Bronisław Komorowski's unexpected defeat and weak support for PO's potential coalition partners PSL and SLD. Kopacz is likely to remain at the helm of PO after the October election and become leader of the opposition.

A PiS-led government would bring a radical shift in Polish politics and policymaking. The opposition party is statist in economic policy, conservative on social issues, and national interest-driven on the foreign policy. PiS politicians call not only for the removal of the ruling party but for cleaning up the state after eight years of PO rule which suggests political witch-hunting after the October elections.

On the policy front PiS has declared it would impose an asset tax on banks and open the possibility to convert FX loans into zlotys. The party also aims to introduce a tax on large-surface retailer - both measures are meant to finance an increase in the tax-free amount and a new allowance for families. A change in government would inevitably trigger a managerial reshuffle at state-owned enterprises, including energy and financial ones.

The big question ahead of the ballot is whether the anti-establishment Kukiz's movement that polls above 10 per cent will enter the Sejm. Other parties - including the Left, PSL and Nowoczesna - struggle to cross the electoral threshold. Given the present polls, our baseline scenario assumes that PiS will come to power. Mr Kaczyński, being the leader of the right-wing political camp and having nominated both the president and PM, will become the most influential political figure in Poland.



Wojciech Szacki

Senior Analyst
for Political Affairs,
Polityka Insight

Future parliament by seats

PO: 154	PIS: 229	Kukiz: 77
------------	-------------	--------------

Potential coalition

PIS: 229	Kukiz: 77	
-------------	--------------	--

231 seats majority

PO without majority*

PO: 126	ZL: 37	PSL: 23	Nowoczesna: 23	
------------	--------	---------	----------------	--

231 seats majority

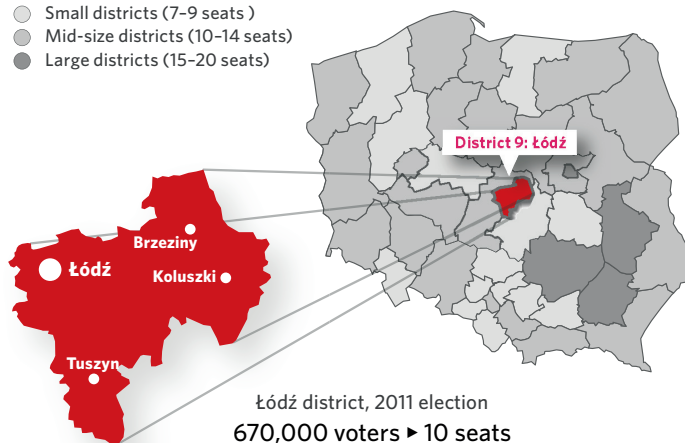
*Based on a simulated distribution of seats in the event of six parties entering the Sejm.

How Poles choose their MPs and senators

Constituencies: we select the MPs in 41 of them

The Sejm has 460 MPs who are chosen in 41 election districts. Depending on the number of registered residents, each one accounts for between seven and 20 seats. Częstochowa is the smallest, Warsaw the largest one.

- Small districts (7-9 seats)
- Mid-size districts (10-14 seats)
- Large districts (15-20 seats)



Putting together the list: parties suggest, leaders decide

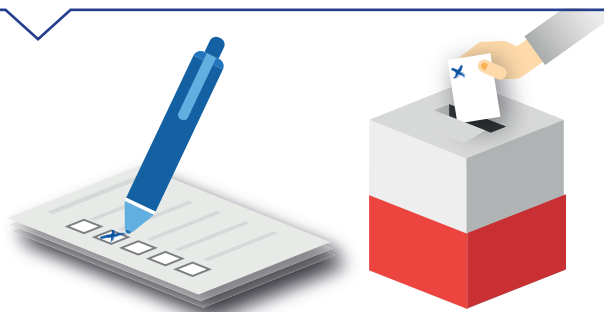
The parties put together their lists for each district in which they compete. The number of candidates must at least equal the number of MPs chosen from a given district, but cannot exceed double this number. The heads of each committee decide on the order of the names on the lists. Usually the party head makes the final decision about the names on the list and their order.

Lists from the Łódź district, 2011 election

PO electoral committee	SLD electoral committee	PiS electoral committee
1. Cezary Grabarczyk	1. Dariusz Jorński	1. Witold Waszczykowski
2. Iwona Śledzińska-Katarasińska	2. Sylwester Pawłowski	2. Dariusz Barski
3. Krzysztof Kwiatkowski	3. Małgorzata Niewiadomska-Cudak	3. Jerzy Loba
20. Jarosław Stolarczyk	20. Piotr Bors	20. Jan Tomaszewski

Voting: one vote, one candidate

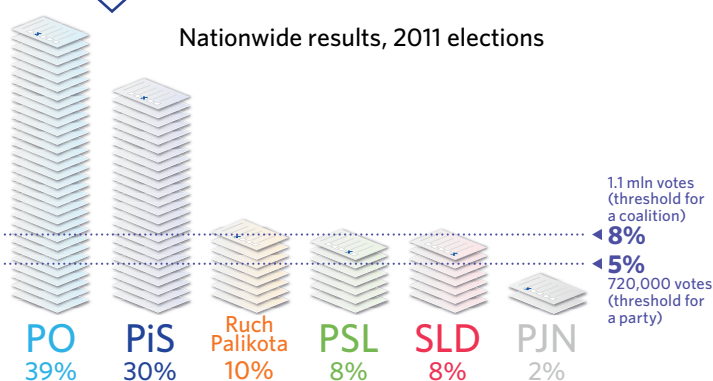
Each voter has one vote, which he uses to select one candidate from one of the party lists. The number of votes for each candidate within the list decides on the order of seats received.



Counting votes: seats for parties, which pass the electoral threshold nationwide

Only the party and voters' committee that received at least 5 per cent of the votes and coalitions with 8 per cent of the votes nationwide receive seats. This rule does not apply to national minorities, which is why representatives of the German minority, strong in the Opole region, enter the Sejm.

Nationwide results, 2011 elections













Division of seats: who wins in a district

The seats are divided based on the number of votes won by a committee in a given district.

To divide the seats, the d'Hondt method is used – the number of valid votes for each committee is divided by the next natural numbers and the seats are divided based on the highest quotients. If in a given district there are 10 Sejm seats to be distributed, 10 highest quotients are chosen and the parties that reach them receive seats. Within a list of a given party, candidates with the highest number of votes win the Sejm seats.

Results in the Łódź district, 2011 election

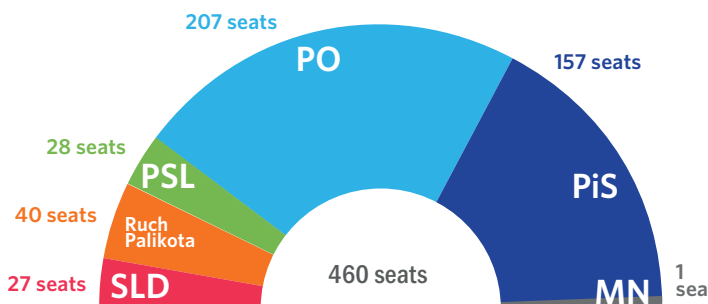
	PO 171,750 votes	PiS 90,558 votes	Ruch Palikota 39,204 votes	SLD 35,069 votes	PSL 9,750 votes
The party's result divided by: 1	171,750 	90,558 	39,204 	35,069 	9,750
The party's result divided by: 2	85,875 	45,279 	19,602	17,535	4,875
The party's result divided by: 3	57,250 	30,186 	13,068	11,690	3,250
The party's result divided by: 4	42,938 	22,640	9,801	8,767	2,438
The party's result divided by: 5	34,350 	18,112	7,841	7,014	1,950
The party's result divided by: 6	28,625	15,093	6,534	5,845	1,625
	5 seats	3 seats	1 seats	1 seats	0 seats

Division of seats: who wins in a district

The seats are divided based on the number of votes won by a committee in a given district.

To divide the seats, the d'Hondt method is used – the number of valid votes for each committee is divided by the next natural numbers and the seats are divided based on the highest quotients. If in a given district there are 10 Sejm seats to be distributed, 10 highest quotients are chosen and the parties that reach them receive seats. Within a list of a given party, candidates with the highest number of votes win the Sejm seats.

Sejm composition, 2011 election

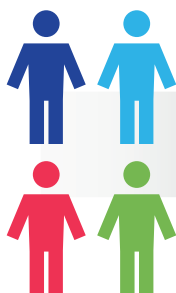


Sejm composition, 2011 election

Senate: 100 senators in 100 single member districts



Poland is divided into
100 Senate district



Each committee selects
one candidate in each district



The voters vote for
one candidate



The one who receives the
most votes in a district
becomes a senator

Cabinet heavyweights

Out of 17 ministries, these are the most crucial for business and Poland's international position.

Ministry of Defence

The ministry, under the deputy PM Tomasz Siemoniak, is in charge of Poland's comprehensive army modernisation programme. Poland increased its defence spending to 2 per cent of GDP since 2016 and aims to buy armaments for a total of PLN 130 billion (EUR 30 billion) by 2022. Siemoniak has pushed for two landmark contracts to be completed: multi-purpose helicopters are to be delivered by Airbus, and the mid-range missile defence system - by US Raytheon. An important role is played by undersecretary Robert Kupiecki, in charge of international relations at the ministry, focusing on next year's NATO summit in Warsaw and tightening the military cooperation with United States.

ul. Klonowa 1, 00-909 Warsaw, www.mon.gov.pl



Minister
Tomasz Siemoniak

Cabinet rating
2015*:

A-

Ministry of Infrastructure and Development

Poland's mega-ministry of infrastructure is also in charge of administering EU funds. It was established in late 2013, from a merger between the very traditional ministry of transport and 'smart' regional development ministry. It has two seemingly conflicting priorities: maximising the use of available funds and spending them wisely, i.e. building a knowledge-based, innovative economy. PiS has announced that in its government, the mega-ministry will be dismantled. The development part is to be merged with the ministry of the economy, while infrastructure will move to a new ministerial entity.

ul. Wspólna 2/4, 00-926 Warsaw, ww.mir.gov.pl/english



Minister
Maria Wasiak

Cabinet rating
2015*:

C

Ministry of Foreign Affairs

Poland's diplomatic command centre, led by foreign minister Grzegorz Schetyna. Its key policy initiatives include the European Energy Union and the Eastern Partnership. Poland is also seeking to play a bigger role outside its regional comfort zone - it is aiming for a non-permanent seat in the UN Security Council in 2018 and has recently strengthened its ties with Africa and South-East Asia. Schetyna's appointment was the biggest surprise of the September 2014 government reshuffle. With his nomination the role of the ministry has changed - the president and the PM now have greater influence upon the foreign policy, while diplomats and the minister will execute their decisions.

al. J. Ch. Szucha 23, 00-580 Warsaw, www.msz.gov.pl/en



Minister Grzegorz
Schetyna

Cabinet rating
2015*:

B

Ministry of Finance

The largest Polish ministry in terms of employment, since December 2013 overseen by Mateusz Szczurek. It concentrates on three key tasks: budget planning, tax collection and the management of public sector spending. Szczurek managed to fulfil the Maastricht budget criterion and amend the tax administration. A former ING economist, he is a newcomer in politics - his second-in-command is Janusz Cichoń, who oversees tax policy. Also important is undersecretary Artur Radziwiłł, in charge of public expenditure control and euro adoption - although the issue is stalled since the government has not decided if or when Poland would like to join the eurozone.

ul. Świętokrzyska 12, 00-916 Warsaw, www.mf.gov.pl/en/news



Minister Mateusz
Szczurek

Cabinet rating
2015*:

B-

Ministry of Treasury

Andrzej Czerwiński recently took over from Włodzimierz Karpiński, who was asked to step down as one of the PO luminaries caught in the wiretapping scandal. The ministry oversees state-owned enterprises and most of energy policy. Recently it is mainly dealing with the coal-mining sector and trying to save the Silesian mines from bankruptcy ahead of the elections. In charge of this is Secretary of State Wojciech Kowalczyk who supervises the financial and energy sectors and basically runs the show on Krucza St. PiS is planning on dissolving the ministry – much of its business would go to a new ministry of energy whilst the oversight role would go to ministry of finance or ministry of the economy.

ul. Krucza 36 / ul. Wspólna 6, 00-522 Warsaw, www.msp.gov.pl/en



Minister
Andrzej Czerwiński

Cabinet rating
2015*:

C+

Ministry of the Economy

Since 2007, in the hands of PSL and currently led by deputy PM Janusz Piechociński. This has caused the ministry to be constantly by-passed in the process of forming government policy. The ministry is responsible for bilateral trade and attracting FDI but here its competences overlap with ministry of foreign affairs. It is also supposed to form economic and innovation policies but the necessary fiscal tools lie within the competences of ministry of finance. Piechociński's deputy, Jerzy Pietrewicz tries to help him navigate the recurring policy skirmishes inside the government. Undersecretary Ilona Antoniszyn-Klik is in charge of international cooperation and special economic zones.

Plac Trzech Krzyży 3/5, 00-507 Warsaw, www.mg.gov.pl



Deputy Prime Minister
Janusz Piechociński

Cabinet rating
2015*:

C+

Ministry of Labour and Social Affairs

Kosiniak-Kamysz, who represents PSL in the government, has served as minister of labour for the four past years, being the Cabinet's youngest minister. A trained doctor, he entered the ministry with little experience in managing people, let alone a big public institution, but quickly learned the nuts and bolts of his ministry and became an expert on social policy. His ministry focuses on labour policy, as well as matters of social security, unemployment and ageing society. Kosiniak's term was marked by a success in reestablishing the dialogue with labour unions. Nonetheless, he has not established himself as a charismatic leader of PO's junior coalition partner and still lacks political clout.

ul. Nowogrodzka 1/3/5 00-513 Warsaw, www.mpips.gov.pl



Minister
Władysław
Kosiniak-Kamysz

Cabinet rating
2015*:

B



If you are interested in:

- profiles of decision-makers
- up-coming legislation and policy thinking
- ministerial agendas and chatter

REGISTER FOR A TRIAL

* Every year, Polityka Insight prepares an in-house qualitative assessment of the work of the Polish government. Ratings for each minister is based on 13 grades relating to three areas of activity: "Policy and governance", "Political clout" and "Public image". Ratings have been attributed according to a nine-degree scale: A+, A, A-, B+, B, B-, C+, C, C-. The full Cabinet rating is available to our subscribers.

The Cabinet makes laws

In Poland, most bills originate at ministries and the Cabinet dominates the law-making process.

1 Cabinet

Poland has a chancellor-like system – the Prime Minister exercises control over the executive branch and the vast majority of new legislation originates in the government. After being drafted by the ministries, new bills are presented to the Council of Ministers – first to the Standing Committee, which has to approve them, then to the full Cabinet session. The Council of Ministers meets every Tuesday at the Prime Minister's Chancellery, usually at 11 am. The PM presides and the Cabinet passes new legislation, which is then sent to the Sejm, the parliament's lower house.

2 Sejm

The lower and more important house of the Polish parliament. The Sejm consists of 460 MPs and its term of office is four years. It meets twice every month. Drafts of new bills may be proposed by MPs, the Senat, the President, the Council of Ministers or by popular initiative of at least 100 thousand citizens. Every draft needs to go through three readings in the Sejm. At least one has to take place in a dedicated committee (e.g. the Foreign Affairs Committee) and the final one has to be in plenary session. Once the Sejm has voted on the draft it becomes a bill and is sent to the Senate.

3 Senate

The upper house of parliament, constitutionally less important as it has no powers over government formation. The Senate meets twice a month and consists of 100 senators. They do not have legislative initiative, only the house as a whole can propose new draft bills. Once the Senate receives a bill from the Sejm, it has 30 days to accept, amend or veto it but its decision is not final. The Sejm can override the Senate's amendments or veto with a majority of at least 231 MPs. Once the Senate accepts the bill (or is overridden), it is passed on to the President.

4 President

The position of the Polish president is mostly ceremonial, as crucial executive prerogatives rest with the Prime Minister. The President's role within the legislative process is limited to signing new bills and publishing them, which is required before they come into force. He can veto a bill but such a decision may be overturned by the Sejm – a three fifths majority is required, i.e. a minimum of 276 MPs have to vote against the presidential veto. Alternatively, if the President believes that a new law might be unconstitutional, he can send it to the Constitutional Tribunal – before or after his signature

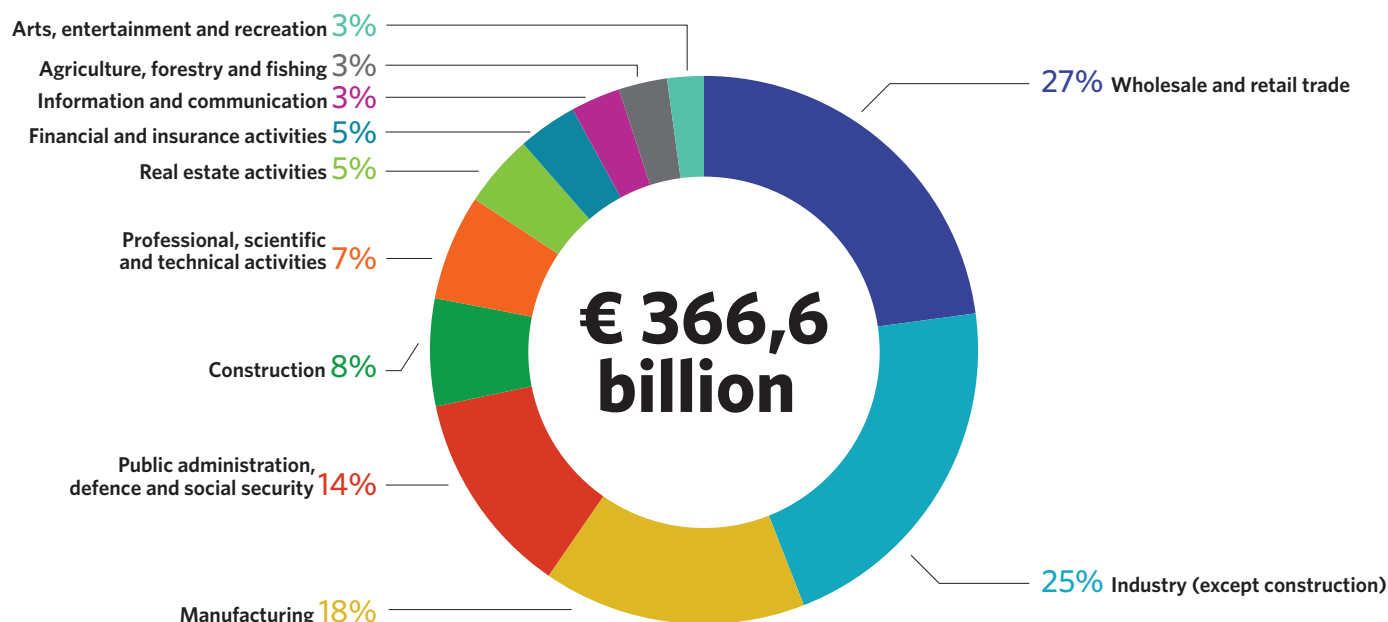
5 Constitutional Tribunal

A special court consisting of 15 judges whose main function is to control whether the laws that are passed by parliament are in line with the constitution. The most important state authorities (among them: the President, the Prime Minister, MPs, the First President of the Supreme Court) may ask the Tribunal to provide an expertise on a specific bill. The Tribunal's decisions are final - if it establishes that a certain law is unconstitutional, that law loses its binding force and has to be amended.

An industry-led economy

Polish competitiveness still relies on low labour costs, while innovative sectors of the economy are still budding.

Total GDP by branches of the economy in 2014



Automotive

575,000

number of cars produced in Poland in 2014

The second largest sector in the Polish economy. It accounts for 11 per cent of domestic export (EUR 18,6 billion). In Poland, there are 14 car and truck factories, owned by i.a. Fiat, Volkswagen and General Motors. The reason for locating their production in the country is the proximity of the Western markets and low labour costs. A Polish worker earns a sixth of a German employee's wage. Around the factories of foreign companies, there is a well-developed network of Polish firms supplying components for cars. In the recent years, this sub-sector has been growing, despite a slowdown in overall factory production. In 2014 production increased for the first time in 5 years, but it was still about 40 per cent lower than in the 2009 when the output exceeded one million cars.

Construction

3212 km

total length of expressways and highways completed between 2007-2015

Since 2007, Poland has been "under construction". The inflow of EU funds boosted road investments, and in 2008-2011, the construction output increased by more than a half. The construction boom did not destabilise the economy, although 218 construction companies went bankrupt after the Euro 2012 football championship, mostly due to the misuse of the lowest price clause in tenders organised by public investors. The sector is slowly recovering from the recession, but large companies still struggle to make a profit. The biggest firm, Polimex-Mostostal, is teetering on the brink of bankruptcy. Still, the recovery should accelerate due to large investments in the energy sector, development of the railway network and government programmes, such as "Homes for Youth".

Energy

€ 24 billion

estimated cost of building new power plants by PGE, Tauron, Enea and Energa till 2020

The Polish energy sector is mostly controlled by the state. The three largest companies - PGE, Tauron and Enea - account for almost two-thirds of country's energy production. 88 per cent of energy comes from coal, but gradually, the share of renewable energy sources (RES) is increasing. In 2013, it accounted for more than 10 per cent of the electricity production. Combustion of biomass with coal and land-based windmills had the biggest share in the RES. The biggest challenge for the industry will be brought about by the investments in new capacities - most of the power plants are over 30 years old and will be switched off by 2030 to meet EU climate requirements. By 2020, state companies will spend at least EUR 9 billion on the construction of new power blocks.

Food production

20%

Poland's share in global raspberry production

Poland is the sixth-largest producer of food in the EU and the world's leader in the production of apples, raspberries, blueberries and tomatoes. The strength of the sector is based on exports – in 2014, its value exceeded EUR 21,3 billion and was more than five times bigger than at the time of EU accession. Such a dynamic growth was fostered by EU funds – over the last decade, Polish farmers received almost EUR 30 billion and on average doubled their income. The biggest obstacle for the sector's development is the trade conflict with Russia, a major recipient of Polish food, particularly apples and meat.

Outsourcing

133 out of 659

outsourcing centres in Poland are located in Warsaw

Over 530 back offices of multinational corporations are located in Poland, including IT centres, call centres, accounting and HR departments. In the last decade, their number grew five-fold, and the annual rate of employment growth in the industry does not fall below 20 per cent. Currently the sector employs 150,000 people. Multinationals are attracted by large numbers of skilled workers and a big supply of office space. Poland is recognised as one of the best locations for this type of investment, next to Brazil, China and India. Fiat, Bayer, Ikea. JP Morgan and ING, among others, have set up their facilities in Poland.

Electronics and appliances

€ 4 billion

Value of electronics and home appliances exported in 2014

The value of home appliances produced in Polish factories reaches EUR 13-14 billion – seven times more than in the early 2000s. Production of washing machines, dishwashers, refrigerators and cookers is growing at an exceptionally fast rate. The sector consists primarily of foreign companies, and 90 per cent of products is exported to the EU. Swedish Electrolux, Italian Indesit and Korean companies Samsung and LG, among others, have built their factories in Poland.

Retail

€8,5 billion

2014 revenues of Biedronka, the largest private company in Poland

Retail generates one third of the Polish GDP. There are five times as many stores per capita in Poland than there are in Western Europe. The largest companies race to build the most extensive branch networks – big supermarkets are increasingly driving small firms out of business. Jeronimo Martins, the owner of Biedronka, set the pace – it also Poland's largest private firm. Eurocash, which controls the Abc, Lewiatan and Groszek franchise networks are the runner-ups, while Metro AG (owner of Real and Media Markt) comes third. None of the large players in the market is controlled by Polish capital.

Poland's largest companies

by employees (2014, thousands)

1	Poczta Polska	postal service	79,4
2	Jeronimo Martins	retail	52,6
3	Kompania Węglowa	mining	50,8
4	PKP	rail transport	42,6
5	PGE	energy	39,9
6	KGHM	mining	34,1
7	JSW	mining	34,1
8	PGNiG	energy	29,2
9	PKO BP	banking	29
10	Tauron	energy	26,1

by market cap (PLN bln, August 2015)

1	Pekao	banking	41,4
2	PGNiG	energy	38,9
3	PZU	insurances	37,3
4	PKO BP	banking	34,7
5	PKN	Orlen energy	34,6
6	PGE	energy	31,5
7	BZ WBK	banking	28,2
8	KGHM	mining	18,1
9	ING Bank Śląski	banking	17,3
10	Cyfrowy Polsat	media	14,4

How fast will Poland grow in 2016?

Growing exports and higher consumption will ensure Poland a steady economic development. A 3-4 per cent annual growth is needed to catch up with the West.

According to our forecasts, in 2016 Polish economy will continue to grow close to its potential. The rise in GDP will be driven by consumption, exports and investment. Falling unemployment, rising wages and low interest rates will improve household budgets. Thus Poles will become more eager to buy new products and less reluctant to take loans to finance durable goods. A rise in consumption will also be supported by low inflation. Polish companies will continue to search for new markets, particularly in developing countries. Hence, the share of enterprises that sell their goods abroad will grow. This, in turn, will offset the negative effects of lower demand from CIS countries caused by the Ukrainian crisis. Growing demand from eurozone member states is also expected, especially for intermediate goods used in the production process of high-tech equipment.

After five years of austerity Poland has met the Maastricht's fiscal criterion and left the Excess Deficit Procedure. Thus the next government will be able to increase public spending – in 2016 and 2017 the joint fiscal space will amount to nearly PLN 20 billion (1.2 per cent of GDP). The resources will be spent on campaign promises - the 2016 budget will be likely drafted by the statist PiS, a frontrunner in the October elections. The party would like to increase in the tax-free amount, lower the effective retirement age and introduce subsidies for young parents.

The October ballot entails several mid-term risks for the economic outlook. Banks who are already struggling with low interest rates might get hit by a tax on assets and significant costs of converting FX loans into zlotys. Both measures have been proposed by PiS, the party also intends to impose a tax on big retail chains. If introduced, those policies could have a negative impact on Poland's perception among investors. Whoever wins the election will inherit the coal industry crisis and might be tempted to force state-owned companies into saving mines.

Already in 2009 the World Bank classified Poland as a high-income country. However, the Polish GDP per capita equals EUR 10,100, only less than a half of the average level in Eurozone countries (EUR 28,700). The share of wages in GDP is one of the lowest in the EU, making Poles one of the poorest EU nations. To narrow the income gap between Poland and the West, growth should remain at 3-4 per cent annually. But this is threatened by negative demographic conditions – the labour force in Poland will decrease in the next decades, thus hampering long-term growth.



Adam Czerniak

Chief Economist,
Polityka Insight

Key economic indicators Year on year change

	2008	2009	2010	2011	2012	2013	2014	2015*	2016*
Growth	5.1	1.6	3.9	4.5	2	1.6	3.5	3.6	3.5
Inflation rate	4.2	3.5	2.6	4.3	3.7	0.9	0.0	-0.3	1.9
Exports growth	6.8	-8	13.2	8.1	3.4	5.4	5.7	8.9	10
Imports growth	8.5	-14.3	13.7	6.2	-1.5	1.7	9.2	8.5	11.1
Investment growth	10.7	-0.8	0.2	10.6	-2.8	-1	9.2	10.8	9.3
Individual consumption growth	5.7	2.1	3.2	2.6	1.3	0.8	3.1	3	2.3

* PI forecast

Wealth creators

Meet Poland's tycoons, self-made billionaires and leading CEOs.



Andrzej Klesyk

CEO of PZU, a state-owned national champion and biggest insurer in Poland. Mr Klesyk graduated from Harvard, a fact he likes to highlight. In the 1990s he worked for McKinsey and dealt with banking and insurances. This has led him to start a bank in Poland which he sold off a couple of years later. In 2007 Klesyk was named CEO of PZU and is one of the most influential managers among Polish state-owned enterprises. Although Klesyk lacks political backing, he has a strong business record. Most recently he has been working on a plan to build a bank based on Polish capital – having bought Alior Bank, he is planning on acquiring 2-3 foreign-owned banks which are up for sale.



Leszek Czarnecki

Lleading Polish investor in the banking sector. His first business was a professional diving company back in 1986. After selling it Czarnecki founded the European Leasing Fund, the first and the largest Polish leasing company, which he sold in 2001 to the French bank Credit Agricole for PLN 900 million and a 25 per cent share in the bank's Polish subsidiary. Two years later he sold his shares and used the money to create Getin Holding SA, an international financial group. He controls a multitude of financial companies i.a. two Polish banks - Getin and Idea - as well as a few other in Romania, Belarus and Ukraine. Czarnecki also owns Sky Tower, an imposing skyscraper in his home city Wrocław.



Marek Piechocki

Founder and creator of LPP, a clothing company which runs the Reserved brand. Piechocki started his career in the 1990s by importing low-quality clothes from Turkey, India and China. In 1995 he created Reserved and in 2000 opened his first store. Today the company has six brands and 1400 stores across Europe. LPP is planning an expansion in western Europe and in the Gulf states. Piechocki is very protective of his privacy and sues anyone who tries to publish his pictures. At the opening of a flagship store he was present incognito – as a member of the logistics team. That being said Piechocki is very ambitious and his colleagues claim he wants to challenge the likes of Inditex (Zara) and H&M



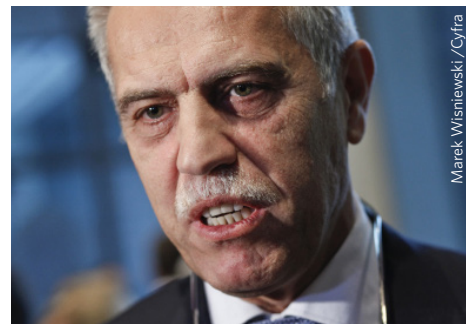
Adam Góral

President of the board of Asseco Poland, the biggest Polish IT group, and seventh in Europe. Back in 1991 Góral co-founded a computer company providing software for cooperative banks, later also to other financial entities and public administration. In 2004, after a series of M&As Góral took his firm public and rebranded it Asseco Poland. Since then, Asseco has taken over domestic competitors and other IT companies in the Czech Republic, the Balkans, Germany, Spain and Scandinavia. Góral is pursuing his vision of creating a regional IT champion, although there are signs that the fast growing group is having trouble integrating the new acquisitions into its core business structure.



Sebastian Kulczyk

Son of recently deceased Jan Kulczyk, Sebastian has suddenly inherited power over a financial empire worth PLN 15 billion. He was placed in charge of Kulczyk Investments in 2013, but is perceived as too young and inexperienced for the new role - especially compared to Jan Kulczyk, known for his decisiveness. The son will have to build a circle of trusted advisors to exercise real power over his father's business. The bulk of the family's wealth (Sebastian has an older sister, Dominika) comes from the resale of a privatised Polish brewery to SABMiller. Today Kulczyk Investments focuses on the oil business, real estate and chemistry.



Zygmunt Solorz-Żak

The second richest Pole (worth over PLN 10 billion) is an enigma. He is known to have cooperated with the communist secret services in the 80s and changed his name three times since - both Solorz and Żak are the surnames of former wives. In 1992 Solorz launched Polsat, a television station, targeting the less affluent, underprivileged consumers from smaller cities and rural areas. This gave Polsat a huge audience which resulted in skyrocketing advertising revenues. More recently Solorz has focused on convergence – to his Polsat Cyfrowy Group he has added a telecom, an internet business and a bank with the aim to deliver integrated digital services.

The national champions

Out of ten biggest companies in Poland, seven are state-owned. The government uses them to exercise its economic policy and protect its interests.



The biggest of four energy groups, created after the reorganization of Polish state-owned enterprises in 2007. PGE accounts for 40 per cent of electric energy production in Poland – 92 per cent of that comes from coal and 5 per cent from renewables. In 2014, the group's net profit amounted to PLN 3.6 billion (EUR 860 million), whilst its revenue reached PLN 28,1 billion (EUR 6,7 billion). PGE pursues two key investments: new blocks at the coal-fired plant in Opole and Poland's first nuclear power plant. According to government plans it is to be completed in 2025, but internal documents of PGE show that the deadline is unrealistic – a draft timeline assumed its termination in 2031. PGE is a prototypical national champion – it is continuously torn between strategic state interests and its private shareholders. Most recently the government tried to stronghand PGE into investing in Kompania Węglowa, Poland's biggest and loss-making coal-mining group. PGE successfully defended itself – it doesn't want to put money directly in the mining sector, having strategic investments to make into its own energy plants.

Polska Grupa Energetyczna S.A.

ul. Mysia 2, 00-496, Warsaw, www.gkpgge.pl/en



KGHM is the world's seventh largest copper producer and the first producer of silver. In 2012 the company bought Canadian Quadra FNX Mining for PLN 9 billion (EUR 2.1 billion) and became Poland's first global company. KGHM's core business is mining and production of copper, precious and base metals. In 2014 its total revenue was PLN 20 billion (EUR 4,8 billion) and net profit amounted to PLN 2,4 billion (EUR 570 million). Due to high profit margins the company was perceived as the Treasury's golden goose. However, a tailor-made mine tax and cheap copper drain the company's purse and hamper investment in new motherlodes. KGHM is often involved in strategic government projects – it managed to sidestep shale extraction but has been asked to buy into the development of the Polish nuclear program.

KGHM Polska Miedź S.A.

ul. Rondo ONZ 1, 36th floor, 00-124, Warsaw, www.kghm.pl



Poland's biggest state-owned financial institution. PKO BP's activities span retail, corporate and investment banking. In 2014, its consolidated net profit reached PLN 3,2 billion (EUR 760 million), its assets amounted to PLN 249 billion (EUR 60 billion). In June 2013 PKO BP bought the Polish subsidiary of Sweden's

Nordea and according to the bank's strategy for 2013-2015 more mergers and acquisitions are to come. The government wants to increase the share of Polish capital in the banking sector so as to protect the economy from capital outflows in times of crisis. PKO BP is often involved in big state-run projects – it is co-financing two largest energy investments, i.e. the extension of the power plants in Opole (PGE) and Jaworzno (Tauron).

PKO Bank Polski

ul. Puławska 15, 02-515, Warsaw, www.pkobp.pl



Poland's largest company. In 2014 Orlen's total revenue was PLN 106 billion (EUR 25,3 billion), its net loss amounted to PLN 5,82 billion (EUR 146 million), but it was caused by a revaluation of the assets of the group (including fuel reserves and refinery in Mazeiku). The company concentrates on processing oil and is also a big retailer – it runs 1700 petrol stations around the country. Being a national champion, Orlen is not free from political influence – it is bound to become a regional champion but its foreign investments are trouble-ridden. It has spent hundreds of millions of zlotys keeping afloat the Mazeiku refinery in Lithuania, bought in 2006. However, falling oil prices and weakening of the PLN/USD exchange rate have a favorable impact on the company – during last year its capitalization doubled.

PKN ORLEN S.A.

ul. Bielańska 12, 00-085, Warsaw, www.orlen.pl/en



Gazprom's trading partner in Poland and quasi-monopolist, holding 90 per cent of Polish natural gas market. PGNiG sells Russian gas, however it is also active in upstream – the company extracts about one quarter of gas consumed in Poland (4 billion cubic meters). PGNiG's total revenue in 2014 amounted to

PLN 34,3 billion (EUR 8.21 billion), while net profit reached PLN 2.82 billion (EUR 670 million). The company is facing pressures resulting from implementation of the EU's third energy package. In 2015 it should sell 55 per cent of gas through the Polish Power Exchange. This will weaken PGNiG's position on the market and strengthen its competitors. In May, PGNiG launched an arbitration proceeding against Gazprom in Stockholm. It relates to a reduction in gas prices as part of the Yamal contract. But the decision is not a foregone conclusion and the case could take many months.

Polskie Górnictwo Naftowe

i Gazownictwo S.A., ul. M. Kasprzaka 25, Warsaw, www.pgnig.pl



If you are interested in:

- monthly and quarterly GDP forecasts
- energy projects and defence contracting
- company profiles and sector snapshots

REGISTER FOR A TRIAL

Poland in the EU

Poland's influence in the EU has been growing, but its relations with European partners are not as firm as they could be.

Germany - a stable partner

In a stunning twist of history Poland's arch-foe has become one of its key partners in Europe. Warsaw and Berlin are on the same page on most political and economic issues. Stark differences remain on climate and energy matters – Poland is largely dependent on coal and would like to see the EU introducing common gas purchases, whereas Germany is pushing for more renewables and less meddling on the energy market. Angela Merkel supported Donald Tusk's bid for European Council president. But things were not so rosy seven years back, when Jarosław Kaczyński was in power. The PiS government was openly anti-German, at one point even threatening to bill Mrs Merkel for the WWII destruction of Warsaw. After the likely victory of PiS in the October 25 parliamentary elections, ties with Germany may cool down again. According to PiS, relations between Warsaw and Berlin should increasingly accommodate Polish interests.

United Kingdom - natural allies

Britain was the first country to open its borders to migrants from new member states. 500,000 Poles have settled in the UK, mostly hard-working young people who could not find a job back in Poland. As a consequence, Polish is a language commonly heard in the streets of London, while Warsaw has shown support for Britain in the EU more than most of the continental countries. Part of this good sentiment has been soured by the British immigration debate, sometimes targeting Poles as those claiming unjustified benefits. Poland supports Britain's push for a deeper single market, both countries cooperate on the crisis in Ukraine and security issues, but Warsaw does not share London's idea of remaking the EU into a loose association of nation states and on curbing its immigration numbers. British investment in Poland is concentrated in retail (Tesco), food and tobacco (Cadbury's, Schweppes, Imperial Tobacco), finance and insurance (Aviva) and the oil industry (Shell).

France - Vive le business

Ever since the 19th century the French have had a soft spot for Poles, which somehow never translated into politics. Polish-French cooperation in the EU started with a disaster when Poland supported the US-led invasion of Iraq and then-president Jacques Chirac went on record, saying new member states "missed a chance to keep quiet". Nicolas Sarkozy was not loved in Warsaw either, but François Hollande is the first French president in a long time to put an effort in developing closer relations with Poland. Where politics has suffered, business cooperation has flourished. French companies are the third largest investor in Poland. With a total of PLN 19.1 billion invested they are present in manufacturing (Thales, Alstom, Michelin, Faurecia, Lafarge), finance and insurance (BNP Paribas, Crédit Agricole, Société Générale), telecommunications (France Telecom, Alcatel Lucent) and retail (Carrefour, Auchan).

United States - a brotherhood of arms

Russia's invasion of neighbouring Ukraine has put Polish-US relations on a new footing after earlier disagreements over secret CIA prisons and Poland's costly involvement in the war on terror. Barack Obama's visit to Warsaw in June 2014 was followed by increased US military presence in Poland and additional security guarantees. F-22 Rapports have been recently showcased in Poland and the US Army will place heavy equipment in the country in 2016. In return, Warsaw offers staunch support for the TTIP within the EU, an outpost for US interests in Ukraine, as well as placing major defence contracts with American companies. Poland's reset with the US will go even further in case of government change in October, as the Law and Justice party is more atlanticist than the ruling Civic Platform. However, Polish assistance in US military operations overseas is out of question for the time being.

Polish heavyweights in Brussels



Donald Tusk

The President of the European Council since 1 December 2014. Poland's former Prime Minister (2007-2014) and leader of PO since its creation in 2001. The only head of government since the fall of communism to remain in power for a second term, Tusk has arguably been Poland's most influential politician in recent decades.



Elżbieta Bieńkowska

EU Commissioner in charge of internal market, industry, entrepreneurship and SMEs in the Juncker Commission. Previously Poland's deputy PM and Minister for Infrastructure and Development (2007-2014).



Jerzy Buzek

A former Polish PM, who also served as the President of the European Parliament in the years 2009-2012. He is a high-profile figure in PO and won the highest number of votes of all candidates in the latest European elections. Buzek currently heads the ITRE committee. As a native of the Silesia region, he is a committed advocate of coal mining.

On NATO's eastern flank

Warsaw will host the 2016 NATO summit. With a growing clout in the Alliance Poland is pushing allies to establish a deterrent presence in Central Europe.

Poland's threat perception has changed dramatically following the Russian aggression on Ukraine. A country that cherished the idea of Europe at peace, had to accept war not too far from its borders. The Ukrainian crisis has caused Poland to increase the number of professional troops, intensify training for reservists and volunteers, fasten planned military procurement and strengthen bases in the east of the country. The government has also increased its defence spending to 2 per cent GDP.

But to say that Poland has frozen in fear of war is too much. Anxieties gave a new impetus to security cooperation. In 2015 Poland hosted hundreds of US, British, French and German tanks and thousands of troops for large-scale military exercises. US fighter jets trained missions from Polish airfields and Patriot batteries exercised countering a Russian ballistic strike. Beyond NATO Poland has expanded military bonds with Sweden and Finland, key in depleting Russia's dominance in the region.

The 2016 NATO summit will be held next July and Poland is calling for the

alliance to focus on its own defence. Ukraine is still high on Poland's agenda. The newly-elected president Andrzej Duda wants an international peace conference and a multilateral agreement – broader than the Minsk one – to address the issue, based on territorial integrity of pre-aggression Ukraine. But first and foremost he will push for establishing permanent NATO bases in Central Europe.

On this point Warsaw will look to Washington for assistance. The US were the first to respond to last year's crisis by sending troops and planes on contingency. US presence in Poland may not be permanent, but it will continue for the time being. And more is coming: the US Army plans to pre-position heavy equipment in Poland and the Navy will locate an anti-ballistic missile base in the country. At the same time the bulk of Poland's defence procurement will be placed with US contractors.

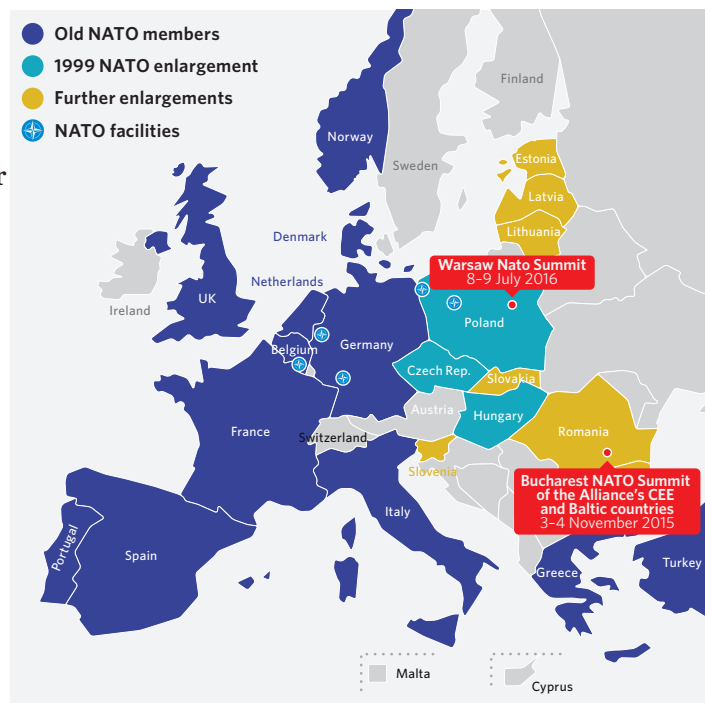
Poland's security hinges on NATO but the 40-billion-dollar armament programme will make the country less vulnerable to external threats. Warsaw has declared that the state-of-the-art missile defence system it is ordering from Raytheon may also protect Lithuania and will be interoperable with other NATO systems. Poland, already ranked 7th in NATO in terms of military power, is heading towards becoming a security provider rather than just a consumer and a clear leader on the Eastern flank.



Marek Świerczyński

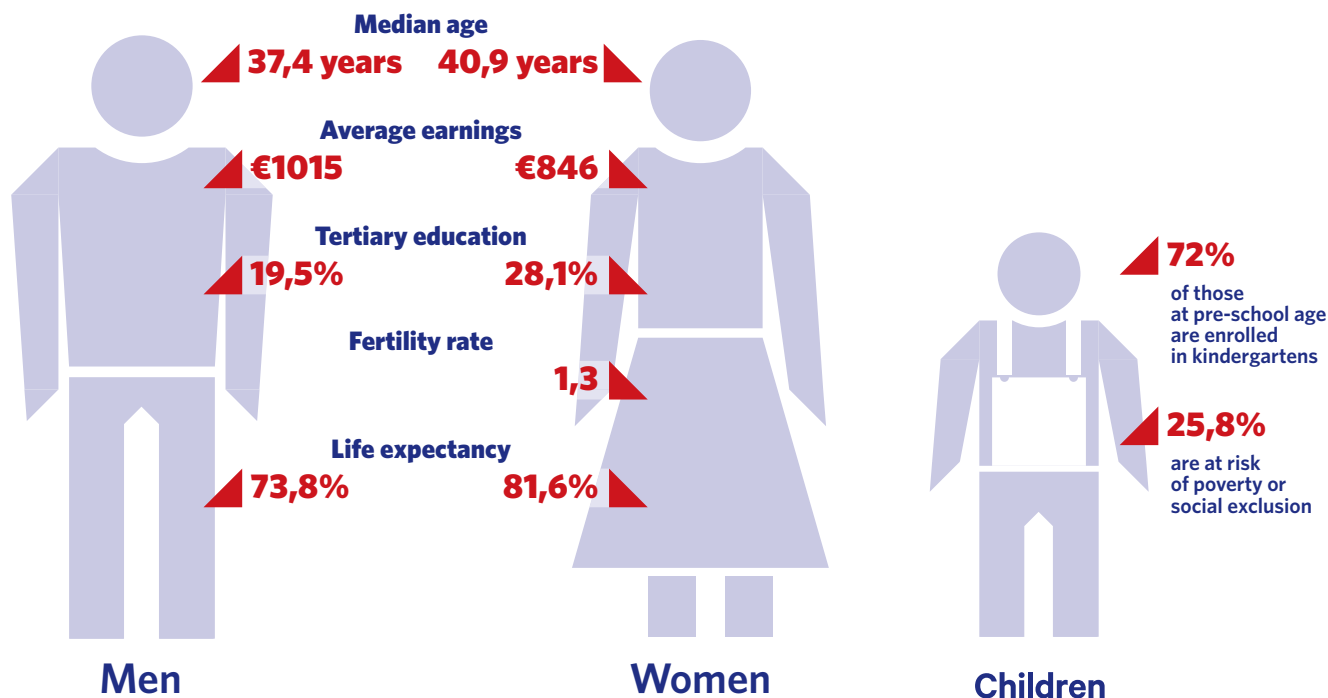
Senior Security Analyst,
Polityka Insight

North Atlantic Treaty Organisation in Europe



The average Pole

Poles are younger than most other Europeans, earn less but, generally speaking, they are happy.



An average household

2,73
number of people



59%
broadband internet access



75,76
sq.m
living space



62%
own a car



Average household

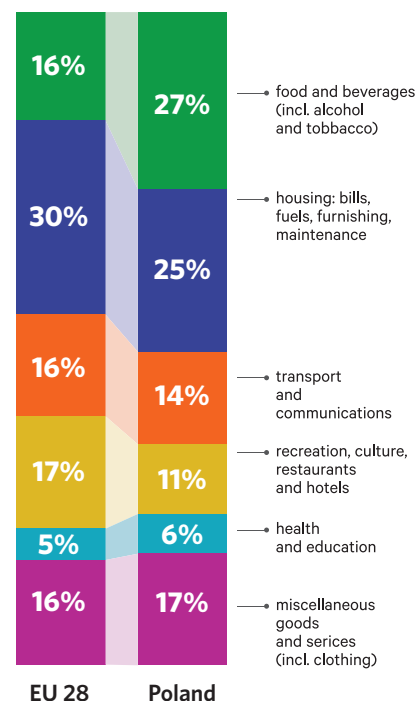
€899

average disposable income

Disposable income of different household types



What does an average household spend its money on?



My family's material situation is:

27,1%
good or rather good

55,2%
average

17,7%
bad or rather bad

All things considered, I am:

72%
a happy person

24%
rather happy person

3%
unhappy

What Poles talk about

Some of the on-going issues that Polish public opinion has been concerned with and that one should be aware of.

Smoleńsk

On the 10th of April 2010 the presidential airplane crashed during landing at a military airport near Smolensk, Russia. All 96 people on-board perished, including the presidential couple, some of the top MPs and civil servants as well as commanders of armed forces. The investigation of causes of the catastrophe, as well as commemoration of the casualties has been a highly divisive issue and continues to be a crucial cleavage in Polish politics. The arguable lack of transparency during the investigation (which ruled out foul play), as well as the politicisation of the issue gave rise to conspiracy theories which entered mainstream public discourse. 28% of the general public accept the possibility that the crash was an assassination, while among PiS' electorate the figure rises to 54%.

Wiretapping

In mid-June 2014 Wprost weekly released the first in a series of recorded private conversations between top-ranking politicians, including the minister of interior, central bank governor, foreign minister and minister of finance. Some of the conversations covered political deals, most included vulgar language, but their actual content was less controversial than some out-of-context quotations. The recordings and the ensuing public debate brought about a major blow to PO's image and its poll ratings. The source of the recordings has remained unknown while the investigation continues. Wiretapping scandals are nothing new in Polish politics - over the past decade every major party had been hit by recordings which uncovered shady political deals, illegal lobbying and outright corruption.

Church, gender and abortion

Over the past 25 years Poland has been slowly undergoing secularisation, but it still remains a largely conservative society, with the Catholic Church regularly speaking out in public and political debates. The devout and vocal minority - associated with PiS and smaller right-wing parties - posits itself versus the Western 'civilisation of death', which stands for abortion, euthanasia, gay rights, transgenderism, feminism as well as an overall 'moral degeneration'. The latest developments in the debate over 'the threats to the Polish nation', have included controversies over equal opportunities education (considered an ideology of 'genderism'), art which breaks religious taboos ('blasphemy') as well as doctors' conflicts of conscience (refusing to perform legal abortions in life-threatening conditions).

Ukraine

The Ukrainian crisis, beginning with Euromaidan in December 2013, has been one of the key issues throughout 2014. The general public has followed the developments very closely, with the majority considering them highly important for Poland's interests. The possibility of open war between Ukraine and Russia has been taken very seriously and in opinion polls published in July almost half of Poles said the situation could pose an immediate threat to Poland's security. Polish public opinion is generally suspicious of Russian leaders but nonetheless a significant proportion of citizens is equally wary of Ukrainian nationalism, seen through the lens of ethnic conflict before and during the Second World War.

Anti-system parties

Poland's political scene is tilted to the right, with the greater part of the electorate divided between centreright PiS and PO. The right-wing fringe has always contained more or less successful ultra-conservative and nationalist factions. However, the past couple of years has seen a consistent growth of radical elements in Poland's politics. The new far right is staunchly anti-EU, more successful at attracting younger voters and more populist than its predecessors. It is also more aggressive and hateful towards political opponents and minorities, voicing their objections in particular towards issues of immigration, same-sex marriage and further EU integration.

Dynamic conservatives

If there is such a thing as a national character, the Poles definitely have one. Some things you need to know, before you meet us.

With two Poles talking, there will always be three opinions, goes an old saying and it could not be more truthful. One of the basic features of Poles is their individualism. In the 1990s their politicians told them to take the things into their own hands, and they took it literally. And although Poles usually complain about the government or the economy, when asked about their own life 80% will say that they are doing just fine. There is a downside to their individualism though. Poles trust their families, but are distrustful of other people, public institutions or organisations. The level of public trust is one of the lowest in Europe – only 17% of Poles generally trust strangers – and it hinders the country's development. Most Poles are conservative, especially regarding culture and habits. Many people still hold very traditional views on family, the role of women in private and public life or gay rights. In 1968, when the West proclaimed free love and unconditional peace, students in Warsaw were protesting against the expelling of Jewish citizens by the Communist regime.

Most Poles are also very patriotic and proud of the history of their country. Debates on 19th century uprisings or 20th century wars are often as vivid as if those were recent events. Poles love re-enacting historical battles. This is also partly a heritage of communism – for decades Poles were unable to freely discuss their country's past. But one feature that stands out the most, according to the expats living in Warsaw, is the dynamism of the Poles. In Warsaw you feel a good mood like in Belgium in the sixties, one of them points out. The country has changed a lot over the last few years. Nearly every day you can spot a new building, a road, a café or a bike lane. Welcome to Poland, a country of dynamic conservatives.



Łukasz Lipiński

Deputy Director,
Polityka Insight

What Poles value most

82%
happy family life

74%
good health

26%
honesty

21%
professional work

... and find unacceptable

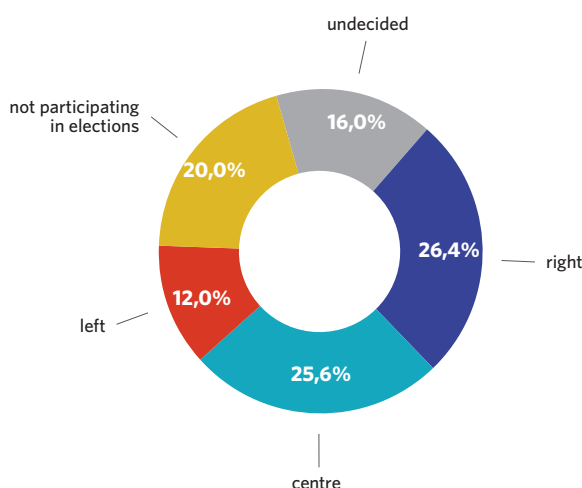
75%
abortion

56%
homosexuality

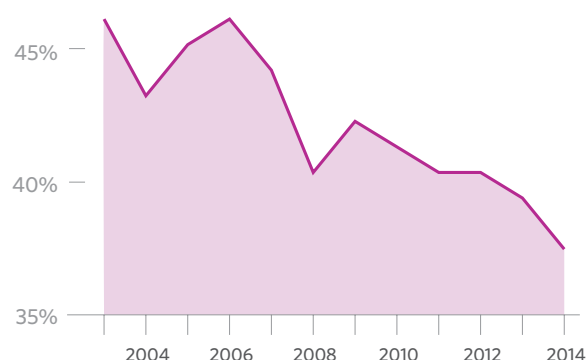
48%
assisted suicide

38%
divorce

Political attitudes



Proportion of churchgoers



Five pressing issues

A look at the problems that can hamper Poland's transformation into a mid-sized European power.

1 Ageing society, slumping economy

In 1950, the median age in Poland was 25.8 - half of the Polish population was younger, half older. Today it stands at 38.2, and by 2050 it will reach 51. As the population is ageing, it has also started to decline: from 38.6 million in 1995, to 38.5 million in 2013, and it is expected to fall to only 32 million by 2050. Every European country faces the same challenge but Poland additionally has the lowest fertility rate in the EU and high unemployment

among the elderly. On average, a Polish woman has 1.3 children while it would take 2.1 to replace a full generation. To reach that, Poland would have to increase its spending on family policies. In 2005, about one in six unemployed were over 50, now it is one in a four. Without an inclusive labour market policy that promotes employment throughout the life cycle the Polish economy might face a slump.

2 More people moving out than moving in

About 1 million people have left Poland since it joined the EU in 2004. As of today, the number of Poles living abroad has reached about 2 million and most migrants left for the United Kingdom, Germany and Ireland. The most important factors attracting Poles to move abroad are the same as those for other immigrants: higher wages and better labour market conditions. Most policies

aimed at inviting migrants to return home have been unsuccessful. Poland should develop its own immigration policy aimed at other nationalities. Some estimates talk about 2 million Ukrainians that could be interested in leaving their country - Poland should embrace that labour force in order to ensure its future growth.

3 Boosting productivity, escaping the income trap

In the coming decade, Poland may grow at an average rate of 3% per year. This is less than in the past 20 years, and few people believe that the economy will manage to return to the growth trend of the past two decades, i.e. 4-4.5%. According to some experts, Poland has been facing the middle income trap. In terms of GDP per capita, the country exceeded the level of USD 16,000 that is recognised as the threshold of increased risk. However, the fact that countries that have fallen into the middle income trap were usually

overinvested, had a high inflation level or a clearly underestimated exchange rate, is not applicable to the case of Poland. Nonetheless, Polish firms' productivity per hour is still only at around 63% of the companies from the EU15 countries (the members before enlargement of the Eastern European states), partly due to the differences in the level of training and equipment, and partly because companies are poorly managed. The middle income trap in this case is a productivity gap.

4 The beginning of the end of coal

Poland has the largest reserves of coal in the EU (14 billion tonnes), 83% of its electricity comes from coal. But the mining industry's financial situation is deteriorating. This is a result of low prices of coal on global markets and growing costs of extraction. Kompania Węglowa - the country's largest coal miner - is on the brink of bankruptcy. There is no easy way out of the current situation for the government - it could choose to pump more money into the mines, thus transferring the problem onto the next Cabinet. The first option will lead to a conflict with Brussels, the second

will trigger miners' protests in Śląsk. On the other hand, falling coal consumption will accelerate the development of renewable energy sources (RES). Today more than 11 per cent of energy used in Poland comes from renewable sources. On January 1, 2016, Poland will switch to a new, auction-based system of support for energy produced from RES. It will help to reach the EU targets for 2020. By then, RES needs to account for 15.5 per cent of Poland's energy, otherwise Warsaw will face harsh penalties.

5 Social distrust and civic inaction

Only Slovakia and Portugal have an average lower level of trust in other people in all Europe. Even the Russians know more people that they can trust than Poles. However, there is a strong sense of community with 89% of people believing that they know someone they could rely on in time of need, similar to most other developed countries. The electoral turnout is yet another problem. It reached 49% during recent

parliamentary elections; this figure is one of the lowest among the OECD countries, where average participation is of 72%. Social and economic status can affect voting rates; voter turnout for the top 20% of the population is an estimated 68% and for the bottom 20% it is an estimated 43%, broader than the OECD average gap of 11 percentage points. Thus it indicates there is room for broader social inclusion in Poland's democratic institutions.

Save the dates

8-10 September 2015

Krynica Economic Forum

Dubbed the 'Polish Davos', the event takes place in the small skiing resort of Krynica. Attended by government ministers and executives from big and mid-sized enterprises, it is also popular with investors from beyond the eastern border. Although road access is rather shoddy, all of Warsaw moves there each September.

30 September-2 October 2015

European Forum of New Ideas

Organised by the Lewiatan employers' association, EFNI is Poland's high-profile business conference, of which PI is a partner. This year's programme centres around the problems of Europe facing growing social uncertainties and geopolitical threats. Splendid location in Sopot, directly by the seaside.

25 October 2015

Parliamentary elections

A one-day ballot in which Poles chose 460 MPs and 100 senators. A shift in power is on the cards, with PiS likely to take power after eight years in opposition.

11 November 2015

The Independence Day (public holiday)

A commemoration of the Polish state restoration in 1918. As it falls on Tuesday this year, many Poles might take Monday off for a fourday weekend. For several years, the Independence Day celebrations have seen major right-wing and extreme-right protests in Warsaw.

6 January 2016

Epiphany (public holiday)

The holiday falls on Tuesday, so most companies and institutions will not be working on the Monday. Poles love so-called long weekends so many people will use the opportunity to prolong their New Year holidays, or even the end of Christmas holidays.

12-25 March 2016

The Easter Beethoven Festival

Organised in Warsaw every year around Easter, it is one of the greatest events of classical music in Poland. This year's theme will follow the slogan „Beethoven and the new ways”

1-3 May 2016

May long weekend

This year's long weekend will give an opportunity for a prolonged time off, as May 1 falls on Sunday, so people could enjoy as much as 5 days off work.

26 May

Corpus Christi Day (public holiday)

Public holiday, which falls on Thursday, and the start of a long weekend for many.

May 2016

European Economic Congress

Hailed as the largest business conference in Central Europe, the event covers a broad range of sectors from energy, through heavy industry down to mining. It takes place in Katowice, the capital of coal mining.

June 2016

Wrocław Global Forum

Poland's leading security and international affairs conference, organised in Wrocław by the Atlantic Council and PISM. It brings together US senators, Polish government ministers and the defence industry.

June 2016

European Financial Congress

A conference bringing together public and private sector specialists in business, taking place in the popular seaside resort of Sopot. Frequently attended by both high-profile sector representatives, as well as young, rising experts and students.

June-July 2016

Mozart Festival

Organised by the Warsaw Chamber Opera, the festival features worldclass artists, with plenty of VIPs in the audience.

Warsaw, 8-9 July 2016

NATO Summit

The highest-level meeting of North Atlantic Council, putting together heads of states and governments of the Alliance's member states in Warsaw. Poland will make every effort possible to negotiate permanent NATO bases in Poland.

26-31 July 2016

World Youth Days

The world's largest event for Catholic youth will bring next year to Kraków hundreds of thousands of youth activists and travellers, who will take part in a mass celebrated by Pope Francis.

August 2015

International Chopin Festival

A treat for music aficionados, taking place in Warsaw, which offers both aural experiences and occasional networking opportunities. Should not be confused with another longrunning summer event of the same name in the spa town of Duzniki Zdrój.

All of 2016

European Capital of Culture, Wrocław

Wrocław, the capital city of Dolny Śląsk region, will be holding the title of European Culture Capital throughout the entire 2016, bringing together well-known, world-class performers in cinematography, art, classical music and theatre. A must have for all culture-fueled.

Common abbreviations

	Acronym	Polish	English	Type
A	ABW	Agencja Bezpieczeństwa Wewnętrznego	Internal Security Agency	intelligence agency
B	BBN	Biuro Bezpieczeństwa Narodowego	National Security Bureau	presidential institution
	BOR	Biuro Ochrony Rządu	Government Protection Bureau	law enforcement
C	CBA	Centralne Biuro Antykorupcyjne	Central Anticorruption Bureau	law enforcement
	CBOS	Centrum Badania Opinii Społecznej	Public Opinion Research Center	pollster
	CBŚ	Centralne Biuro Śledcze	Central Bureau of Investigation	law enforcement
D	DGP	Dziennik Gazeta Prawna	Dziennik Gazeta Prawna	daily newspaper
G	GIODO	Główny Inspektor Ochrony Danych Osobowych	Inspector General of Personal Data Protection	audit institution
	GPW	Giełda Papierów Wartościowych	Warsaw Stock Exchange public company	
	GW	Gazeta Wyborcza	Gazeta Wyborcza	daily newspaper
K	KE	Komisja Europejska	European Commission European	institution
	KNF	Komisja Nadzoru Finansowego	Financial Supervision Authority	regulatory authority
	KNP	Kongres Nowej Prawicy	Congress of the New Right	political party
	KPRM	Kancelaria Prezesa Rady Ministrów	Chancellery of the Prime Minister	PM's office
	KPRP	Kancelaria Prezydenta Rzeczypospolitej Polskiej	Chancellery of the President of Poland	President's office
M	MG	Ministerstwo Gospodarki	Ministry of Economy	cabinet ministry
	MSW	Ministerstwo Spraw Wewnętrznych	Ministry of the Interior	cabinet ministry
	MSZ	Ministerstwo Spraw Zagranicznych	Ministry of Foreign Affairs	cabinet ministry
	MZ	Ministerstwo Zdrowia	Ministry of Health	cabinet ministry
N	NBP	Narodowy Bank Polski	National Bank of Poland	monetary policy
	NFZ	Narodowy Fundusz Zdrowia	National Health Fund	public institution
	NIK	Najwyższa Izba Kontroli	Supreme Audit Office	audit institution
	NSA	Naczelny Sąd Administracyjny	Supreme Administrative Court	court of justice
P	PAP	Polska Agencja Prasowa	Polish Press Agency	news agency
	PE	Parlament Europejski	European Parliament	European institution
	PIS	Prawo i Sprawiedliwość	Law and Justice	political party
	PKB	Produkt Krajowy Brutto	Gross Domestic Product	measure
	PKP	Polskie Koleje Państwowe	Polish State Railways	public company
	PO	Platforma Obywatelska	Civic Platform	political party
R	RBN	Rada Bezpieczeństwa Narodowego	National Security Council	presidential institution
	RN	Ruch Narodowy	National Movement	political party
	RPO	Rzecznik Praw Obywatelskich	Citizen Rights Defender	chief ombudsman
	RPP	Rada Polityki Pieniężnej	Monetary Policy Council	monetary policy
	RZ	Rzeczpospolita	Rzeczpospolita	daily newspaper
S	SKW	Służba Kontrwywiadu Wojskowego	Military Counterintelligence Service	intelligence agency
	SLD	Sojusz Lewicy Demokratycznej	Democratic Left Alliance	political party
	SN	Sąd Najwyższy	Supreme Court	court of justice
T	TK	Trybunał Konstytucyjny	Constitutional Court	court of justice
	TR	Twój Ruch	Your Movement/Move	political party
	TVP	Telewizja Polska	Polish State Television	public media
U	UE	Unia Europejska	European Union	European institution
	UOKIK	Urząd Ochrony Konkurencji i Konsumentów	Office of Competition and Consumer Protection	regulatory authority
	URE	Urząd Regulacji Energetyki	Energy Regulatory Office	regulatory authority
Z	ZUS	Zakład Ubezpieczeń Społecznych	Social Insurance Institution	public institution



Wawrzyniec Smoczyński
Managing Director

tel. (+48 22) 451 60 05
w.smoczynski@politykainsight.pl



Marek Świerczyński
Senior Analyst for Security Affairs

tel. (+48 22) 436 73 11
m.swierczynski@politykainsight.pl



Łukasz Lipiński
Deputy Director

tel. (+48 22) 436 73 27
l.lipinski@politykainsight.pl



Wojciech Szacki
Senior Analyst for Political Affairs

tel. (+48 22) 436 73 23
w.szacki@politykainsight.pl



Piotr Arak
Senior Analyst for Social Affairs

tel. (+48 22) 436 73 17
p.arak@politykainsight.pl



Robert Tomaszewski

Energy Analyst
tel. (+48 22) 436 73 14
r.tomaszewski@politykainsight.pl



Andrzej Bobiński
Senior Business Analyst

tel. (+48 22) 436 73 13
a.bobinski@politykainsight.pl



Piotr Żakowiecki
Healthcare Analyst

tel. (+48 22) 436 73 18
p.zakowiecki@politykainsight.pl



Adam Czerniak
Chief Economist

tel. (+48 22) 436 73 15
a.czerniak@politykainsight.pl

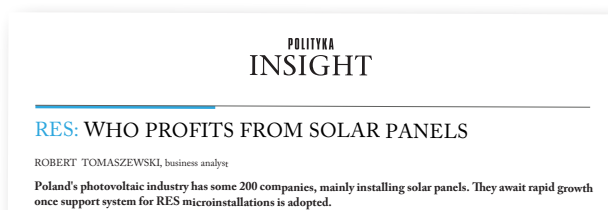
Polityka Insight is Poland's leading provider of executive-level analysis – our daily service is read by leading CEOs, Cabinet ministers and ambassadors in Warsaw.

Now, we also offer tailored research – including on-order analytics, executive briefings and in-depth reports.



Executive briefings

PI regularly briefs leading investment banks and company boards on Poland's political and economic outlook. We offer standard and tailor-made presentations, always followed by a Q&A session with our analysts.



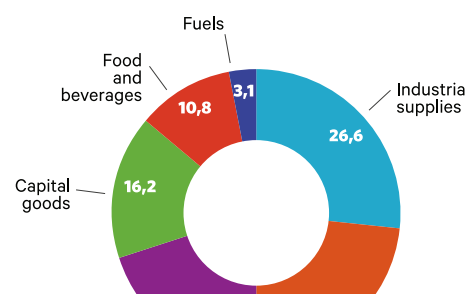
On-order analyses

A quick answer to your question in PI's proven one-page format – coherent and to the point. We offer personal profiles, scenarios, as well as legislative, sectoral and political analyses. A typical order is processed in five working days.



High-level roundtables

On client's request we organise closed expert sessions on specific policy and business topics. Our roundtable format involves carefully selected participants, reliable opening papers and active moderation.



In-depth reports

Qualitative and quantitative research aimed at delivering hand-on, actionable conclusions. We provide reports for both in-house and public use. PI has ample experience in organising panels at Poland's business conferences.

**To learn more about
PI Research please contact
our sales department:**

Anna Puchacz
Director of Sales

+48 602 42 00 14
a.puchacz@politykainsight.pl



Dagmara Bochyńska
Sales Manager

+48 691 916 986
d.bochyńska@politykainsight.pl

