

## Poland

<b>Status Index</b> (Democracy: 5.0 / Market Economy: 4.4)		<b>9.4</b>	<b>Management Index</b>		<b>6.6</b>
<b>System of government</b>	Parliamentary and presidential Democracy		<b>Population</b>		38.7 Mio.
<b>Voter turnout</b>	46.3 %		<b>GDP p. c. (\$, PPP)</b>		9,450
<b>Women in Parliament <sup>a</sup></b>	20.2 %		<b>Unemployment rate</b>		18.2 %
<b>Population growth <sup>b</sup></b>	0.5 %		<b>HDI</b>		0.841
<b>Largest ethnic minority</b>	1.42 %		<b>UN-Education Index</b>		0.95
			<b>Gini-Index</b>		34.5 (2000)
<small>Figures for 2001 – if not indicated otherwise. <sup>a</sup> in the House of Representatives <sup>b</sup> Annual growth between 1975 and 2001. Source f.ex.: UNDP: Human Development Report 2003.</small>					

### 1. Introduction

The democratic and market-economy transformation in Poland was very successful despite some erratic developments. Central and Eastern Europe's first non-socialist government was formed in 1989; however, just like its successors, it was not able to remain in office long. The first prime minister to govern for full term was Jerzy Buzek, from 1997 to 2001. This report will evaluate the activity of Leszek Miller's government which has been in office since September 2001. The party spectrum has experienced conflict following an initial trend toward stability. Other political performance criteria, on the other hand, such as the establishment of a state based on the rule of law and the enforcement of civil rights, show continuous progress.

The verdict on the economic criteria is similar. Targeted shock therapy made Poland the first country in the region to have an increasing GDP, starting in 1992, and gave it the highest growth rates in subsequent years. However, there are still some shortcomings in privatizing the large steel concerns and mining operations, and in restructuring the agricultural industry. The growth in unemployment in the late 1990s and the country's domestic debt are additional problem areas. This report, therefore, comes to a mixed conclusion regarding the absolute achievement of goals. The government is making an effort to compensate for the stagnation and regression in some areas. This effort can be considered a partial managerial success given the starting conditions in 2000–2001. In general, however, these efforts are not yet comprehensive or effective enough.

## **2. History and characteristics of transformation**

The history of the democratic and market-economy transformation in Poland after 1989 begins with the dynamism triggered by the founding of the Solidarity trade union. The activities of the Solidarity movement and political resistance were disrupted by the imposition of martial law on December 13, 1981, but they could not be stopped. When the economic situation worsened in the late 1980s, the party leadership recognized that fundamental changes were necessary, which they could carry out only with the help of the opposition.

With the Catholic Church as a mediator, the Polish United Workers' Party (PZPR) and Solidarity held roundtable talks from February to April 1989. As a result, economic reforms, substantial revisions to the Constitution, and partially free elections were agreed upon, and Solidarity was once again legalized. With the votes from parties that had previously functioned as puppets, the PZPR was removed from its position at the head of the government after the elections, thus creating a real transition to democracy. The new government under Tadeusz Mazowiecki introduced comprehensive political reforms and restructured the economy through shock therapy, with reforms named after the then-Finance Minister Leszek Balcerowicz. These measures made it possible to reduce the high external debt, the budget deficit and inflation, and also to stimulate the economy.

While political actors were initially in general agreement about the stability-oriented course of economic policies, serious disagreements over political reforms were manifested in the protracted process of writing the Constitution. The parties could agree on neither the authority of political institutions nor the relationship between church and state. In 1992, a preliminary 'Small Constitution' was adopted. It included contradictory regulations, however, that complicated the government's actions when it attempted to put them into practice. In 1997 it was replaced by a new Constitution, legitimized by a referendum, that clearly defined the roles of the president, government and Parliament (*Sejm*), further anchoring political pluralism. In 1998, Poland began negotiations to join the European Union. The country's attempts to establish a democratic state based on the rule of law and a functioning market economy were rated positively by the Copenhagen EU summit in December 2002, and thus the country joined the Union on 1 May 2004.

### **3. Examination of criteria for democracy and a market economy**

#### **3.1 Democracy**

Poland has made additional progress in transforming the political order, with the only deficiency being the judiciary branch's lethargic activity. Democratic stability is also guaranteed, although it is limited by the populace's lack of faith in individual political institutions and by the volatility of the political parties.

##### **3.1.1 Political regime**

(1) *Stateness*: There is no interference with the state's monopoly on the use of force in Poland. The status of ethnic minorities as citizens of the country is regulated. The Constitution stipulates that church and state be separated. Purely religious marriage ceremonies, however, are also acknowledged, and the Catholic Church's clergy still have—not undisputed—societal and political influence. The administration is functional, within limits that are a consequence of both the sluggishness of hiring qualified civil servants and insufficient financing of regional governments. Public safety and order is guaranteed.

(2) *Political participation*: There are no constraints on free elections. The government and the president have executive power, in accordance with their authority. Political and societal factions enjoy freedom of assembly and association. Freedoms of speech and the press are guaranteed; however, there have been some attempts by political parties to exert influence on public broadcasting services. A bill put forth by the government to limit private media companies' freedom of investment was considered a violation of democratic freedom of the media. Under pressure from the opposition, the government was forced to make changes to the bill. Parliament's investigative committee for the so-called Rywin corruption affair in early 2003 made it clear, with all its shortcomings, that there is serious competition for political influence on public broadcasting services.

(3) *Rule of law*: There are no longer any weaknesses in the separation of powers between the executive and legislative branches. The judicial branch functions as an independent monitoring authority that is professionally differentiated and free of unconstitutional meddling by other government agencies. Holders of political office who abuse their positions can be indicted by a government tribunal. In practice, however, legal or procedural loopholes are used, despite the appropriate legislation. Civil rights are not limited in any way, and human-rights abuses carried out under the Communist regime are being prosecuted. Thus, for example, former president

Wojciech Jaruzelski was put on trial in fall 2001 for his role as Defense Minister in the bloody suppression of the Gdansk uprising of 1970. In summer 2000, the National Remembrance Institute (IPN) was created. Its 10 outposts throughout the country ensure access to the personnel files of the former security forces, initiate criminal proceedings and operate an extensive education department.

### **3.1.2 Democratic stability**

(1) *Institutional stability*: Democratic institutions generally function effectively and efficiently. Obstacles arise both from governments with very small or shifting majorities and those with clear majority. Civil trials, however, take too long to reach their conclusion. Political decisions are made by the appropriate institutions and are largely accepted by the participating actors. Nevertheless, there are parliamentary parties that operate in fundamental opposition to the government's reform-oriented course.

(2) *Political and social integration*: The party system remains unstable, and voter volatility is high. In addition, parties are strongly split along lines formed over policies toward integration with the West and modernization. Only the two post-socialist parties show clear organizational stability and societal anchoring. Also, the relationship between the two major trade unions is polarized, with many small industrial and individual unions aligned alongside each, explaining the fragmented political spectrum. There is only one larger association for employers, and it is not very representative. The government's 1994 institutionalization of a tripartite mechanism to promote concerted action met with only limited success. Other interest groups and associations are manifold and relatively well organized, and they, too, mirror and balance societal conflicts. Also there is a network of autonomous associations and organizations that have encouraged the buildup of social capital. These civil groups are not evenly distributed across the country, and their expansion is hindered by bottlenecks in financial and human resources. The agreement on democracy, as such, is very high, but it goes hand in hand with an intense estrangement from the political elite and central institutions, such as Parliament and political parties.

## **3.2 Market economy**

Progress can be seen in this area as well. There is still a problem with privatizing large state-owned enterprises. Increasing unemployment, a high national debt and low levels of growth are some new shortcomings.

### **3.2.1 Level of socioeconomic development**

The central indicators, GDI and the Gini index, show a relatively high level of development and comparatively low income disparity. Social exclusion is moderate in both quantity and quality, but is structurally reinforced to a certain degree. The poverty rate is 18.4 %, with pensioners, young unemployed people and single mothers particularly affected. In addition, there are some considerable imbalances between poorer rural regions, particularly in the southwest of the country, and the wealthier urban centers in the northwest. Approximately one-fourth to one-third of the populace considers itself to have experienced some loss as a result of the reforms.

### **3.2.2 Market structures and competition**

The fundamentals of free-market competition have been laid out, and all market participants theoretically have the same opportunities. The legal foundation of the competition law still has some deficits, so that not all players actually have the same rights. Anti-cartel legislation and an office for competition and consumer protection have been in existence since 1990, but the formation of monopolies is not regulated strongly enough in some cases or is perpetuated through government intervention. Foreign trade has been liberalized to a large degree, and standards are the same as those of developed industrial countries. Poland has been a member the WTO since July 1995. However, import duties were increased substantially for agricultural products in late 1999, and the energy sector is protected from imports. The banking system and capital markets are well-differentiated, internationally competitive and based on international standards. Poland's performance in this area has left some room for improvement. Unsuccessful attempts were made in the summer of 2001 to improve banking laws on the banking supervision agency's jurisdiction in regulating the sales of banks and the activities of foreign banks. Changes were made in other banking regulations to harmonize them with EU law.

### **3.2.3 Stability of currency and prices**

Inflation controls and exchange-rate policy, with a floating exchange rate, are being brought in line with other economic goals. The central bank is independent. The election of the former Finance Minister, Leszek Balcerowicz, to the position of president of the central bank in December 2000 had a positive effect, further reducing inflation. The central bank reacted to falling inflation by incrementally relaxing its high-interest policy, which had been kept restrictive for years. In 2002, the Miller government demanded further reductions in interest rates to stimulate the economy, provoking a disagreement with the central bank. The central bank opposed lowering interest rates because the stability policy, which had been very successful under the previous government of Jerzy Buzek, began to falter in 2001 due to a lack of budgetary discipline. The budget deficit and declining revenues also led to an increase in the national debt, which had previously been relatively low. The conflict over interest rates weakened the government's credibility in maintaining a stability-oriented policy to fight the budget deficit.

### **3.2.4 Private property**

Property rights and the acquisition of property are well defined and guaranteed in the Constitution. Private enterprises, which are primarily small and medium-sized, form the backbone of the economy, accounting for 75 % of GDP. Three-fourths of the 500 largest companies in the country are privately owned. Key sectors such as the steel industry and coal mining, however, continue to be dominated by large state-run enterprises.

### **3.2.5 Welfare regime**

Social networks are well developed to a certain degree, but they do not cover all social strata. Welfare institutions are overburdened and under-financed. The risk of living in poverty remains high, particularly for pensioners and the unemployed. Social insurance reform that took effect in January 1999 brought considerable changes to the previous system. The pension insurance fund now includes an individual contribution, which is intended to supplement and stabilize the state's basic insurance over the long term. Problems implementing health insurance reform led to a decline in the quality of health care.

Equal opportunity and access to public services exist in principle. However, women earn 20 % less than men, on average. Violence against women continues to be a

major societal problem. Targeted initiatives of women's organizations helped increase the percentage of female members of Parliament by 20 % in the 2001 elections. Since 2001 there has been a government plenipotentiary for equal opportunity of men and women, along with an ombudsman for children. Special mechanisms promoting the interests of the handicapped do not exist. Youth unemployment is very high, and rural average income is half the urban average.

### **3.2.6 Strength of the economy**

GDP growth was low, at 1.1 % in 2001 and an estimated 1.0 % to 1.5 % in 2002. This was due to falling private consumption and export rates that are increasing only slightly. In addition, unemployment increased from 10 % in 1998 to about 17 % in 2001. This has been accompanied by a rising budget deficit, though prices have remained relatively stable. The balance of trade has been distinctly negative for several years, even though the share of exports has been growing steadily. This can be traced back to diminishing direct investments and the wildly fluctuating course of the zloty, which was sometimes overvalued in 2001. Foreign direct investments remain considerable, however.

### **3.2.7 Sustainability**

Environmentally sustainable growth is subordinated to the pursuit of growth in general. In any case, sustainability is institutionally anchored, particularly since the corresponding legislation had to be adopted as part of the negotiations to join the EU. There have been some deficits in the actual implementation of the legislation, however. Education has become a key issue. State institutions for training and education, and also for research and development, are relatively highly developed, but they receive only average investment despite the education reform of 1999. Private universities, which often have high tuition rates, are currently experiencing a light downturn in enrollment after the boom of the 1990s. The number of students in private universities quintupled between 1990 and 2002. There is wide disparity between a small group that is upwardly mobile and an extremely large proportion of the population that has only a minimal education, especially in rural areas.

#### 4. Trend

(1) *Democracy*: Since the system change in 1989 and the changes to the Constitution that came along with it, the political regime has fulfilled the criteria for a rule-of-law democracy. Individual performance indicators have improved markedly since then, especially in the last five years. Even before the period, the criteria for state monopoly on the use of force, qualification as a citizen and the functionality of fundamental state structures were guaranteed. The relationship between church and state was a hotly debated topic for political and societal actors until the ratification of an agreement in 1998, which finally put the topic to rest. Elections have always been carried out properly.

In terms of the government's power to govern, the previously contentious relationships among the president, the government and the Parliament have been cleared up since the ratification of the new Constitution in 1997. Each institution's jurisdiction was mapped out more explicitly. The legal foundation for the formation and assembly of political and civic groups was in place over the entire time period, along with freedoms of the press and speech. The rule of law was further stabilized at a rather high level. The Constitutional Court gained legitimacy through its work. The degree of consolidation of democracy has remained the same overall. Progress can be seen in the cooperation of political institutions, their acceptance by relevant political actors and in the adoption of the new Constitution. The number and level of activity of interest groups can be seen as a progressive development, so that the social capital has increased.

Acceptance of democracy as the form of state has increased in the last five years; however, the populace tends to regard democratic performance critically. Negative development can be seen in the consolidation of the party system, which has undergone even more serious changes since the last parliamentary elections in September 2001. The political spectrum failed to develop into a two-party system in 1997, as many had expected. In particular, the center-right camp disintegrated. Some new political groups were founded, including some that are very critical of modernization and the focus on integration with the West. These groups represent more national-clerical or collectivist ideas and have gained considerable support. Even the Democratic Left Alliance (SLD), which in 2001 accrued up to 41 % of the vote, now shows signs of erosion.

(2) *Market economy*: Fundamental development indicators show a slight upward trend in the socioeconomic development status for the period. The shortcomings described earlier in this report are still in existence. Income gaps are developing

moderately despite a slight increase in the Gini index. There was a massive increase in the number of female representatives in Parliament.

**Table 2: Development of socioeconomic indicators of modernization**

	HDI	GDI	GDP Index	Gini Index	UN Education Index	Political representation of women <sup>a</sup>	GDP per capita (\$, PPP)
1998	0.814	0.811	0.72	31.6	0.92	12.7 %	7,619
2000	0.833	0.831	0.75	34.5	0.94	20.2 %	9,051

<sup>a</sup> Percentage of women delegates in Parliament (Sejm) after the 1997 and 2001 elections. Sources: UNDP, Human Development Report 2000, 2002, UNICEF, Social Monitor 2002.

The institutional framework for economic action has not changed significantly. Economic performance, on the other hand, has lost its momentum in comparison to the time directly before the period, as shown by macroeconomic data. Growth fell from 4.8 % in 1998 to 1.0 % in 2002. The budget deficit grew markedly and can be accounted for by purely economic factors and political missteps, specifically massive subsidies for obsolete industrial sectors and financial scandals relating to the national social insurance funds. Increasing unemployment figures were an additional burden to the national budget. In addition, the failure of Stettin Shipyard in 2002 represented the most serious case of corporate bankruptcy in recent years, threatening approximately 20,000 jobs.

**Table 3: Development of macroeconomic fundamentals (1998–2002)**

	1998	1999	2000	2001	2002 (P)
Growth of GDP in %	4.8	4.1	4.0	1.0	1.0
Export growth in %	11.0	1.0	17.5	8.0	n.a.
Import growth in %	14.0	6.0	12.0	7.0	n.a.
Inflation in % (CPI)	11.8	7.3	10.1	5.5	2.1
Unemployment in %	10.4	13.0	15.1	18.2	18.1*
Budget deficit in % of GDP	-2.4	-2.0	-2.2	-4.6	-2.7
Current account balance in million \$	-6,858	-11,569	-9,973	-8,621	-7,750

Sources: FAZ Mittel- und Osteuropa Perspektiven Jahrbuch 2001/2002, EBRD Transition Report 2002, P = projected; \*December 2002.

## 5. Transformation management

### 5.1 Level of difficulty

The Miller administration was faced with both good and bad conditions for continuing with the transformation when it took office in fall 2001. The rather high level of societal development, the high education level of the populace, a lack of ethnic conflicts and the existing rule of law and institutional stability make the level of difficulty of the transformation appear to be low. Efficiency of administration has room for improvement. Other hurdles that must be overcome include the populace's low inclination to participate in public life, measured by low voter turnout and the relatively low commitment to intermediary organizations, parties and NGOs. Strong civic traditions stemming from the opposition to Communism have weakened following a high point during the political transition, but in recent years these traditions have been revived by increasing NGO commitment to the public sphere. Complicating further democratic and economic transformation are high unemployment, low GDP growth and a rising budget deficit. In addition, changes in health-care, pension, administration and education policies in early 1999 reformed key sectors of the Polish political system and prepared the country for entrance into the EU, but these initiatives were not elaborated well enough and were carried out inadequately. They, therefore, found little support from the populace, and some improvements will be needed.

## **5.2 Reliable pursuit of goals**

The government has identified the middle- and long-term goals necessary to make progress in the country's transformation and development process. Among these are reorganizing public finances, accelerating economic growth and fighting unemployment. Another task involved pushing forward talks on entering the EU, which had stagnated due to Polish rigidity in negotiations in 2001. The Miller government has turned the announced reforms into concrete measures only to a certain extent, and elements of reform were not always coordinated with each other.

Societal and political actors' confidence in the future is limited because the current head of government declared his intentions during the election campaign to change or completely reverse some of the reforms, particularly in the fields of health care and education. International actors continue, however, to rate the country positively. In the run-up to the 2002 local elections and in light of the losses the government parties suffered, some changes of policy in the government's consolidation course have already manifested themselves. However, there have been no complete reversals that would threaten the legal or economic framework conditions or the lives of citizens.

## **5.3 Effective use of resources**

The government makes efficient use of the available human, financial and organizational resources only to a certain extent. The use of state administrative personnel and organizations, in particular, has room for improvement. The reorganization of the state administration in March 2002 tightened the administrative structure and allows better financial monitoring. The Miller administration has yet to downsize the ministries, as promised prior to the last elections, but it did implement the reform of government centers begun by the Cimoszewicz government in 1996. The party leaders of both coalition partners were appointed vice-premier in order to make the cabinet the political center of the government, which was something that had eluded the previous government.

There will be certain restrictions on the use of budgetary funds given the deficit left by the previous government, but an effort to improve efficiency is in sight. The finance minister's nomination as the third vice-premier should strengthen his position of power in reducing the budget deficit. To use the budget more purposefully, the government is implementing some structural measures along with a policy of belt-tightening. The legislative period was shortened by half a year so that the successor

government had sufficient time to adopt its own budget draft instead of having to use the previous government's, as was the case in the past.

So far, reform goals have been implemented only partially. Some of the government's successes include the agreement with the EU that allows Poland to join in 2004, as well as the liberalization of employment law, which should make it easier to reduce unemployment. Since the finance minister was forced to resign before the local elections because of differences in opinion over belt-tightening, there are doubts about the government's desire to reorganize the national budget. Furthermore, the government has yet to take action on privatizing key economic sectors, such as the steel, power and arms industries.

The retraction of some education and health-care reforms continues to be a problem. The flaws in the reforms were not eliminated. Rather, short-term fixes were introduced in an attempt to assuage public displeasure. Thus the independence of regional health-insurance companies was eliminated, transferring a majority of decision-making powers on financial questions back to the Ministry of Health and creating chaos in the health-care system. In light of these and other retractions of the previous government's reforms, the quality of public services and assets for further transformation are rated as less than optimal, especially in the area of human resources.

The legal basis for avoiding and fighting corruption was broadened under the previous government after Polish NGOs and international organizations criticized the spread of corruption. These legislative measures and numerous public activities of various groups have raised awareness of the problem and contributed to its reduction. In any case, the Miller administration is not particularly committed to pursuing charges of corruption made against its own ranks or in other areas of the economy and society. The political elite uses the country's cultural heritage largely constructively to legitimize reforms. However, anti-reform parties are attempting to use other, authoritarian elements of the political culture and the historical heritage for their own purposes. Therefore, the danger exists that further reforms could fail due to culturally-rooted societal rifts.

#### **5.4 Governance capability**

Although the majority of leading political actors react to disappointments and political failures by formulating changes in strategy, reasons of political power often stand in the way of their implementation. Thus, hitherto the cabinet reshuffles have been based less on increasing the government's effectiveness and more on replacing ministers who were no longer politically tenable and/or securing the prime minister's position of power. The Miller government gambled away its initial and considerable store of popular trust and no longer has a majority in Parliament since its break with the Peasant Party. Early new elections are to take place no later than the day of the European Parliament elections in 2004.

Radical parties in Parliament could threaten the existence of the government, particularly because of their critical stance on EU integration. Coalitions of reform-oriented and anti-reform parties in the local elections of 2002 seem to be a less-than-successful strategy to contain this type of threat. The national economic policy takes distributive effects into account, but is undertaking only some partial efforts to improve the markets' distributive efficiency. The government is attempting to strengthen the efficiency of the labor market. The mood on the capital markets was dampened by the clash with the central bank. The reformers recognize and sometimes make use of their scope for action, but they do not always select the tools and strategies needed to accomplish the reforms. In addition, the ideas of the finance minister and the economic minister are not always compatible.

#### **5.5 Consensus-building**

The most important political actors agree on building a market-based democracy. Some parties and some of the unions and agricultural associations, however, are trying to slow down privatization, and some reforms that were necessary to join the EU were bitterly debated. Past attempts to reach a consensus on reform through pacts or tripartite agreements were not fruitful in the long term. Because the unions have close relationships with the most important political groups, tripartite negotiation mechanisms did not have any central meaning for the formulation of policies, even though they have had a place in the Constitution since 1997.

The previous government coalition also turned out to be a problem, in that opponents of reform, or at least members who supported a slower pace of reform, could be found within both parties—especially in the ranks of the Peasant Party. Therefore, the reformers could not control all the actors with veto powers. The Miller administration is not trying hard enough to gain the cooperation of those members of the

parliamentary opposition who are pro-reform. Although the government is capable of hindering an escalation of the conflicts, it is not able to reduce the existing political and societal opposition sustainably. Following the dry spell of the first phase of the transformation, the willingness of the public to stand together in solidarity is exhausted. The current government has not shown any effort to reactivate this desire in the people.

In general, the political elite shows little inclination to promote the importance of reforms. Coming to terms with the past is a key topic for some members of the political elite, while others debate it hotly. Part of this involves confronting the Communist period and also the occupation by Nazi Germany. The conflict over the National Remembrance Institute (IPN), whose aim is to confront the crimes against the Polish people during the Nazi occupation and during Communist times and is intended to make reconciliation possible, shows how charged this topic remains. The post-Communist SLD attempted to prevent the establishment of the Institute. Since its establishment, the Institute has raised awareness substantially, most recently in the debate about the murder of Jews by Poles in the town of Jedwabne in 1941, which rocked the country. The Finance Minister suggested the dissolution of the IPN in early 2003 as part of the reorganization of the national budget.

## **5.6 International cooperation**

Cooperation with international actors such as the World Bank, the EU and the International Labor Organization was comprehensive and is having a commensurate impact. This assistance is being used purposefully, and the political actors are showing they have the ability to learn. Only in the course of negotiations to join the EU did conflicts occasionally arise because the adoption of certain requirements met with resistance from the Poles. The government was also criticized for the lack of ability to absorb aid money. The Miller administration achieved remarkable success in its negotiations with the EU, which resulted in compromises and finally cleared the way for EU membership.

Membership in NATO, however, was understood to be a matter of greater national importance and was supported by a considerably broader majority of the population than was the impending entry into the EU. Despite some anti-EU voices in the country, the government is considered by the EU and other international institutions to be reliable and predictable. All post-Communist Polish governments, present and past, have worked successfully to build up and deepen as many collaborative international relationships as possible. Poland is very active in regional political circles as a member of the Organization for Security and Cooperation in Europe and

the Baltic Sea Council. It has put bilateral relationships with its eastern neighbors on a new foundation. At the moment, its policy regarding the East is marked chiefly by efforts to maintain relationships with the Ukraine, especially, and also with Belarus. In the relationship between Germany and Poland, idealized rhetoric has given way to pragmatic collaboration. At the moment, the relationship is under a cloud due to Poland's active support of the American course of action in the Iraq conflict, contrary to the German position.

## **6. Overall evaluation**

In view of the starting conditions, current status and evolution achieved, as well as actors' political achievements (management), this report concludes the following:

*(1) Starting conditions:* There were both positive and negative initial conditions for transformation. A consensus between the old and new elite regarding the establishment of democracy and a market economy proved advantageous, as were the reforms introduced at least partially starting in the 1980s and the country's rapid international integration. The protracted party formation, which is still not complete, and the constitutional dispute hindered governmental action and, thus, the continuation of the transformation. However, the desolate economic situation in the late 1980s facilitated comprehensive and rapid reforms, though structural changes in some areas were delayed for political reasons.

*(2) Current status and evolution:* Democratic and market-economy reforms were not always carried out with the same intensity and speed. While economic restructuring proceeded quite rapidly, political consolidation lagged in the first few years. Despite existing deficits in both areas, the direction of development can certainly be seen as positive at the end of the first decade of reforms. The only political regression was in stabilizing the party spectrum. The only positive development there was the shifting of conflict lines, from controversy over the attitude toward the Communist past to future-oriented topics such as EU integration and further modernization.

The transformation is stagnating at the stage of implementing the "second generation" of reforms in the sectors of administration, social insurance and education. New economic difficulties in the form of an increased budget deficit, growing unemployment and low growth have emerged following the largely progressive path of liberalization, stabilization and privatization. Also, some structural reforms, such as in coal mining and shipping, have not been completed.

(3) *Management*: There is no decisive conclusion regarding the political actors' managerial achievements. Comprehensive reforms have been pushed through, but their implementation is often inadequate. In the first six months of its term, the Miller administration achieved some political successes because it had its priorities straight and reached some of its goals. In the period before local elections in October 2002 and shortly thereafter, political decisions were based less on objective demands and more on maintaining the government's power. Following the losses in these local elections, internal party disputes with the then-president Kwasniewski and the break with the previous coalition partner, the Polish People's Party (PSL), Prime Minister Miller's actions are more strongly focused on securing his position of power within his party and among the people. Government work is complicated also by an atmosphere of backbiting and populist demands fanned by the anti-reform parties.

## **7. Outlook**

To further strengthen the transformation the key strategic tasks discussed below need to be accomplished. The most important economic tasks are reducing unemployment and the budget deficit to further strengthen the country's investment opportunities. After all, the structural changes that still must be made to farming, coal mining and the steel and shipping industries, along with the upgrading of infrastructure, cannot be managed with EU funds alone. Thus, a greater commitment from the state is necessary in the education sector and the environment, in particular, so that sustainable jobs can be created. Generally, the measures to support the labor market need to be expanded, and the efforts to reintegrate those who feel excluded by the transformation need to be advanced. Furthermore, reforms of the social-insurance and health-care systems that have already occurred need to be optimized, securing their efficiency over the long term.

Political actors must change their behavior in order to accomplish these tasks. The emerging tendency shown by the Miller administration and previous governments toward making personnel decisions based on political power rather than objective reasons must be reduced. Collaboration with the opposition must be improved, and the relevance of certain reform measures must be better communicated to the populace. The administration's work in implementing reforms can also be improved. Efforts to reduce corruption must be continued to strengthen the country's internal and international credibility and financial standing. Only more efficient government action and management, and closer collaboration with other reform-oriented parties can, in the long term, thwart the populace's increasing orientation toward anti-reform parties. The Miller administration that had tied its political fate to the referendum on

the EU-membership successfully achieved high consent after all: In the referendum of June 2003 77.5 % of the Polish population voted in favor of an EU membership.

To carry out these key tasks in the coming years, some legislation will be required for the economy. Politically, it will be important to guarantee the correct implementation and use of existing laws through more efficient government work.