

Challenges ahead for Donald Tusk's new government

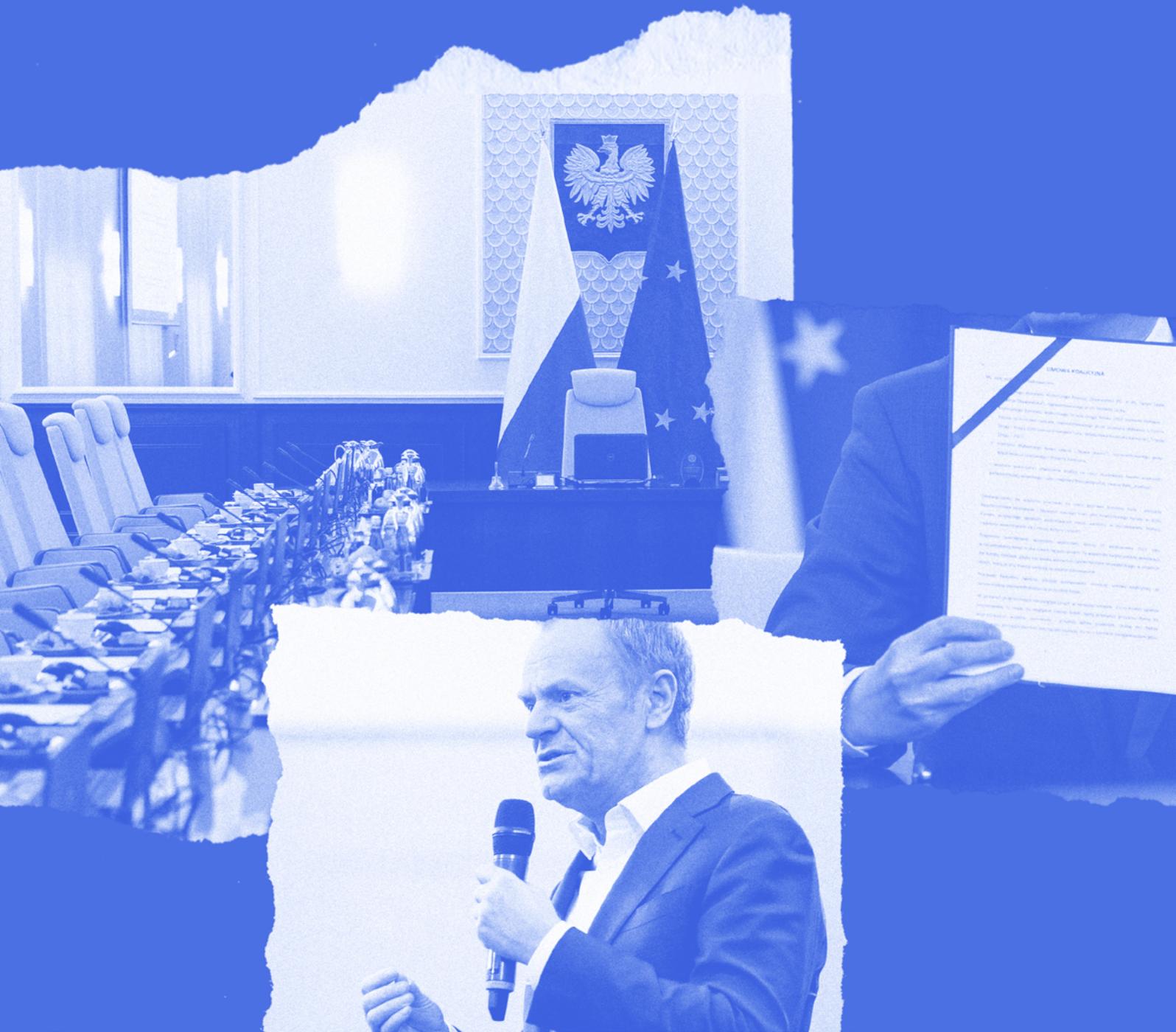


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It took nearly two months for Donald Tusk to officially form his government, which consists of representatives of the KO, Polska 2050, PSL and the Left. After the United Right's eight years in power, the new cabinet faces enormous challenges. A large part of the public has high expectations for real change in Poland.

The new coalition must decide how to clean up and change the state after years under the rule of Jarosław Kaczyński's party. It must quickly decide which PiS projects to continue and which to abandon. Voters expect the new government to fulfil a plethora of election promises, such as higher salaries for state employees and an increase in the tax-free amount from PLN 30,000 to PLN 60,000. But how does it put them into practice with such stretched public finances and the ongoing war in Ukraine, which requires high defence spending? The challenge for the new coalition will be to maintain internal unity and cohesion to maintain its lead over PiS and win the local and European elections in the spring of 2024. To implement changes, the new government must also learn to cooperate with the president, or it will encounter his veto on critical bills.

This publication looks at the challenges facing the new government and coalition in twenty-one key areas. At *Polityka Insight*, we will follow the new government's efforts and describe them on an ongoing basis. We will use the observations to assess the effectiveness of the prime minister and individual ministers after a year in office in *Polityka Insight's* government rating, which we will publish in the fall of 2024. It will be created based on a revised methodology that will take into account the new processes and challenges facing Donald Tusk's cabinet in the context of ongoing political, economic and social changes.



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Their key tasks will involve rebuilding Poland's international standing and reputation at a time of growing global crises and repairing relations with allies.

Finding the way in a world full of crises. The world has entered a phase of disorderly transformation and reconfiguration of alliances, conflicts and the consolidation of new social, demographic and structural processes. The conflicts in Ukraine and Israel, far apart from each other as they are, are proving to be interlinked by networks of alliances and the involvement of superpowers, including the US and Russia, the behaviour of which determines Poland's security. Climate change and wars in the Global South, meanwhile, are causing migration crises which destabilise Poland's internal situation as well. As a result, it is no longer enough to maintain the assumption that Poland's position and security are immune to turbulence thanks to its presence in NATO and the EU. In allied affairs, the Minister of Foreign Affairs will have to propose a more constructive role for Poland.

Countering Russia. The country is the biggest threat to Poland's independence - the Kremlin threatens that after Ukraine, the next target will be Poland and the Baltic states (the Americans are also warning against this). The Russian threat should be countered by strengthening alliances with like-minded countries, including the USA, Germany, the UK and the Scandinavian states. The Polish government and the Minister of Foreign Affairs must coordinate diplomatic action with defence policy, which includes accelerating NATO's transformation to a New Force Model. Minister must also rebuild relations with Germany after eight years of the PiS government's confrontational policy. Constructive opposition to the governments in Budapest and Bratislava, which are trying to normalise relations with Moscow, will pose a challenge.

Rebuilding relations with Ukraine. Kyiv's potential defeat in the war would result in Russia posing a direct threat to Poland and Europe. Consequently, the Polish government should subordinate diplomatic and economic activity to the requirements of defending Ukraine, even if this were to cause short-term losses (e.g. with regard to imports of Ukrainian grain). The Polish diplomacy will have to negotiate a bilateral agreement on military support with Ukraine, just as the G7 countries did after the NATO summit in Vilnius. Poland is one of the last NATO countries (apart from Turkey) with which Ukraine does not have such an agreement, an issue that triggered Kyiv's dispute with Warsaw in the second half of 2023.

Readiness for political fluctuations in the US. The new government will have to maintain an equal distance from the Democratic and Republican candidates in the US presidential race in 2024. The key concern will be to emphasise Poland's strategic interests: maintaining US support for Ukraine and continued US military presence in Central Europe. Poland needs the US to continue to see it as a partner driven by similar goals and sharing similar foreign policy values. The Polish

Minister of Foreign Affairs will need to quickly organise the Polish PM's visit to Washington.

Re-arranging the ministry. The new Minister of Foreign Affairs will appoint a new director-general and the ministry's top officials, and will then have to conduct a substantive review of junior staff. Staff changes are likely, but their scale will depend on the Prime Minister's political decisions and arrangements within the coalition. The minister is going to face a reform of the consular system (after the visa scandal) and will have to subsidise it. The minister will need to decide whether to use the Foreign Service Act (introduced under the PiS government) to carry out a staff review within the Ministry of Foreign Affairs and among ambassadors. So-called "political" ambassadorial appointments or those of representatives to the EU or NATO will be easy to carry out, changing professional ambassadors will be more difficult due to resistance from the president.

THE BOTTOM LINE

Foreign policy has been one of the areas most frequently criticised by the opposition under the PiS government. The new cabinet and the ministry's leadership will face the dilemma of whether - at least in the short term - to continue some of its predecessor's actions, or perhaps to build foreign policy from scratch, which would mean staffing and structural changes as well as creating relations with various institutions (such as the Ministry of Defence, Ministry of the Interior and Administration, and the special services) from scratch. It will be a challenge to cooperate within the new government because the ministries fall to different parties from the KO, Trzecia Droga, and the Left coalition. However, harmonising foreign, defence and alliance policy will largely rest with the Prime Minister.



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The new government will need to be in contact with Brussels not only to unblock EU funds, but also to explain the changes taking place in Poland.

Unlocking the national recovery plan (KPO). The priority will be to receive money from the reconstruction fund, access to which has been conditioned by the European Commission to strengthen the independence of judges. The new government will have to negotiate with Brussels on measures that will implement the so-called judicial milestones. A significant difficulty in carrying out the statutory changes will be the veto of President Andrzej Duda. Warsaw may therefore convince, for example, to renegotiate the terms, which is being discussed in the European Commission. The problem of access to the funds may temporarily be alleviated by an advance of nearly EUR 5 billion to be received by Poland from RePower, an instrument established as part of the reconstruction fund in response to Russian aggression, which is not affected by the other commitments in the KPO. The European Commission has already approved amendments to the KPO submitted by Mateusz Morawiecki's government, the final decision will be made by the Council of the European Union.

Taking care of cohesion policy money. The original reason for blocking the EUR 70 billion in cohesion funds was a dispute over local government resolutions discriminating against LGBT people. Mateusz Morawiecki's government has already responded to the European Commission's concerns about LGBT rights by appointing independent coordinators to oversee regional and central programmes. Now the European Commission is blocking the funds citing the right to a fair trial enshrined in the Charter of Fundamental Rights, compliance with which conditions access to cohesion policy funds. Unlike the KPO milestones, these objections are not formal, which means that the negotiations undertaken by the new government could result in a quicker breakthrough.

Clarifying the accountability of the previous governments. The implementation of some of the demands included in the coalition agreement of November 10, for instance, the envisaged "depoliticisation of state media", may raise doubts in Brussels. The replacement of TVP and Polish Radio's management could be incompatible with the Act on Freedom of the Media, which is currently being discussed by the EU institutions and is intended to protect the media from state interference - the draft only allows for the dismissal of public media authorities in exceptional situations and with the possibility of the decision undergoing judicial review. The rapid replacement of court heads and putting up new candidates for the Court of Justice of the European Union (the PiS government put forward its candidates on November 7; they were approved two days later by the EU Affairs Committee at the last sitting of the old Sejm). Holding a dialogue with the European Commission to explain the changes in Poland will be the task of the new government.

Discussion of EU reform. There is an ongoing debate in the community about the changes necessary to prepare the EU for the accession of new countries. The leading role in this regard is played by Paris and Berlin. In September, they presented a report calling for an end to unanimity in foreign and tax policy and in approving the EU budget. To have a real influence on the shape of reforms, it will be necessary for Warsaw to participate constructively in discussions and propose its own solutions. The Weimar Triangle, bringing together France, Germany and Poland, which has been dormant during the PiS government, could become a convenient platform for arrangements.

THE BOTTOM LINE

The scale of the challenge of rebuilding relations with Brussels and other European capitals is enormous. The new government faces not only a long list of problems to solve, but will also have to reconcile the ambitious goal of returning to the Union's core with the increasingly assertive attitudes of Poles after eight years of a right-wing government critical of the EU. These are evident in, for instance, Poles' attitudes towards the euro (last year, joining the eurozone had more opponents than supporters).



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It will be crucial to implement reforms in the justice system following the PiS government to streamline court proceedings and improve working conditions in courts.

Fixing the justice system after the PiS government. This encompasses reforming the method of electing judges to the National Council of the Judiciary (KRS). Since 2017, it has been perceived as politicised due to the judges being appointed by the Sejm. The new Minister of Justice will also face challenges such as deciding the status of judges selected by the previous flawed KRS, resolving the problem of disciplinary proceedings against judges, and reducing Zbigniew Ziobro's influence over court presidents. While the prime minister will likely address many of these matters, the minister of justice will also play a vital role in translating the adopted solutions into law and ensuring their effective implementation. Resolving these judiciary-related issues is paramount because it will help unlock the national recovery funding.

Addressing the issue of protracted court proceedings. The problem of prolonged legal processes has persisted for years and was a key motivation for the PiS government's judicial reforms. Yet, despite these efforts, the duration of court proceedings has continued to rise. According to a report from the Court Watch Foundation, the average length of a civil case in the first instance at the district court in 2022 amounted to 11 months, 2.4 months longer than in 2016. When cases reached the court of appeal, the average consideration time increased to 37 months, eight months longer than in 2016. In the busiest courts, initial hearings were scheduled more than a year after filing. Efforts to alleviate this situation will necessitate several measures, including streamlining legal procedures, ensuring greater legal stability, increasing the number of judicial assistants, relieving judges of administrative duties, and maintaining court statistics more reliably (in recent years, the Ministry of Justice reporting was inconsistent).

Improving working conditions in the justice system. Employees of courts and prosecutor's offices have frequently engaged in protests due to the inadequate compensation they receive. Starting positions in these roles often come with a basic salary of PLN 3,600 gross. Representatives of trade unions have demanded a 20 per cent salary increase in the current year and an additional 24 per cent increase in 2024. However, the 2024 draft budget only allocates 6.6 per cent. It's worth noting that trade unions have also highlighted the issue of mobbing in courts and prosecutor's offices.

Separating the functions of the Prosecutor General from the Minister of Justice. Poland is the only EU country that combines these roles. The European Commission has recommended their separation in its annual report on the rule of law because this merging can lead to concerns about the politicisation of the prosecutor's office for political objectives, particularly when it is headed by a politician affiliated with the ruling party. It is anticipated that the new Minister of Justice will be responsible for paving the way for this separation. Establishing

a transparent mechanism for selecting the person who will serve as prosecutor general will also be necessary. It is conceivable that the president might have some influence over this process.

Organising the legal codes. In recent years, there have been many changes to Poland's codes that, instead of improving the functioning of the justice system, have complicated it even more. An illustrative instance of this is the significant amendment to the Code of Civil Procedure in 2019, which contained so many issues that it necessitated another major amendment in 2023. However, this problem extends beyond civil law. Polish legal codes are mostly outdated and have been subject to multiple amendments, and a desirable solution would be to create entirely new legal documents. Another seemingly minor task, although one that may have serious consequences, should be removing the whole-life order from the Criminal Code (in force since October 1, 2023), which - according to the European Court of Human Rights - violates the European Convention for the Protection of Human Rights.

THE BOTTOM LINE

The primary challenge facing the new Minister of Justice will be addressing the dispute over the rule of law. The ministry must navigate and reconcile the diverse ideas put forth by various coalition parties and the legal community, which has long offered solutions for enhancing Poland's justice system. Equally significant will be the efforts to reach an agreement with Andrzej Duda, who may be resistant to certain changes because the President was the one who signed the legislation merging the roles of the Prosecutor General and the Minister of Justice a few years ago and also authored the amended KRS law.



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Defence

The new government should work to reduce tensions in its relations with the army and rebuild public confidence in the security system. Adjustments to the defence policy must be made cautiously.

Stabilisation of relations with the military and with its commander-in-chief. The sudden replacement of Poland's top generals just before the elections was a shock for the military system, but it solidified the highest military-ranking positions for several years. The new Minister of Defence must establish genuine cooperation with the chief of the general staff, and general and operational commanders, regardless of the political assessments of these appointments. An attempt to remove the generals appointed in October would further destabilise the situation and lead to a conflict between the government and the president, who is also the commander-in-chief of the armed forces. Duda's cooperation with the new government is expected to be challenging regardless. At the end of his term, Andrzej Duda proposed a systemic reform of command structures, which could serve as the foundation for a substantive discussion. The National Security Strategy, developed on the initiative of the Chancellery of the Prime Minister, requires changes that consider the ongoing war in Ukraine and NATO's new approach to defence.

Charting a course for the development of the armed forces in the years ahead. The question of whether to continue or make adjustments to the armament and military expansion plans implemented by PiS is pivotal for the pace and scale of Poland's defence strengthening. This pertains to the stability of cooperation with foreign partners, the success of industrial projects, and Poland's credibility in the eyes of its allies. The foundation for these analyses should be the plan for the development of the armed forces until 2039. The new government should present a vision for the structure of the army and its equipment, considering an assessment of the state's financial and demographic capabilities, while also taking into account the state of regional and global security. Proposals should be openly discussed in public, within Parliament, and with all interested parties.

Discounting Poland's role in a larger and stronger NATO. The change of power occurs as the Alliance builds greater deterrence and defence capabilities, with a more explicit focus on repelling a potential Russian attack. This is happening at a time when NATO is expanding to include Finland and Sweden. Poland has assumed significant responsibility and declared its role as a security provider on NATO's eastern flank. The new NATO response force model will demand even greater engagement, entailing higher costs and increased risks. Through diplomatic actions, agreements, and contracts, the new government should secure additional guarantees, obligations, or concessions for Poland, ensuring that the role of a frontline country does not become an undue burden on the state, economy, and society.

Defining support and cooperation with Ukraine. The new government should reestablish contacts with Kyiv and work towards gradually

rebuilding mutual trust. Additionally, there is a need to outline a Polish strategy for providing armed, humanitarian, and economic assistance in defence against Russia and for supporting Ukraine's development after the war's conclusion. Poland's credibility with Ukraine's Western partners, who are also Poland's closest allies and security guarantors, hinges on these actions. It also impacts the prospects of forming a Polish-Ukrainian political bloc in the future within the new European and transatlantic architecture. To achieve this, Warsaw should also provide a clear definition of when and under what conditions it envisions Ukraine's membership in the EU and NATO.

Integrating non-military security with defence policy. Rebuilding civil defence, raising awareness about responses to threats, providing effective security education, improving the population warning system, and reviewing protective structures and shelters - these elements were neglected by PiS, which viewed security primarily through the lens of arms purchases and military expansion. These tasks are outlined in the "National Security Strategy" but have not been implemented, despite the fact that the resilience of society and the economy in the face of armed conflict, natural disasters, catastrophes, blackouts, or epidemics depends on them. For the government, this is a more complex challenge than, for example, acquiring armaments, as it necessitates a systemic approach to security and cooperation among various levels of administration.

THE BOTTOM LINE

The primary task of the new government should be to restore trust and rebuild the credibility of the state security system, which has been damaged by incidents, frequent use of the army in the PiS election campaign, the sudden resignation of generals just before the elections, and differing perceptions of defence between PO and PiS. This can be facilitated by a consistent defence and armaments policy that should take precedence over adjustments (justified to the general public, discussed at the political level, and reviewed by the military). This will create the perception of Poland's strategic maturity, leading to increased trust among allies and the restoration of the country's position as a stabilizing factor in times of growing instability.



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Interior affairs

The head of the Ministry of the Interior and Administration will have to resolve the crisis in the police force and ensure that the border with Belarus is effectively secured.

An efficient transfer of power. The Minister of the Interior and Administration looks after Poland's internal security; the Police Headquarters, the Border Guard, and the National Fire Service all report to him. The new head of the ministry will want to make staff changes in these institutions as soon as possible (formally, the heads of these services are appointed by the Prime Minister at the Minister of the Interior and Administration's request). The structural changes will be made against the backdrop of an uncertain international situation - the ongoing wars in Ukraine and Gaza - making it challenging to maintain Poland's internal security. The minister will also want to replace the heads of the National Civil Defence and other subordinate institutions, such as the Office for Foreigners. KO politicians also talk about abolishing the Central Anti-Corruption Bureau, whose powers would be taken over by services subordinate to the Minister of the Interior and Administration or the Police Internal Supervision Bureau.

Improving the image of the police. The police employs around 100,000 personnel – making it the largest service subordinate to the Minister of the Interior and Administration. It is, however, experiencing an image crisis due to various incidents in recent years, such as violent interventions by police officers or the explosion of a grenade launcher in the office of police chief Jarosław Szymczyk in 2022. According to a CBOS survey, 62 per cent of respondents had a positive view of the police in September (27 per cent viewed them negatively). Meanwhile, as recently as Q1 2020, 80 per cent of respondents regarded the police positively, with 11 per cent viewing them negatively. Improving the image will require increased funding and better police training, among other things.

An increase in officers' salaries. According to data from the official police website, in 2022, a starting police officer could expect to earn less than PLN 4,500 net per month, i.e. several hundred złoty less than the average salary in the enterprise sector. Relatively low salaries mean a shortage of people willing to enter the force. The quality and length of training for officers entering the service are also inadequate. Before the coronavirus pandemic, basic training lasted about 140 days, then it was reduced to 64 days and now stands at about 96 days. The lack of applicants means the requirements for police officer recruits are being reduced. Since 2022, only the knowledge of police functioning has been tested. Previously, the questions also covered the functioning of the state and public safety, among other things.

Taking care of border security. Some KO politicians (e.g. Tomasz Siemoniak) call for the Border Guard to be more involved in protecting the Polish border with Belarus and for the military and police to be relieved. If this were to happen, the role of the Ministry of the Interior and Administration would increase. At the same time, however, the

situation on the border will require the new minister to be much more sensitive than under the United Right government. After all, politicians from the new ruling coalition have repeatedly criticised the services under PiS for their brutality towards people who wanted to enter Poland illegally, as well as towards representatives of NGOs helping them. Every slip-up of the new Minister of the Interior and Administration in this matter can be exploited by PiS and pointed out as hypocrisy.

Civil protection reform. The war in Ukraine and the pandemic have called attention to issues that have long been neglected in current policy - such as adequately prepared shelters for civilians and an effective emergency warning system. PiS started work on a draft law on civil protection and the state of natural disasters in the previous parliamentary term but did not complete it. The new minister will face the challenge of creating an efficient administrative apparatus in which anti-crisis measures are clearly divided between different bodies. The Ministry of the Interior and Administration should work closely with the Ministry of Defence in setting up this extra-military security system, as it needs to be integrated with defence policy.

THE BOTTOM LINE

The Minister of the Interior and Administration wields much power but has a wide range of responsibilities. With public finances under strain and possible resistance from the Ministry of Finance, the new Minister of the Interior and Administration will have to find a way to introduce pay raises for police officers and other uniformed services. He will only succeed in pushing through civil protection reform if he gains acceptance from the rest of the government and the coalition parties. The minister will have to prove his efficiency quickly, as any delay in the changes to critical areas could result in their dismissal.



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The main priorities include adopting and amending the budget and ensuring the liquidity of public finances. Additionally, several tax and financial regulations are pending implementation.

First, the budget, then an audit. In the first step, the new Ministry of Finance will have to complete work on the 2024 budget as time is limited. The draft budget allows little fiscal flexibility, as the deficit is planned at PLN 164.8 billion. Consequently, the ministry will promptly commence work on budget amendments. The ministry will conduct a promised audit of public finances to maintain a positive image, which may involve consolidation measures, such as limiting the number of special-purpose funds. Furthermore, the ministry must swiftly prepare an update of the convergence programme, which needs to be submitted to the European Commission by the end of April. This update will include a multi-year plan for public finances.

Addressing borrowing needs. Per the 2024 draft budget, financing needs will amount to PLN 420.6 billion. The current yields on 10-year treasury bonds are relatively high, ranging from 5 to 6 per cent. This requires offering substantial premiums to attract investors. To secure investors, the ministry must enhance Poland's international promotion efforts and maintain competitive interest rates on retail bonds. Additionally, in response to the reform of reference indices, the ministry should consider issuing bonds based on the WIRON rate, which will serve as a reference for banks' and corporations' bond issuances.

Reforming local government financing. The increase in the tax-free amount to PLN 30,000 in 2022 led to a decline in local government budgets' revenues (PIT revenue). To counteract the impact of this tax reform, the PiS government introduced a development subsidy and initiated efforts to reform local government financing. However, no agreement was reached with local governments, leaving this task to the new minister. Local government officials are interested in boosting their revenue levels. One proposal involves granting them a share of flat-rate PIT or VAT revenues, which can be projected over several years.

Simplifying and lowering taxes. KO has proposed doubling the tax-free allowance, increasing it to PLN 60,000 annually. Trzecia Droga has pledged that PIT would be settled together with children, and there would be no tax increases. Entrepreneurs have been assured they will only pay VAT and PIT after receiving payments. Additionally, the beauty industry can expect a reduction in VAT from 23 to 8 per cent. There is also anticipation regarding the potential use of the Estonian Corporate Income Tax (CIT) model, although consideration of the global 15 per cent CIT must be factored in, as the EU directive on this issue is pending implementation. The business sector is hoping for the elimination of the minimum income tax from the 'Polish Deal,' which has been suspended but is set to take effect in 2024. The new Ministry of Finance will need to decide whether to maintain zero VAT on food, which is currently valid until the end of 2023.

Further tightening of the tax system. Continuing sealing measures undertaken by the PiS government may help finance increased spending. Implementing the national e-invoice system (KSeF) is expected to generate approximately PLN 2 billion. Still, the new government may want to improve these regulations, meaning they will not enter into force in July 2024. The source of revenue - although not very important in Poland - will be the implementation of the EU directive on the global 15 per cent CIT and the DAC7 directive, which allows taxation of traders on platforms (for instance, OLX, Allegro). The new Ministry of Finance may also seek additional income by limiting the grey zone in gambling or imposing an excise tax on nicotine pouches.

Implementation of EU regulations. By the end of the year, Poland is expected to implement the EU directive on overdue loans, which establishes, among others, uniform rules for authorisation in debt collection activities. Although the appropriate act may not be adopted within the expected timeframe, it remains one of the most significant regulations for the ministry to address. Additionally, several more regulations are on the horizon for the financial sector. Over the next 1.5-2 years, Poland must implement the Consumer Credit Directive, which governs deferred payments; the Green Bonds Regulation, aimed at standardising such financial instruments; and the Cryptocurrency Regulation, which introduces requirements for issuers to obtain permits.

THE BOTTOM LINE

Under previous PO-PSL governments, the Ministry of Finance often held a significant role, exerting influence over the entire cabinet's policies, including other ministries' moderation of spending plans. During the PiS government, the ministry's role was reduced to that of an accountant, primarily tasked with financing initiatives from the party headquarters. Reestablishing the Ministry of Finance's authority will be challenging, and the new minister's political position will be pivotal. For the markets, having an independent and stable Ministry of Finance will signal growing fiscal credibility in Poland.



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Economic affairs

The priority will be to encourage investment and accelerate Poland's green transition. The business community looks forward to a more productive dialogue with the government and greater legal stability.

Boosting investment and innovation. A significant challenge for the new government will be to increase investment (especially private) as Poland's investment rate has reached historic lows (16.8 per cent of GDP in 2022). It is also imperative to reevaluate the operations of the Polish Investment Zone (the investor support system) and align it with the regulations introducing the 15 per cent minimum CIT, which Poland must implement swiftly. To enhance innovation, it will be crucial to adopt a new industrial property law, which the PiS government has neglected. The experience of recent years (COVID-19, disrupted supply chains) underscores the need for a more favourable regulatory environment for the innovative pharmaceutical industry. The proposed reimbursement development mode (RTR) prepared in the Ministry of Economic Development and Technology aimed to incentivise pharmaceutical companies to produce medicines in Poland, but the effort failed.

Increasing the effectiveness of economic diplomacy. The new government should develop a comprehensive strategy for promoting the Polish economy. Certain areas require adjustment, such as the reform of economic diplomacy initiated by the PiS government, which led to the creation of foreign trade offices (ZBH) overseen by the Polish Investment and Trade Agency (PAIH). As a consequence of these changes, the employees of these offices lost their diplomatic status, which, as it turns out, is crucial when conducting business in, say, countries in Asia or the UK. The Supreme Audit Office (NIK) criticised this reform's implementation. Several groups, including food producers, have expressed their dissatisfaction with the effectiveness of Polish economic diplomacy. Another pressing challenge is the establishment of economic relations with Kyiv and preparing Polish companies to compete with Ukrainian businesses.

Promoting companies' green transition. In recent years, climate policy in Poland has not been consistent, with the government often opting to maintain the status quo rather than encouraging the adoption of a low-emission standard in the Polish economy. While larger companies (especially those affiliated with international corporations) have frequently taken proactive measures by adopting individual strategies to reduce emissions, smaller entities, often serving as suppliers to larger corporations, have fallen behind. Priority for new minister in charge of economic affairs (in conjunction with other ministries and institutions responsible for climate issues) should be to support companies, particularly SMEs, as they implement Environmental, Social, and Governance (ESG) standards. This support will involve calculating and reducing their carbon footprint, which, in many cases, will require significant investments.

Enhancing the quality of legislation and ensuring legal stability.

The new minister can help create a more favourable business environment by reforming the approach to the legislative process. This can be achieved by increasing the frequency of pre-consultations, amending legislative acts less frequently, and ensuring an appropriate "vacatio legis" period. Fostering openness to dialogue, both with organisations that represent the entire business sector and individual industries is essential. The ministry should also conduct a comprehensive review of existing regulations and draft a deregulation act to organise and eliminate unnecessary or excessive burdens for companies (during the election campaign, KO promised to reduce the regulatory burden of official inspections).

Supporting the growth of companies and Polish brands. One of the key tasks ahead of the new minister will be the development of sector-specific strategies to promote Polish brands. This is particularly crucial in industries like furniture, which is grappling with economic challenges and unfavourable State Forest policies, and in the food processing sector, where representatives complained that they did not know who in the PiS government was responsible for this sector. The new minister should also assess the regulations related to company succession; it is projected that, in the coming years, 57 per cent of family businesses will face succession. Entrepreneurs currently benefit from the Family Foundations Act, which was enacted in May 2023, and the Succession Management Act of 2018. However, these acts may require some amendment to serve their intended purposes better.

THE BOTTOM LINE

Business has high hopes for the new minister in charge of economic affairs, especially in the current situation, when companies in many industries are suffering from a downturn. If the ministry does not have the necessary clout, its projects may be blocked by other ministries or the Council of Ministers, which will disappoint businesses hoping for the new government's full openness and pro-business approach.



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State assets

Depoliticisation, accountability and defining the role of companies are the new government's tasks in state asset management. The challenge will be difficult decisions on the future of mines.

Depoliticisation and accountability. The agreement of PO, Polska 2050, PSL and Lewica coalition stipulates that one of its priorities will be depoliticising state-controlled companies by introducing clear recruitment criteria for management positions, as the largest Polish companies must employ the best specialists and managers, not party members or their relatives. There was also a promise to hold accountable, by an independent prosecutor's office and independent courts, all those guilty of, including nepotism in state-controlled companies and of using their funds to influence electoral decisions. In this context, a thorough screening of Orlen's merger with Lotos and PGNiG can be expected, but the division of the Orlen group seems unlikely.

Defining the role of companies. PiS followed a centralist vision of the state in which state-controlled companies played a key role, following the example of the Korean chaebols. One of the cornerstones of this policy was the so-called repolonisation of banks (the takeover of Pekao SA and Alior by PZU). The new government will adopt a more liberal perspective. Still, privatisation should not be expected, including banks (PKO BP and banks from PZU are under the Ministry of State Assets' supervision). It may be a challenge to implement personnel changes in them (this requires the approval of the Polish Financial Supervision Authority (KNF), which was filled at the last hurdle by a PiS nominee). In turn, pressure can be expected for state-controlled companies to pay more dividends. Over time, decisions to exclude, for example, agri-food companies, including Krajowa Grupa Spożywcza, from the supervision of the Ministry of State Assets are possible (PSL's politicians want them to be transferred under the supervision of the Ministry of Agriculture).

Setting the direction of energy development. The new government must agree on a model for decarbonising the energy sector. The implementation of KO's election announcements regarding the separation of distribution networks from state-controlled energy companies may lead to their financial collapse, so this will probably be abandoned. The failure to create the National Energy Security Agency (NABE), to which coal-fired power plants were to be transferred, will burden companies with CO₂ purchase expenses and slow down their investments in renewable energy sources (OZE). Without the rapid implementation of the decarbonisation plan, the state-controlled energy sector will falter, creating space in the market for private and foreign competition investing rapidly in green installations.

Agreement with miners and the European Commission on the future of mines. The situation of hard coal mines is deteriorating due to falling demand for the commodity and rising wage costs. The largest coal producer, Polska Grupa Górnicza (PGG), will need at least PLN 5 billion of public support in 2024. The situation has also deteriorated significantly at JSW Group, which recorded a net loss of PLN 1.2 billion in Q3 2023 after being charged with solidarity levy. Given the growing

crisis in the mining industry, the new government must quickly reach an agreement with trade unions on updating the social contract, which sets out the schedule for the shutdown of mines until 2049, as well as notify state aid for them to the European Commission.

Deciding on the future of postal operator Poczta Polska. The state company is in a difficult situation due to rising operating costs and falling revenues from letter mail. This translates into a decline in employment at the company - from over 78,500 in 2019 to 66,600 in 2022. This raises difficult questions about Poczta's development direction in the years ahead. Competing for the parcel market will only be possible if investments reach hundreds of millions of złoty annually. The alternative is to focus on the letter market, which is shrinking by a few per cent a year, and to subsidise the unprofitable universal service (which consists of maintaining offices in places with low demand for postal services and postman service five days a week). The lack of a decision means a slow erosion of Poczta Polska's position in the parcel market.

Supporting further development of transport companies. Although the privatisation of PLL LOT had been considered during the previous PO government, the company's improving transport and financial results mean that the new government is unlikely to consider this. The challenge will be to support LOT in implementing its new development strategy. From the state treasury's point of view, the carrier's continued growth is crucial, which may speak in favour of continuing the construction of the Central Communication Port (CPK). New railway lines within the CPK will also be an opportunity for PKP Intercity to grow.

THE BOTTOM LINE

After eight years of PiS rule, changes in state-controlled companies will be a considerable challenge. The process may take a long time - as the new team may lack personnel, and the division of influence between coalition partners will also take time. The new government must expect to be held accountable for implementing declarations from the coalition agreement regarding the professionalism of cadres and transparency in their selection.



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Digitisation

The minister will have to focus on implementing regulations, supporting the development of the population's digital skills and launching new e-services.

Completing the implementation of key EU directives. The PiS government has delayed the implementation of the Digital Single Market (DSM) Copyright Directive - as a result, Poland is already 2.5 years behind schedule, with the European Commission suing Warsaw in the Court of Justice of the European Union. Warsaw is also almost three years late in implementing the European Electronic Communications Code, which enhances consumer protection, among other things. The PiS government attempted to implement it via the Electronic Communications Law, but this failed due to the addition of controversial provisions to the draft (the so-called "lex remote"). The new government will also have to quickly adopt legislation enabling the application of the Digital Services Act in Poland, as the deadline for appointing the so-called National Coordinator of Digital Services is February 24, 2024.

Improving long-term planning. Poland will have to catch up with the EU's "Digital Decade" goals. This is a key program that sets the digitisation goals until 2030. Poland remains below the EU average in all four areas of the programme (infrastructure, digital skills, e-state and business digitization). The strategic plan will show how Warsaw plans to strive to improve this situation. Marketers and experts have also long called for the adoption of a comprehensive strategy for the country's digitization rather than just sectoral plans - work on this is underway.

Spending money to implement the KPO. The digitisation plan envisages EUR 2.8 billion in the grant part and EUR 2.1 billion in the loan part. The money is supposed to finance the expansion of broadband networks, the development of e-services and the improvement of the country's cyber security, among other things. The pre-financing of investments by the Polish Development Fund has meant that some of the work has already begun. Finishing projects on time will be challenging - KPO funds can only be spent until 2026. Otherwise, they will be lost.

Implementation of cyber security regulations. The previous parliament failed to amend the National Cyber Security System (KSC) law, which made it possible to exclude risky equipment and service providers. It was also meant to provide an impetus for the creation of sectoral cyber threat centres and information-sharing centres. The legislation will have to be adopted in the coming quarters. Ideally, they should consider the assumptions of the EU's NIS2 directive, which will come into force in October 2024. It stipulates that key entities, such as telecom operators and public entities, must incorporate so-called continuous cyber security risk assessment into their operations and respond to potential threats. The administration must raise awareness of cyber threats among companies and citizens through educational campaigns and training.

Further development of e-services. One of the new minister's key tasks should be the gradual phasing out of the electronic platform for public administration services (ePUAP), which has been in operation since 2008. It enables documents to be created, handled and sent between citizens and public administration units, but it is also outdated and does not offer mobile services. To popularise mobile e-government solutions, it will be necessary to transfer its functionalities to the mObywatel app in the coming years. The Central IT Centre has already developed a plan for such a shift. The state should also reduce the paper documents required from citizens using information from state registers and databases to a minimum.

THE BOTTOM LINE

Digitisation is a problematic and politically unrewarding area of administration. Any failures in implementing new digital services are immediately spotted by the public and affect those dealing with digital issues in government. The potential success of the planned solutions is regarded as a baseline scenario and brings little political benefit.



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Analytical products: A new post-election hand

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Transportation

The new government must reduce transport exclusion by supporting bus and rail transport, as well as decide on the direction of the aviation sector's development.

Combating transport exclusion. KO, Polska 2050, PSL and Lewica pledged in the coalition agreement adopted on November 10 to ensure efficient and accessible public transport. They promised to create a system that will enable the purchase of tickets for any means of public transport. The new coalition has to deal with the problem of transport exclusion - after the privatisation of PKS, many of the companies offering regional bus services went bankrupt, and the public transport organised in the municipalities does not meet the transport needs of the inhabitants, forcing them to use their own cars. The PiS government attempted to combat this phenomenon by introducing a bus transport development fund just before the outbreak of the pandemic, but it is not working effectively.

Further development of the railways. Investment in railway lines will be a priority for the new government. This includes, for example, the completion of the modernisation of the Central Railway Line connecting Warsaw with Śląsk and Kraków, and the construction of the so-called "igrek", or a high-speed railway between Warsaw, Łódź, Poznań and Wrocław. The latter project has so far been carried out by the Centralny Port Komunikacyjny company, but it is possible that it will be handled by PKP PLK (the railway industry is demanding a transformation of this company into an entity with greater competences, along the lines of the General Directorate for National Roads and Motorways). The new Minister of Infrastructure should also strive to develop regional railway connections - the parties of the new coalition promised in the campaign, for example, to bring tracks to every powiat. The challenge will be to prepare the state-controlled PKP Intercity for a greater opening of the railway market in the EU.

Strengthening seaports. Following the outbreak of the war in Ukraine and the introduction of sanctions on Russia, Polish ports have strengthened their position in the region - for example, the port of Gdańsk advanced from third to second place among the Baltic ports in terms of transshipment (the Russian Ust-Luga is in the first place). Goods received at the Polish coast are often later sent to the Czech Republic or Slovakia, among others. Baltic ports can play a significant role in the reconstruction of Ukraine, but it is necessary to increase their capacity. The new government's task will be, among others, to support the construction of a container terminal in Świnoujście and the expansion of terminals in Gdańsk and Gdynia, as well as ensuring that investments are made to increase grain export capacity.

Decision on the development of aviation infrastructure. The new ruling coalition will have to decide quickly whether to continue or abandon the Central Communication Port (CPK) project. So far, its representatives have been sceptical about this investment and have announced that an audit of the CPK company will be conducted

first. If a decision is taken to withdraw from the implementation of the project, which was the flagship investment of the PiS government, the new government will have to propose an alternative concept for the development of aviation infrastructure in the vicinity of Warsaw. Air traffic at Polish airports is returning to pre-pandemic levels - this means that Chopin Airport and Modlin Airport are once again on the verge of running out of capacity.

Expansion of the road network and support for electromobility. Poland's expressway network totals currently 5,100 km, but according to GDDKiA's plans, it is expected to be extended to approximately 8,000 km by the end of this decade. The new government will most likely continue the construction of the planned routes, especially as some of them (such as Via Carpatia in the course of the S19 road) have been included in the TEN-T trans-European transport network. In line with the EU directive on alternative fuels, the network of charging points for e-cars should also be densified in the coming years (according to European Commission's data, there are almost 3,400 public charging points for electric cars in Poland and 83,500 in Germany). The challenge for the new government will be to shorten the process of connecting new chargers to the network and facilitate the construction of charging points on expressways by smaller operators.

THE BOTTOM LINE

In the development of transport and infrastructure, the new government will focus on, including, the development of public transport and improving the quality of passenger transport. The success of the new ruling coalition in this area, however, will largely depend on unblocking EU money - both for the implementation of the national recovery plan and the cohesion fund. Without these, many projects may be delayed, as the new government of KO, Polska 2050, PSL and Lewica will probably be cautious in spending budget funds due to tight public finances.



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Business and Transport Analyst

Housing

To reverse unfavourable demographic trends, increasing the supply of housing will be crucial. The fate of 2-per-cent loans and loan holidays needs to be decided.

Increasing housing supply. In the coalition agreement signed on November 10 by the leaders of KO, Polska 2050, PSL, and the Left, there was a declaration that the parties to the coalition would create conditions for a significant acceleration of the completion of new flats. The state is also expected to support local governments in renovating vacant buildings for housing purposes. KO promised in the campaign to free up for housing purposes the land of state-controlled companies (including those belonging to the Poczta Polska and PKP) and the National Real Estate Resource (KZRN) (expected to have been a land bank for the “Mieszkanie plus” programme), which has 835 hectares at its disposal. The Polish Association of Developer Companies (Polski Związek Firm Deweloperskich) demands the same. It also expects the completion of the reform enabling the transfer of former office and post-industrial land for housing purposes.

Maintain the 2-per-cent loan or introduce a 0-per-cent loan. If the new government decides to continue the current 2-per-cent loan program, the Sejm would have to pass legislation prepared by the PiS team to increase the program’s budget in 2024, as the pool of money for 2023-2024 will soon be exhausted. The coalition agreement does not address this issue, but in the election campaign, KO promised a 0-per-cent loan, and the PSL also favoured low-interest loans. However, there is not full agreement on the issue in the new coalition, with the Left arguing that subsidies raise housing prices and mainly benefit housing developers and banks.

Social housing development. The new coalition promises more flats for rent and social and council housing. The Left announced in the campaign the construction of 300,000 flats for cheap rent by 2029, but it failed in coalition talks to push through the provision on allocating 1 per cent of GDP to construction. The new government’s task will be to maintain the financing of social housing in the formula of Social Housing Associations/Social Housing Initiatives (TBS/ SIM) and to determine the amount of this financing in the following years, starting from 2024. More people are willing to participate in the programme than there is money.

Regulating REITs, the rental market, and student accommodation. REITs - or Real Estate Investment Trusts - would help increase the housing supply, among other things. Work on regulations enabling their creation in Poland has been ongoing for years, but these attempts failed during the PiS government due to resistance from parts of the ruling camp. Another challenge will be to civilise the private rental market (through better protection of the rights of landlords and tenants) and the development of a network of student resident halls in large cities (a dorm for one złoty was promised in Trzecia Droga’s campaign). According to the InStrat Foundation, currently, 450,000 students rent

a total of approximately 150,000 flats; their move to dormitories would free up some flats in the market, which would help lower rental prices. According to estimates, however, constructing 450,000 dormitory places would cost PLN 70-85 billion.

Increasing the energy efficiency of buildings. An important task of the new minister responsible for construction and housing will be to provide a system of assistance to citizens in the thermal modernisation of buildings (insulation, roof repairs) related to the Buildings Directive underway in the EU. This is all the more important given the entry into force of the EU ETS 2 emissions trading system from 2027, which will cover fuels burned directly in buildings (including coal and gas), ultimately forcing the replacement of heat sources in homes with emission-free ones. According to the Reform Institute, Poland’s most energy-intensive buildings include nearly 1.7 million, mainly single-family houses, and the cost of improving their energy efficiency could reach hundreds of billions of zlotys. The regulations on collective prosumers (for example, photovoltaics on the roofs of multi-family buildings) also require improvement, as the current legislation has not brought the expected results.

THE BOTTOM LINE

The new government, along with experts, local governments, and businesses, must solve the problem of decreasing housing availability, especially in large cities. Otherwise, the demographic crisis in Poland will deepen. However, the parties forming the new coalition have different ideas for the development of the housing sector and will have to find a compromise on this issue. The government of KO, Trzecia Droga, and Left will have to analyse PiS’s housing policy. In some areas, such as SIM/TBS funding, continuation can be expected with some amendments. Other ideas of the United Right, such as those concerning building houses without permission, need serious revision.



Sonia Sobczyk-Grygiel
Senior Business Analyst

The climate minister needs to update strategic documents, decide on the future of NABE, and speed up the development of renewable energy and energy storage facilities.

Setting the prices of electricity and gas. At the end of the year, regulations that freeze electricity and gas prices for households at 2022 levels will expire for all of 2023. If they are freed, consumers will face price increases of several tens of per cent. For this reason, the new parliamentary majority has proposed extending the regulation of rates until mid-2024. The same will apply to heat and gas prices, which will not change until then. Representatives of the Climate Ministry will pilot work on the bill in parliament and prepare implementing regulations for it.

Deciding the future of NABE. The PiS government failed to complete work on the bill that would establish the state treasury's guarantees for the National Energy Security Agency (NABE) liabilities. Its implementation is the condition for financial institutions to approve NABE's acquisition of coal assets controlled by energy companies. However, under the principle of discontinuity, the Sejm of the 10th term would have to start working on the regulations from scratch. The new government will also push to separate coal-fired power plants from energy companies, but it is unclear how or when NABE will be established because, according to KO, multiple organisations could be created rather than a single entity.

Updating Poland's strategic documents. Former Minister of Climate Anna Moskwa is left with unfinished work on updating "Poland's Energy Policy until 2040" (PEP; work on which was halted by a dispute within the PiS government) and the "National Plan for Energy and Climate for 2021-2030" (KPEiK). The ministry was supposed to send the latter to the European Commission by June 30, 2023, but failed. Other government strategies that must remain compatible with PEP may need to be modified to accommodate the new political and market conditions. They include the "Polish Nuclear Power Programme", the "Polish Hydrogen Strategy", and the "Strategy for the Heating Sector until 2030".

Preparing legal facilitations for renewable energy sources (RES). The Ministry of Climate will be in charge of preparing regulations liberalising the rules for the construction of onshore windmills, which, given the political brawl over a proposed draft regulation on the issue, will be particularly difficult. A minimum price for repurchasing electricity from prosumers and an interest-free loan for photovoltaic panels and energy storage are also to be introduced. The new minister might also attempt to change the Spatial Planning Act to make it easier to build photovoltaic farms. It will be a challenge to establish a financial, political, and legal framework that encourages investments in the modernisation and expansion of distribution networks, without which it will be impossible to achieve RES targets.

Supervising nuclear projects. The Ministry of Climate will need to look into several applications filed by investors who asked for a substantive decision indicating political support for the nuclear project. Another challenge will be to monitor their development, negotiate a financial model for constructing a nuclear power plant in Choczewo with the European Commission, and select the site of the second power plant that is part of the government programme. In the long term, improvements in the working conditions in scientific research and supervision, as well as control and inspection institutions overseen by The Ministry of Climate, will be needed. Inadequate pay and a lack of employees create a risk of improper supervision of nuclear investments and protracted approval processes.

Developing a concept for overhauling the heating industry. This is one of the most neglected areas of the economy; in 2022, its financial result was PLN -6.24 billion, which included the effects of inflation and Poland's dependence on coal (about 66 per cent of heat is coal-based). It will be critical to accelerate the transition in system heating and reduce the growing share of spending on heating in consumers' budgets (which includes preparing them to remove the cap on heat prices). It will also be important to provide funding for the modernisation of companies' assets, for instance, via the National Fund for Environmental Protection and Water Management, and improve the coordination of local plans for the development of the heating sector. The new minister must also step up efforts to improve buildings' energy efficiency and intensify the fight against smog.

THE BOTTOM LINE

The Minister of Climate will be tasked with creating a legal environment to lay the ground for accelerating the energy transition announced by the incoming government. A strong political position will be needed to push through ideas; during the PiS's time in power, many of Michał Kurtyka's and Anna Moskwa's proposals failed to be implemented due to lack of clout. At the same time, it is important to strengthen the Ministry of Climate's expert base and consider separating environmental matters from the ministry to focus on energy-related tasks.



Dominik Brodacki
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Environment

The top priorities will be to depoliticise forest management, accelerate the waste management reform and unblock water investments.

Depoliticisation of the State Forests. The institution's head since 2021 has been Suwerenna Polska's Józef Kubica, who is the deputy head of the PiS caucus in Śląsk's regional assembly. He ran for the Sejm in the last elections but failed to win a seat. PiS and Suwerenna Polska's appointees also hold other key positions in the State Forests - they are highly profitable (PLN 0.98 billion in 2022) and well-paid (the average salary exceeds PLN 10,000 gross). The challenge facing the new minister will be to depoliticise the institution which has a major impact on the Polish economy, including the furniture sector; changes in management staff will be made both at the central level and in the 17 regional directorates.

Creation of a new forestry policy. Changes in the State Forests should be the first step towards reforming the forest management model, currently focused on maximising profits from timber sales. In 2022, the institution spent PLN 33.2 million (0.4 per cent of its revenue) on nature protection, compared to PLN 2.7 billion on timber production. The area of protective forests (they protect the soil from being washed away or depleted) should increase, which requires reconciling the interests of foresters, the timber sector and environmental organisations. The most urgent measures (e.g. the establishment of reserves) can be implemented by ordinances, but in the longer term, it will be necessary to amend the laws on forests and nature protection (to enable the creation of new national parks) and to resume work on the national forestry strategy, which was put on hold in 2015.

Speeding up waste reform. The PiS government failed to adopt a law on extended producer responsibility. The new government's task will be to re-write the draft (the version debated so far was widely criticised), after working out a compromise between companies marketing packaged products, recyclers, local governments and pro-environmental organisations. The marketers also expect quick changes to the law on the deposit system, which is supposed to come into force in 2025. The new minister will also have to revise Poland's position on the PPWR (packaging and packaging waste) regulation under way in the EU, as the PiS government has - to the detriment of the environment - assumed the role of a stumbling block on this issue (it wanted to delay the introduction of the regulation and water it down).

Unblocking water investments. Meeting the requirements of the 2000 Water Framework Directive, which introduces, among other things, standards for water quality monitoring, remains an urgent challenge. It is estimated that compliance will cost as much as PLN 40-50 billion, but without this, Poland risks penalties and the risk of a disaster on a scale comparable to the poisoning of the Oder River in 2022. Raising water tariffs will be an extremely urgent task, albeit politically difficult in the face of local elections - freezing them for

several years has made it impossible for water companies to so much as upgrade the network, which is in a poor state in many places. It is also said in the industry that the abolition of the Polskie Wody, created in 2018, should be considered and its responsibilities and assets transferred to local authorities.

A choice between the protection of deposits and economic interests. An amendment to the Geological and Mining Law designed to increase the protection of raw material deposits has been in force since October 28. It is controversial that it grants the Minister of Climate the arbitrary right to prohibit without compensation the development of a plot of land (even a private one) if it considers the deposits underneath to be strategic. The challenge will be to reconcile the need to protect strategic deposits while respecting the rights of local authorities and meeting, for instance, infrastructural and housing policy needs. The minister responsible for the environment will also have to ensure that the mining of coal deposits closed as part of the transition can be resumed if necessary. The financial strengthening of the Geological Survey, which may in time face a shortage of staff and a skills gap, remains a strategic task.

THE BOTTOM LINE

The new government faces numerous environmental challenges. Dealing with them, however, will require a systemic change in the approach to the environment, including a move away from treating it mainly as a political and business asset to including environmental policy in the energy-climate transition process.



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Agriculture

An immediate task will be to address the ban on Ukrainian grain imports. Preparing agriculture for the green transition and competition from Ukraine is crucial.

A decision regarding grain from Ukraine. The immediate challenge for the new Minister of Agriculture will be to reach an agreement with Kyiv and Brussels regarding the Polish ban on importing Ukrainian grain. In the short term, the ban is expected to remain in place. However, over time, a compromise is anticipated. One element of this compromise should involve increasing the capacity of Polish infrastructure for grain transit, with support from the EU. The construction of new logistics infrastructure, including a grain port and new storage sites, was promised in the coalition agreement. According to the grain industry, such a port should potentially handle 2-3 million tonnes of grain annually. Proposals to solve the problem are being prepared by the Grain and Feed Chamber, which intends to present them to the new government.

Preparing agriculture for strategic challenges. The new Minister of Agriculture must serve as a staunch advocate for the agri-food sector. In the coalition agreement between KO, Polska 2050, PSL, and Lewica, there is a shared commitment to support Polish production. This includes initiatives such as marking Polish products with the country's flag, implementing a maximum 30-day payment deadline for supermarkets and purchasing companies, and establishing a stabilisation fund to mitigate losses caused by unfair intermediaries. However, a comprehensive strategy is essential to help the agri-food sector adapt to the European Green Deal and to outline preparations for competing with products from Ukraine once it becomes an EU member. The new strategy should encompass various elements, including support for commercial farms, the development of more sustainable agriculture practices, strengthening food processing capabilities, and promoting renewable energy in rural areas.

Solving the problems of the meat and fruit industry. Polish pig farming is currently facing a crisis, with the pig population at its lowest since the 1950s, primarily due to factors such as African swine fever (ASF). On the other hand, the Polish poultry industry stands as the leading exporter in the EU, but it is under threat from cheaper competition in Ukraine. The new minister faces the crucial task of providing comprehensive support for the meat sector. This is particularly important as the trend associated with the European Green Deal, aiming to improve animal welfare and reduce emissions, poses a significant challenge that could reduce meat production. Attention is also needed for apple and soft fruit producers grappling with market losses in Russia and Belarus and competition from Ukraine. For the agri-food industry, enhancing the activity of Polish economic diplomacy is paramount, as it can play a vital role in opening up new markets outside the EU.

Counteracting drought. The soil moisture deficit in Poland and other European countries is resulting in substantial agricultural losses. In 2023 alone, this deficit will prompt the Ministry of Agriculture to allocate

nearly PLN 1.5 billion to compensate farmers through the drought aid programme. Addressing the challenges of soil moisture depletion requires a more comprehensive approach. Financial transfers to agricultural producers should be supplemented with support for investments in irrigation infrastructure and water retention installations. Currently, there are only 40,000 tanks for collecting rainwater in rural areas. To increase this number, simplifying permit procedures is necessary. The initiation of subsidy programmes included in the country's recovery funding (KPO) holds promise for facilitating the construction of irrigation systems.

Reform of food inspection institutions. Poland currently operates one of the most fragmented food control systems in the EU, rendering it ineffective. This inefficiency was notably highlighted by the scandal involving importing Ukrainian technical grain, which was improperly used for bread production. During the election campaign, KO announced plans to streamline and combine inspections, a proposal introduced during the PO-PSL government in 2007-2015. On the other hand, PiS pledged to establish a National Food Safety Inspectorate by merging the Agricultural and Food Quality Inspection, the State Plant Health and Seed Inspection, and the Veterinary Inspection. Unfortunately, these plans did not materialise. The new Minister of Agriculture should revisit these ideas and work towards strengthening the institutions responsible for food control.

THE BOTTOM LINE

Poland boasts the highest level of food self-sufficiency in the EU, providing consumers with diverse and relatively inexpensive Polish agricultural products. However, the agricultural sector is grappling with several challenges, and addressing these issues will be a primary task for the new Minister of Agriculture. A successful policy in this domain allows the new government to enhance its popularity in rural areas. At the same time, navigating potential conflicts of interest within various groups comprising the ruling coalition will be crucial. PiS, which enjoys strong support from the rural electorate, could easily exploit mistakes in this regard.



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The priorities will include increasing labour supply, restoring dialogue with employers and unions, and improving the employment of foreigners.

Streamlining contributions. In the coalition agreement, PO, Polska 2050, PSL, and Lewica have promised to „move away from the oppressive tax and contribution system” and change the rules for calculating health insurance contributions, among other things. Businesses, including the Lewiatan Confederation, aim to revert to the rules in force before the introduction of the „Polish Deal.” However, implementing this requirement may be challenging, given its estimated cost of at least PLN 6 billion. Nevertheless, the new minister will likely have to simplify the settlement of health insurance contributions. The coalition partners also pledge to introduce the principle that an employee’s sick leave will be paid by ZUS from day one. Entrepreneurs who pay their contributions will be allowed to be temporarily exempt from social security payments, as promised by Trzecia Droga („ZUS holidays”).

Meeting recovery milestones. The national recovery plan (KPO) includes the reform of labour offices, aiming to ensure assistance for individuals not currently classified as unemployed, such as students, pensioners, and farmers. Achieving this goal involves legislative changes, increased spending on training for officials, and implementing new tools under the so-called active labour market policy. The KPO also outlines the government’s intention to raise the effective retirement age, as current incentives to work longer, such as PIT relief for individuals of retirement age, have not yielded significant results. Another milestone is the proposed extension of ZUS contributions to cover the total amount specified in mandate contracts, making them obligatory beyond the minimum wage and without other types of social insurance.

Increasing the professional activity of parents and guardians. According to the KPO, the government should strive to equalise the position of women in the labour market, addressing issues such as closing the wage gap and introducing tools that support young parents, particularly mothers, in returning to work. These demands form a common thread in the electoral programmes of the new coalition parties. To implement these initiatives, various work-related activities are required, including training, providing relief, subsidising employment or starting one’s company, offering greater flexibility in terms of time and place of work, and potentially introducing forms of employment protection. Equal emphasis should be placed on expanding and co-financing care services (the campaign’s “grandma’s benefit”).

Restoring dialogue with employers and trade unions. As the coalition agreement outlines, the coalition is committed to enhancing social dialogue. Additionally, the parties have pledged funding for the National Labour Inspectorate and salary increases for public service employees, addressing a key demand from the All-Poland Alliance of Trade Unions (OPZZ) and the Trade Unions Forum (FZZ). The incoming minister of labour will continue working on the draft amendment to the Act on the Social Dialogue Council (RDS), prepared by its members, which aims, among other things,

to amplify the role of the RDS in providing opinions on draft laws. Some employers’ representatives in the RDS, including Lewiatan, Employers of Poland (Pracodawcy RP), and the Union of Entrepreneurs and Employers (ZPP), advocate for tightening the conditions for participation in the RDS. It’s worth noting that the employers’ side is already highly fragmented, and another organisation, the Polish Economic Society (PTG), recently met the necessary criteria to become a new member.

Improving the process of employing foreign workers. The conflict in Ukraine has negatively affected the influx of highly sought-after workers from that country (skilled industrial workers). It has effectively closed the labour market to migrants from Russia. The recent visa scandal in the final months of the outgoing government led to a significant reduction in the number of visas issued to foreign job seekers. The new government must develop streamlined procedures for obtaining visas and permits. The current processes are perceived as complicated, time-consuming, and characterised by dispersed decision-making powers. Employers voice concerns about the prolonged and costly nature of bringing in foreign workers or extending the residence permits of those already employed. Additionally, state authorities currently lack effective control over migration.

Modernising the Labour code for the 21st century. During the first term of office of the PiS government (2015-2019), a codification committee attempted to revise the Labour Code. Still, the proposed draft failed to garner support from the social side and was never presented to the Sejm. At the same time, the Polish Labour Code requires an update to accommodate emerging work structures, such as platform work, which Brussels is currently working on regulating. Existing regulations and the taxation of labour have led to the circumvention of the Labour code through civil law contracts or B2B contracts. Revisiting the concept of a unified contract presents an opportunity for the new government to establish a fair and uniform legal and tax framework for all workers.

THE BOTTOM LINE

On the labour issue, the new coalition must be prepared to seek compromises - on the issue of contributions or labour law and the role of trade unions, parties have different views. Two long-term challenges: migration policy and in-depth labour code reform will require a broader social dialogue separate from day-to-day politics, so the chances for their implementation will not come until after the presidential election at the earliest.



Hanna Cichy
Head of
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Sonia Sobczyk-Grygiel
Senior Business
Analyst

The budgetary situation will make it difficult to increase health spending. Further digitisation, improving outpatient care and preparing for demographic changes will be necessary.

Increasing financing for health care. According to the OECD, health spending in Poland is 6.7 per cent of GDP (OECD average is 9.2 per cent of GDP), while public spending is 5 per cent (OECD average is 7 per cent). Almost all parties called in the campaign for increased public spending on health - Trzecia Droga proposed 7 per cent of GDP, and Lewica even 8 per cent of GDP. The latter party also wanted to move away from the N-2 methodology, which overstates outlays in an accounting manner. With a difficult budget for 2024 (a deficit of PLN 164.8 billion), which includes, among other things, defence spending and maintaining the existing social spending, convincing the Prime Minister and the Minister of Finance to leapfrog health spending will be a significant challenge.

Improving the quality of medical education. According to the report "Health at a Glance 2023: OECD Indicators", Poland had 3.4 doctors per 1,000 inhabitants in 2021 (the average in OECD countries is 3.7). Despite the increase in the number of doctors, their shortage is still the main problem of the healthcare system. The PiS government has increased the number of medical faculties from 12 to 39 and recruitment for medicine (from approximately 7,000 in 2016 to over 11,000 in 2023). However, the Supreme Medical Chamber (NIL) points out that the new universities lack adequate infrastructure and staff, and 11 of them received a negative opinion from the Polish Accreditation Committee. For example, the new government will have to deal with this by closing some departments. This will improve relations with the medical community but meet resistance from local lobbies for whom the new faculties mean prestige.

Introducing changes to the law on reproductive health. The new coalition quickly proposed a law stipulating that at least PLN 500 million a year would finance the in vitro procedure, which the Sejm approved with 268 votes in late November. However, the lack of a qualified majority of three-fifths of the votes necessary to overcome the presidential veto will prevent the liberalisation of the abortion law. A softening of the restrictive provisions could, however, be achieved, for example, by liberalising the Penal Code and decriminalising assistance in the termination of pregnancy (currently punishable by three years imprisonment) or by restoring the abortion compromise from before the Constitutional Tribunal judgment of 2020. However, this requires agreement with the president.

Improving access to medical services for patients. According to the Watch Health Care Foundation Barometer published in September, the waiting time for health services in Poland is 3.3 months, over a month longer than in 2012. The system is unprepared for demographic changes and the growing demand for services for the elderly (Poland has the lowest rate of people 65+ in long-term care among OECD countries - 0.9

per cent, with an OECD average of 10.8 per cent). It is also necessary to invert the so-called pyramid of services by strengthening outpatient care - more conditions should be treated more cheaply outside hospitals. The Ministry of Health should aim to strengthen primary health care and convert some hospitals into long-term care centres.

Further digitisation of medical services. The European Commission presented a draft regulation for the European Health Data Space (EHDS) in May 2022. This is a concept of national hubs linked into a single European ecosystem, allowing the use of medical data, for example, to facilitate cross-border healthcare provision, but also for scientific research and e-health development. The launch of the EHDS is planned for 2025, and full access to data for all EU citizens for 2030. The EHDS is expected to be joined by the eHealth Centre, an entity subordinate to the Ministry of Health, which computerises health care in Poland. To enable Poland to enter the system, it will be necessary, among other things, to create a law on medical data and adapt electronic medical records and Individual Patient Accounts to EHDS requirements.

THE BOTTOM LINE

The new government's priority should be a radical increase in health expenditure. This demand was included in the programme provisions of the coalition agreement, but the lack of details may indicate its declarative nature. It is hard to expect a dramatic improvement in health care in the next term of office and with a difficult budget. The first test may be the infection season combined with COVID-19 - if it proceeds mildly, it may strengthen the ministry's credibility.



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Social policy

The government should implement a new benefit for people with disabilities and make a decision on 14th pensions and seniority pensions. Expanding social services will be important.

Meeting the needs of people with disabilities. One of the first difficulties the new minister in charge of social policy will face will be the implementation of new legislation on support allowances. The new benefit, based on a different system for assessing the degree of dependency than before, was prepared by the PiS government after successive protests in the Sejm by families of people with disabilities (OzNs). The community takes a negative view of its details, including the thresholds for entitlement to support, and the assessment teams are not ready for the new mode of work - the likely scenario is therefore to postpone the changes coming into force. The new government should also tackle the development of care services (e.g. provide assistants for OzNs), and increase investment in the accessibility of public spaces.

Restoring social welfare functions. Under the PiS government, spending on social benefits increased considerably, but this was mainly due to universal transfers: 500 plus, 300 plus, family care capital, 13th and 14th pensions. Meanwhile, the indexation of social benefits that are available to the most disadvantaged takes place every three years, which in a high-inflation environment exacerbates poverty. Other benefits, such as the funeral allowance, have not been indexed for years and buy less and less. In turn, the low salaries of social workers are causing an exodus from these occupations, leaving those in need without professional support. There are approx. 22,000 social workers in Poland - each of whom should work with 50 families, but in reality the number is often much higher.

Improving access to the child support system. The new government will maintain the child allowances and will not reverse the decision to raise 500 plus to PLN 800 from January. However, no further indexation should be expected. The ministry in charge of social affairs should continue to expand the early childhood care system and could use this opportunity to remind people that the Maluch programme (later renamed Maluch plus) started under the PO-PSL government. It will be important to continue the policy of its predecessors on improving the collection of alimonies, but the amount of support from the Alimony Fund needs urgent adjustment - currently, people whose ex-partner does not pay alimony can apply for a benefit of up to PLN 500 if the per capita income does not exceed PLN 1209. Foster care is a neglected area - the number of children in children's homes is falling too slowly, while at the same time the number of foster families is declining.

Sorting out pensions. The new government will have a problem with the 13th and 14th pensions introduced by PiS because of their high cost (as much as PLN 20-30 billion a year) and lack of a guaranteed source of funding. Politically, it would be difficult to abolish them, although some politicians suggest replacing them with twice-yearly pension indexation, which is more appropriate in a period of high inflation. The

new minister will also have to make a decision with regard to seniority pensions (dependent on the length of service), which will be pushed by PiS and the trade unions. Widow's pensions (a higher benefit following the death of a spouse) and the reversal of the reductions in pensions for communist-era uniformed services members introduced by PiS also featured in the campaign of the Left.

Development of senior citizen policy. In the longer term, the ministry should address the development of a vision for senior citizen policy that addresses the material, medical, social, and care-related needs of people in advanced old age. With demographic changes, increasing life expectancy, and internal migration resulting in the concentration of younger people around larger cities and an increasing proportion of the older population in the countryside, this will be an increasingly important challenge. The policy should be developed in dialogue with the public, but also with experts and local authorities and in cooperation with the Ministry of Health.

THE BOTTOM LINE

Although the coalition partners differ in their proposals, for instance with regard to the indexation of 500 plus or certain pension solutions, these differences should not lead to significant political disagreements. More discussion can be expected in the area of seniority pensions. The new minister's priority should be the expansion of social services, but finances and the shortage of skilled workers will prove a barrier. It is important to work out new solutions not only in dialogue with the programme beneficiaries but also with their providers, including local authorities and social workers.



Hanna Cichy
Head of Business Desk

Priority will be given to reforming the state media and fulfilling promises regarding changes to cultural institutions and social security for artists.

Changes in state media. A major challenge facing the new Minister of Culture will include changes to state television and radio. One option the new majority considers involves putting the media companies into liquidation - the Minister of Culture could do this as a one-man general shareholders' meeting. This would allow the companies to be put into receivership and take control of media coverage away from PiS. After changing the company bodies, however, the new government will have to propose a broader reform of the state media, which has been advocated for years. Proposals include changing the legal form of media operations and how they are financed (abolishing the licence fee), not showing advertisements and reforming local editorial offices.

Depoliticisation of cultural institutions. The coalition agreement concluded between KO, Polska 2050, PSL and Lewica stipulates that culture is a key area of the state's functioning and that PiS governments have led to the politicisation of institutions involved in its evaluation and financing, which has often meant the introduction of hidden censorship. The new coalition has pledged to strive to depoliticise culture. The new Minister of Culture will be tasked with staffing the authorities of cultural institutions (over the past eight years, PiS has made staff changes at, among others, the National Museum in Warsaw, the Centre for Contemporary Art, the Museum of Art in Łódź and the Sztuka Theatre in Kraków). In making these decisions, however, it will have to ensure that appointments are kept free of politics and arbitrariness, which open and transparent competitions can help achieve.

Social security for artists. In the agreement, the coalition promises to push for the normalisation of the professional status of artists by providing them with social security, pension benefits and access to healthcare. During the election campaign, KO and the Left promised a law guaranteeing social and health insurance for artists (a draft law on the profession, drafted by the artistic community, is ready). The bill on professional artists, discussed by the previous Sejm, envisaged using money from the reprographic fee paid by importers and sellers of electronics to subsidise artists' insurance. However, PiS never finished work on this draft and failed to introduce changes to the fee (such as extending it to e-book readers and tablets).

Implementation of the DSM Directive. Implementing Poland's Digital Single Market Copyright Directive is 2.5 years behind schedule. The outgoing government prepared a relevant draft amendment to the Copyright Act but did not adopt it. Meanwhile, the implementation of the provisions is crucial for audiovisual creators on the one hand and for press publishing companies on the other. The former stand to receive royalties from streaming, and the latter - related rights to their publications, allowing them to negotiate remuneration from the digital platforms on which they are distributed. The draft amendment to the

copyright law, prepared by the previous parliament, also implements the technical directive Satcab II, which aims to facilitate the distribution in the EU of television and radio programmes from other EU countries.

Putting the NGO sector and units subordinate to the ministry in order. In 2017, the National Institute for Freedom - Centre for the Development of Civil Society (NIW-CRSO) was established despite protests by the NGO community and was given powers that included allocating grants to NGOs. Support was redirected to right-wing organisations and those associated with the government, which provoked protests from liberal organisations which accused PiS of centralisation. In the run-up to the elections, KO announced the liquidation of the NIW-CRSO and a number of other institutions. This fate could befall, among others, the Institute for Solidarity and Valour, which reports to the Minister of Culture, and the Institute for National Thought Heritage.

THE BOTTOM LINE

Changes to the state media - TVP, Polish Radio, and the Polish Press Agency - will be the Minister of Culture's most visible focus in the first weeks of the new coalition's rule. Central to this will be ensuring that they begin to fulfil their established role - objectively describing reality rather than presenting it in a way that serves the political interests of those in power. However, the Ministry of Culture's fundamental role is to care for culture and the arts, which have undergone significant changes under PiS. The sphere needs funding and regulation because, in these turbulent times, artists, like journalists in the state media, have a crucial role in reducing divisions in Polish society, among other things.



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Education

The top priority will be addressing the staffing shortage in schools. It will also be essential to secure the necessary funding for reforms and ensure the health and safety of students.

Addressing the staff shortages and settling the funding of schools.

According to the government, at the beginning of the 2023/2024 school year, Poland faced a shortage of around 6,800 teachers. However, the Polish Teachers' Union estimated the number of vacancies to be about 40,000 (according to the Central Statistical Office or GUS, in the 2022/2023 school year, Poland had 403,000 full-time teachers). Staff shortages are an acute problem in larger cities and their vicinity, where young families move (so the number of students increases), and teachers have attractive alternatives to working at school. Raising the teacher's salary or – as is expected by the teachers' unions - linking it to the average salary in the economy is necessary, but still insufficient, to stabilise the staff situation in schools. It is also required to develop a career path that is satisfactory for the teachers' community and to reduce the burden of bureaucratic responsibilities. Increasing education spending will be impossible without reforming the school funding system.

Creating an open, safe, and healthy school. The scale of mental health problems among children and adolescents is increasing, as evidenced by suicide statistics (in 2022, the police recorded over 2,000 suicide attempts among teenagers, an increase of 150 per cent compared to 2020). The mental health crisis resulted from, among others, remote education during the pandemic. However, the reasons are more complex and include students' overwork (homework, private extra tuition) and lack of sense of security. According to the Empowering Children Foundation, two-thirds of teenagers were exposed to peer violence. Apart from the presence of psychologists and pedagogues in schools, it is also necessary to prepare teachers to work with students who face various challenges, as well as to employ an appropriate number of support teachers for students with special educational needs or, for instance, experience in working with migrant children.

Modernising teaching methods and curriculums. Schools in Poland place too much emphasis on acquiring knowledge and insufficient focus on teaching essential competencies, such as the ability to think critically, analyse, and verify information or teamwork. Consequently, students may be ill-prepared for future roles, whether in the workforce, as responsible citizens, or as informed consumers. Shifting the educational approach from a knowledge-centred model to one centred on skills would represent a significant revolution in the education system. To initiate this transformation successfully, it is imperative to precede it with a public debate that involves experts, teachers, students, and parents. Additionally, adequate preparation of staff, development of procedures, and provision of necessary teaching resources are crucial steps.

Introducing climate topics into schools. When revising the curriculum, the new Minister of Education will need to ensure the development of knowledge about climate change, as it is a trend that will significantly impact the lives of young people in the coming years. Understanding the magnitude of these challenges will enable students to cultivate better civic and consumer attitudes, ultimately reducing resistance to certain currently unpopular climate transformation policies. It is also vital to prioritise education in professions essential for climate transformation, including specialists in new energy sources.

Development of vocational training. According to GUS, only 12 per cent of young people are enrolled in vocational schools. These schools were established as part of the educational system reform undertaken by the PiS government, building upon the foundation of trade schools. However, several critical issues continue to persist in these institutions. These include challenges recruiting vocational teachers, the high costs of maintaining practical workshop classes, and a lack of effective cooperation with employers. The limited prestige of vocational education further diminishes interest in these schools and contributes to an adverse selection process. Interestingly, the Ministry of Education has published a list of professions facing a shortage, and it encompasses nearly all the professions that necessitate secondary vocational or technical education.

THE BOTTOM LINE

The parties that comprise the new coalition have common goals for increasing teachers' salaries and changing the ideological course introduced by previous Ministers of Education. However, some of the proposals appear populist, such as abolishing homework. There is a notable scarcity of concrete ideas for systemic solutions. Developing these solutions will require an open dialogue with the school community to rebuild trust, which was eroded under the authoritarian style pursued by former Minister of Education and Science Przemysław Czarnek and the school boards under his term of office. A necessary condition for the success of any changes will be to ensure stable and adequate funding for education.



Hanna Cichy
Head of Business Desk

Implementing the promised pay rise in higher education, increasing funding for research, and improving science-business collaboration will be of crucial importance.

Improving working conditions for researchers and academics.

KO upholds the promise made by the former Minister of Education and Science Przemysław Czarnek regarding the 30 per cent pay rise for academics from the beginning of 2024. The minimum basic salary for a person with a professor's title at a public university in 2023 was PLN 7,210 gross (plus benefits). The wages of other academic staff depend on this amount; for example, the salary of an assistant professor should not be lower than 73 per cent of this amount. However, the stipend for doctoral students is only approximately PLN 2,600 – 4,100. For comparison, the average salary in the national economy in Q3 2023 amounted to PLN 7,195 gross. Low salaries discourage from seeking scientific careers.

Increasing investment in research. The critical challenge for the new minister of science will be to increase funding for projects financed by the National Science Centre (NCN), the leading institution awarding research grants to Polish scientists. More funding is needed for statutory research at universities, including basic research, whose only source of funding is from public institutions. The problem with the availability of funds is evidenced by the results of the most recent OPUS competition, in which approximately 8 per cent of submitted projects received funding - for comparison, the success rate in foreign competitions reaches around 25-30 per cent. It is also important for the scientific community to increase the transparency of grant-awarding - this would help rebuild confidence in Polish grant-giving institutions following, among others, the scandal at the National Centre for Research and Development (NCBiR) (an institution subordinate to the Ministry of Development Funds and Regional Policy awarded suspicious multi-million subsidies).

Revision of the list of ranked journals. Research staff complain about frequent and arbitrary changes in the scoring of scientific journals. Under Czarnek, the scoring changed to promote the circles close to him. Two hundred points, the highest possible number in the scoring system, are awarded to scientists whose papers appear in, for example, the renowned Nature or Science and those published in Pedagogika Katolicka. Such a structuring of the list of journals may discourage the effort of submitting articles to recognised journals that subject texts to demanding reviews. The predictability and consistency in the scoring system are essential for planning subsequent publications and academic careers.

Improving collaboration between science and business. Poland ranked 24th out of 27 EU countries in the 2023 European Innovation Ranking. To strengthen innovation, closer collaboration between the scientific community and business is needed, as well as an increase in the scale of pilot projects that help identify and eliminate difficulties

in implementing innovations into the economy. In addition, there is a need to consolidate research and development projects in the “Łukasiewicz” Research Network established in 2019. The network makes it easier for businesses to contact scientists in specific fields. Better collaboration between science and business would make it easier to win part of the EUR 95 billion that the European Commission has earmarked for the 2021-2027 research and innovation funding programme (Horizon Europe).

Opening a discussion on a new vision of the science system. The Polish system of science and higher education is constantly changing, the purpose of which is not always clear to the scientific community. The changes introduced by Jarosław Gowin, implemented between 2015 and 2020, emphasised the elitism of universities. On the other hand, former minister Czarnek's proposals aimed at the development of small academic centres, which, for example, in the case of opening medical faculties without adequate personnel and technical facilities, results in a decrease in the quality of education. The new minister will try to reconcile the quality of education and research with the accessibility of studies for people of different material levels (this may be helped, among other things, by plans to expand student halls of residence or reform the scholarship system); he will also have to prepare universities for the decline in the number of students resulting from demographics.

THE BOTTOM LINE

Separating the Ministry of Science from the Ministry of Education is the first step towards implementing the scientific community's demands. The success of the new science minister in improving the quality of both didactics and research will depend on the ability to secure long-term funding for science (which will be difficult with the difficult fiscal situation and ambitious plans of other ministries), as well as on rebuilding a genuine dialogue with the academic community, which has felt disregarded in recent years.



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Sports and tourism

The challenges will include encouraging tourists to relax in Poland, regulating the short-term rental market, and encouraging Poles to be more physically active.

Promoting Poland as a holiday destination. According to the Central Statistical Office (GUS), 6.4 million people from abroad came to Poland for leisure purposes in 2022. However, in 2019 (before the pandemic and the Russian invasion of Ukraine), it was 10.1 million people. Simultaneously, the popularity of holidays abroad is growing - according to a report by the Association of Polish Banks, the percentage of Poles planning foreign trips rose to 22 per cent this year from 18 per cent a year earlier (the survey also took into account the opinions of the undecided and those not planning a holiday). Holidays in the country were discouraged by high inflation, which meant that a holiday in Poland could cost as much as a trip to a foreign resort. The Ministry of Sports and Tourism will be tasked with improving the quality of tourism services in Poland and supporting entities affected by the pandemic and rising energy prices.

Regulating the short-term rental market. The Ministry of Sport and Tourism started work on a law that would change the rules for providing flats for tourist accommodation in the previous term - the new legislation has not been adopted. Premises for short-term rental do not have to meet such strict requirements as hotels; the new law could introduce, for example, licences for landlords in services such as Airbnb and the registration of such facilities. The changes are significant for hoteliers and residents of tourist cities (such as Kraków or Gdańsk) - short-term rental agencies often buy out flats in the most attractive locations and limit the supply of premises in the market. An EU regulation, which will oblige EU countries to regulate this market, will probably be adopted around the end of the year.

Promoting sport among children and young people. Data from the 2022 "Report on the State of Physical Activity of Children and Young People in Poland" of the Global Matrix 4.0 project indicate that less than 20 per cent of children aged five to 17 meet the recommended standard of 60 minutes of moderate or intense physical activity daily. Improving this indicator requires inter-ministerial cooperation, as the promotion of physical activity is dealt with separately by the Ministry of Sport and Tourism and the Ministry of Education, but no inter-ministerial strategy is developed. Dissemination of sport is unlikely to be helped by the "Sporting Talents" programme introduced as a pilot during the PiS government, which, instead of promoting sport among the less athletically committed, helps professional teams find children with the greatest potential.

Promoting sport among adults. According to the 2022 Eurobarometer, 65 per cent of Poles do not exercise or do sports (compared to the EU average of 45 per cent), and only 2 per cent of the population exercises regularly (three times less than the EU average). Poles practice sports increasingly less frequently - in 2017, 56 per cent

declared that they never practice sports and 5 per cent that they do so regularly. Those who exercise are less likely than other Europeans to do so in gyms and clubs and more likely to do so at home. This may indicate that the promotion of amateur sports and support for the development of infrastructure, such as swimming pools, halls, or gyms, would help to popularise sport.

Improving the infrastructure for professional athletes. One of the challenges of the new minister includes providing financial support to local governments and sports institutions in the implementation of investments in new training centres for professional athletes. For example, an Olympic Preparation Centre for bobsleigh athletes is being prepared in Lower Silesia and a year-round track for lugers in Karpacz. The previous government applied to host the Olympic Games in 2036 - a decision in this regard has not yet been made. But, the new government will probably abandon its efforts to organise the event due to, among other things, too high costs of preparing the infrastructure. However, the organisation of the Olympic Games will be within the president's interest, who spoke about it during the inaugural session of the new term of the Sejm.

THE BOTTOM LINE

The tasks facing the new Minister of Sports and Tourism will not be the most important for the new government. In the face of a limited budget, the implementation of ambitious plans (which often do not bring immediate political gains) must be postponed. It seems even more important to select the priorities the state should address first. It will be necessary, for example, to promote exercise among amateurs, as sport improves the quality of life and health of citizens, reducing expenditure on health care. Thoughtful investment in the tourism sector will also be important (also given climate change), which will allow for faster development of the Polish economy.



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