



THE REPUBLIC OF POLAND



NATIONAL  
REFORM  
**PROGRAMME**

EUROPE 2020

**UPDATE 2016/2017**

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## 1. Introduction

The National Reform Programmes (NRP), updated every year in line within the European Semester, constitute the basic instrument for the implementation of Europe 2020 strategy by the Member States. The European Semester is a yearly cycle of economic and social policy coordination set up by the European Union. Along with the updates of the NRP the Member States submit to the European Commission the updates of Stability/Convergence Programmes so as to allow linking of the structural reform programming processes with the budgetary planning.

*The National Reform Programme for the implementation of the Europe 2020 strategy 2016/2017 Update* (hereinafter referred to as NRP 2016/2017) is the sixth NRP edition in the framework of this process. The National Reform Programme for the implementation of the Europe 2020 strategy adopted by the Council of Ministers on 26 April 2011 was the first output document. It outlined how Poland would implement the commitments taken with regard to five leading targets of the Europe 2020 strategy in the light of specific national circumstances.

At the same time the first NRP laid down the national targets of the Europe 2020 strategy. Concerning five leading strategy targets Poland declared the achievement of the following by 2020:

- 71% employment rate for the population aged 20-64;
- 1.7% of GDP invested in research and development (R&D);
- reduction of primary energy consumption to a level of about 96 Mtoe;
- reduction of the proportion of early school leavers to 4.5% and raising the proportion of 30–34 year aged university graduates up to 45%;
- reduction of the number of people at risk of poverty or social exclusion by 1.5 million.

The national targets still apply. The current values of indicators suggest that Poland follows in general its targets, although the implementation levels of particular targets vary. Undoubtedly, achievement of a suitable level of investment in research and development will be the most challenging. Poland is aware of the threats that result from a low innovation level of the economy. This is confirmed in the official documents of the new Polish Government constituted after the parliamentary elections on 25 October 2015.

Support to the inclusive economic growth in combination with the sound fiscal policy subject to restrictions imposed by the national and EU legislation, in particular for stabilising expenditure rule and general government deficit of 3% GDP threshold, are the priorities for the Polish government. Therefore, any new approaches of social and economic policy will be implemented so as to avoid any undermining of the public finance stability.

The new government formed in autumn last year presented its country development vision with its main elements outlined in the exposé of the Prime Minister Beata Szydło on 18 November 2015. Afterwards, on 16 February the Council of Ministers approved the development plan for the coming years including a set of economic, financial and institutional instruments, submitted by the Minister of Economic Development and Deputy Prime Minister, so-called “**Plan for responsible development**”. The specific actions for implementation of the Plan objectives will be reflected in the “Strategy for Responsible Development” which will set out a new development model - sovereign strategic vision, principles, targets and priorities of the country development in economic, social and spatial terms for 2020 and 2030. The strategy is expected to be elaborated by the end of 2016.

The “Strategy for Responsible Development” will identify the necessary actions, implementing instruments and key integrated projects that ensure that the Strategy can be implemented. The Strategy will also establish a coordination and implementation system allocating specific roles to

particular public bodies and indicating methods of cooperation with the business and science communities and civil society.

The NRP 2016/2017 present some activities referred to in the “Plan for responsible development”, which are to be elaborated within the time horizon and framework of the document.

The National Reform Programme is not only a document referring to the Europe 2020 strategy, but it is also an important element of the European Semester. This year, the European Commission expected for the first time the Member States to provide in the updated NRPs the responses to the key challenges defined in the Country reports.

Following the new guidelines the modification of the present document structure has become necessary.

Currently, Chapter 3 of NRP 2016/2017 answers to the main challenges laid down by the European Commission in the “Country Report Poland 2016” which was published on 26 February this year.

Chapter 4 presents the main activities undertaken by Poland to implement the national Europe 2020 strategy objectives.

NRP 2016/2017 also presents the involvement of the social and economic partners and Polish Parliament in the European semester cycle and their contribution to the work on NRP. An Inter-ministerial team for Europe 2020 strategy (hereinafter referred to as the Team), led by the Minister of Economic Development, forms a consultative and advisory body of the Prime Minister. Apart from the government administration representatives it also includes the social and economic partners to help promote the Europe 2020 strategy and to strengthen cooperation of various groups and joint responsibility for strategy implementation. The institutional process of NRP updating and involvement of the stakeholders in the European Semester process are presented in Chapter 5 and Annex No 3.

The document also outlines the actions of Poland to implement the recommendations for Poland adopted by the EU Council in July 2015, so-called country-specific recommendations (CSR). Since significantly fewer specific recommendations were addressed to Poland in 2015 compared to the previous years, and taking into account their nature - in the opinion of Poland they only briefly touch on the basic objectives of the Europe 2020 strategy - the status of implementation of recommendations is presented in Annex No 1.<sup>1</sup>

Similarly as in previous years, both NRP 2016/2017 and Convergence Programme Update 2016 take into account the priorities laid down in Annual Growth Survey, which are the same as those for the previous year, i.e. building the EU economic and social policy on three main pillars: 1) investment growth, 2) follow-up of structural reforms, 3) responsible budgetary policy.

When elaborating NRP 2016/2017 the role of NRP in respect of implementing mechanisms of the EU cohesion policy under the financial perspective 2014–2020 was also taken into account. On the one hand the cohesion policy funds constitute a significant source for the tasks set out in NRP, while on the other the commitments adopted by Poland in NRP and the need for CSR implementation were taken into account in the Partnership Agreement when the decisions on the measures under ESIF particular thematic objectives were made.

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<sup>1</sup> Annex No 1 does not include the summary of CSR1 implementation - the relevant information may be found in the updated Convergence Programme 2016.

## 2. Macroeconomic scenario

In 2015, GDP grew in real terms by 3.6%. The main growth driver was still domestic demand, although it was lower than that recorded in 2014. This was mainly due the slowdown in investment growth, the negative contribution of inventories, and – to a lesser extent – weaker growth in public consumption. The growth of exports was higher than the growth of imports, which resulted in a positive contribution of net exports to GDP growth.

Further improvement of the economic situation in the EU countries was conducive to acceleration of economic growth in Poland (GDP growth in the EU in 2015 accelerated to 1.9% from 1.4% a year earlier). At the same time, we observed a further increase in EU imports, the main indicator of demand for Polish goods and services, which in 2015 stood at 5.7%, compared to 4.7% a year earlier. The increase in EU imports, and imports of other developed countries and developing countries, and as a result an increase in Polish exports to these markets, is offsetting the decrease in exports from Poland to Eastern markets.

The improvement in economic activity in 2015 was reflected in a further improvement in the labour market. The number of employed increased by 1.4%. The unemployment rate fell to 7.5% from 9.0% a year earlier, while the economic activity rate stabilized at 56.2%.

The improved situation on the labour market and the decrease in prices of consumer goods and services contributed to the increase in the growth of real disposable income of households, and as a result to acceleration of the rate of growth of household consumption (to 3.1% from 2.6% a year earlier). Consumption growth was also supported by improving consumer sentiment and the increase in consumer loans. In 2015, the growth rate of investment expenditure slowed to 5.8% from 10.0% in 2014, which, among other things, was the result of a lower growth rate of investments in the government sector. Despite the slowdown, the investment growth was higher than the growth of GDP, and investment growth was promoted by a relatively high cost competitiveness of Polish companies, their stable financial position and record low interest rates (decrease in financing costs).

The persisting negative output gap in Polish economy, low inflation expectations and weak cost pressures meant that core inflation in 2015 remained at a low level. On average, it amounted to only 0.3% during the year, which was significantly below the lower limit of the permissible deviation from the inflation target of the NBP. The overall inflation rate was even lower – on average in 2015, the CPI fell by 0.9% compared to 2014. To a large extent, this was due to supply shocks in the energy market and the market of agricultural products. In view of the extended deflation period and a significant increase in the risk of inflation remaining below the target in the medium term, in March 2015, the Monetary Policy Council (MPC) decreased interest rates by 0.5 pp. The reference rate was reduced to a new record low of 1.5%.

Stable growth in exports with slower growth in imports translated in 2015 to an increase in the trade surplus. The decline in energy commodity prices made further that the favourable changes in the balance in real terms have been further strengthened by the positive impact of the terms of trade, i.e. higher in PLN price growth of exports than imports. As a result, the total nominal surplus in trade in goods and services to GDP reached a record level of 2.8%. The main source of external imbalances was the negative balance of primary income, which reflected mainly the income of non-residents from direct investments, as well as, to a lesser extent, income of non-residents from portfolio investments. As a result, the current account deficit in 2015 decreased to only 0.2% of GDP. External imbalance of the Polish economy was financed with a large surplus by long-term capital inflows, i.e. the surplus of the capital account, which mainly classifies the inflow of funds from the European Structural Funds and the positive balance of direct investments.

In 2015, PLN exchange rate was determined mainly by global factors. After a temporary weakening in January, caused by the decision of the Swiss central bank to not defend the EUR/CHF, PLN has strengthened against the EUR, reaching the strongest level of the year – 3.97 in mid-April. The Polish currency was supported at that time by the launch of the program of quantitative easing of the European Central Bank and the MPC statement on the end of the cycle of easing monetary policy. In the following months, the rate of PLN/EUR followed an upward trend. Initially, the growing concerns about Greek insolvency and uncertainties about Chinese and global economy put pressure on the PLN. The last quarter of 2015 was relatively stable for PLN/EUR, interrupted in December by a significant, albeit only a temporary weakening of the Polish currency (PLN/EUR rate rose to 4.37). On average in 2015, PLN exchange rate was 4.18 for PLN/EUR and 3.77 for PLN/USD.

Winter forecasts of the European Commission concerning the economic situation of Poland's main trading partner, which is the EU, indicated a slowdown in foreign demand for Polish goods. Although, the European Commission predicts that GDP growth in the EU in 2016 will remain at the level of 2015 (1.9%), and in 2017 it will accelerate slightly to 2.0%, but the rate of growth of EU imports in 2015-16 will reach 5.1% and 5.5% respectively, i.e. below the 5.7% growth from 2015. It is assumed that in subsequent years, the growth rate of EU GDP and imports will return to the long-term average, which means that real GDP growth will reach 1.8% in 2018 and 1.6% in 2019, with real rate of growth of imports respectively at 5.0% and 4.6%.

Despite the weakening growth of external demand, real GDP growth in Poland will accelerate, among others, in connection with the expected acceleration of spending of EU funds, which will determine the path of growth in public investment. Although in 2016, just like in the previous year, the share of public investment in GDP will fall slightly (by 0.1 pp), but in 2017, this share will rise to 4.6%, and in the coming years will reach an average of 4.7%.

It is assumed that by 2019, the economic activity rate (according to the LFS methodology, age group 15 and older) will increase by approx. 0.3 pp, as compared with 2015. At the same time, it is expected that in 2016, the number of people employed will increase by 1.0% and will grow by about 0.4% per year in 2017-19. As a result, we expect the downward trend in the unemployment rate – to 5.5% in 2019.

Taking into account the trends in the labour market, the wage growth in the economy and additional support for disposable income of households with the Family 500 plus Programme, it is expected that in 2016, the real private consumption growth will accelerate to 4.0%, despite the expected increase in the voluntary savings rate. In subsequent years, the real growth rate of consumption will amount to 4.1% in 2017 and 3.8% in 2018-19. The real growth in public consumption will amount to 3.4% in 2016, 2.4% in 2017 and 2.6% in 2018-19.

The continuing high price competitiveness of Polish products allows companies to achieve relatively high rates of sales profitability, despite the relatively unfavourable situation in the external environment, which is conducive to the rebuilding of private investment after a sharp drop in 2009-10. In the forecast period, we expect the trend of recovery in investment demand of the private sector to continue. In 2016, private investments will increase in real terms by 6.0%, and will grow in the coming years at an average rate of 7.3%, with a significant acceleration of growth in this economic category in 2018-19. The factors supporting the growth in investment demand of the private sector will include: the continuing relatively low cost of capital due to low interest rates and government measures aimed at the transformation of the Polish economy towards knowledge-based economy with innovative manufacturing sector and modern sector of services.

It is expected that during the forecast period, as in the previous six years, the share of exports in GDP will continue to grow, though at a slower pace. The real export growth will remain above the average rate of growth of export markets and is projected to average about 5.4% in 2016-2019.

The deficit of primary incomes, which reflects the negative net international investment position of the Polish economy, will still be the main source of external imbalance. In subsequent years of the forecast, there will be a deficit on the current account of the balance of payments, which will gradually deepen and reach 0.7% in 2017, 1.2% in 2018 and 1.7% in 2019. It is expected that by 2019, this deficit will be financed with a surplus from inflow of long-term capital, i.e. funds classified in the capital account (mainly European structural funds) and foreign direct investments.

In summary, the expectations for the GDP components predict that economic growth in Poland in 2016 will amount to 3.8%, or 0.2 pp above the level of 2015. The main factor of growth will be private domestic demand. It is predicted that in the coming years, the real GDP growth will gradually accelerate and reach 3.9% in 2017, 4.0% in 2018 and 4.1% in 2019.

Throughout the forecast period, we expect the appreciation of PLN to continue, but due to the weakening of PLN against the EUR from the beginning of this year, the average PLN/EUR rate in 2016 will be somewhat weaker than in the previous year. In the case of inflation, we predict that, after a period of deflation in 2015, also this year, the inflationary pressures will be very limited. We predict that in 2016, the prices of consumer goods and services in Poland will fall by an average of 0.4% compared to 2015. In subsequent years, the CPI will gradually come back to the centre of the fluctuations permissible within the framework of monetary policy.

**Table 1. The expected development of basic macroeconomic figures in the subsequent years**

Category	2015	2016	2017	2018	2019
GDP in real terms, growth in %	3.6	3.8	3.9	4.0	4.1
Export	6.8	6.0	5.5	5.2	5.1
Import	6.3	6.6	6.4	6.0	5.8
Private consumption	3.0	4.0	4.1	3.8	3.8
Public consumption	3.4	3.4	2.4	2.6	2.6
Gross fixed capital formation, increase in %	5.8	4.7	6.7	7.3	7.6
GDP in current prices, bln PLN	1789.7	1863.2	1966.8	2083.9	2218.9
Average annual increase in prices of consumer goods and services, in %	-0.9	-0.4	1.3	1.8	2.2
Employed <sup>2</sup> , increase in %	1.4	1.0	0.5	0.4	0.4
Unemployment rate <sup>3</sup> , in %	7.5	6.6	6.2	5.8	5.5

<sup>2</sup> Employed on average, according to the Labour Force Survey (15 years and older).

<sup>3</sup> Harmonised unemployment rate, in line with the Eurostat definition

### 3. Main social and economic challenges laid down in the Country Report Poland 2016

The *Country Report Poland 2016* published on 26 February 2016 constitutes an important element of dialogue between the European Commission and Poland. In the Country report the European Commission presented its assessment of the economic situation and mid-term challenges Poland is facing, as well as an opinion on the implementation of 2015 country-specific recommendations and Europe 2020 strategy targets.

In the summary assessment of the general social and economic situation in Poland the European Commission defines **main challenge for Poland**:

*“Poland has reached a stage of economic development where efficiency gains and sustained growth are more difficult to achieve. While the Polish economy has made steady progress over the last two decades, continuing to close the income gap with the EU average is becoming more difficult. Efficiency gains are now harder to achieve, as evidenced by decelerating total factor productivity. Moreover, the unfavourable demographic outlook is reducing the contribution of employment to Poland's growth potential. As a result, Poland's medium to long-term economic prospects depend on the capacity of its economy to move from the production of relatively low-technology goods to more advanced products and services”.*

The above coincides with the government diagnosis concerning the structural determinants of the future development of Poland which must above all avoid 5 development traps - middle income trap, lack of balance trap, average product trap, demographic trap, institutional weakness trap. As a consequence of such diagnosis the government adopted “Plan for responsible development” with the basic aim to develop strong industry, consistent and comprehensive investments, and attractive legal and administrative environment fostering the establishment, strengthening and foreign expansion of Polish business. The Plan sets out five priorities: (1) Reindustrialisation, (2) Development of innovative companies, (3) Capital for development, (4) Foreign expansion as well as (5) Social and regional development.

In order to ensure a suitable effectiveness of the EU fund intervention, the government adopted the “Action plan for increasing the effectiveness and accelerating the implementation of the operational programmes under the Partnership Agreement 2014-2020” on 24 February this year.

Poland will use more fully smart specialisations and encourage the entrepreneurs for closer cooperation to form clusters. Closer cooperation between science and business and an increased financial support for start-ups and SMEs are of key importance for this process to succeed. New instruments will be launched, such as: Guarantee Fund for the SME innovation development and “Start in Poland” Programme. (*for more information on this topic see Chapter 4.2*).

The social policy and its effectiveness remain a considerable challenge for Poland, as actually mentioned in the Country report. In spite of the implementation of the primarily planned national objective in the area of poverty and social exclusion prevention Poland does not give up the measures aimed at the improving of the situation in this respect (*for more information on this topic see Chapter 4.5*).

**The remaining key challenges for Poland** set out in the Country report<sup>4</sup> may be divided into three basic categories: (I) challenges we agree with in principle, (II) challenges we agree with, though with some reservations, and (III) areas that need further discussion.

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<sup>4</sup> To avoid repetition NRP does not mention the issues of **taxes, fiscal policy and long-term stability of public finance** - they will be set out in the Convergence Programme Update (CPU).

## (I) Challenges we agree with in principle

- 1) Poland concurs that one of the most important challenges consists in **improving the conditions for doing business**. One of the government's priorities consists in creating conditions for the Polish entrepreneurs that will be conducive to an increase in business scale so that small enterprises may become medium ones, and medium ones may grow into large ones, and the large ones may compete globally. In the first place this must involve elimination of regulatory and bureaucratic barriers in every-day operations of the Polish enterprises. To this end the following has been initiated:
  - [amendment of the Code of Administrative Procedure](#) - the rules for application of administrative financial penalties will be aligned - it is intended to ensure uniform standards of treatment for entrepreneurs and citizens and to apply sanctions that are reasonable and proportional to the law infringements. Work at the government level should start as early as in the first half of 2016.
  - [amendment of the act on freedom of economic activity](#) – alignment of the economic activity controls – this is intended to ensure a rational balance between the entrepreneur's and public interest and, thereby strengthening the citizen's confidence in the state. Work at the government level should start as early as in the first half of 2016.
  - [establishment of a new act on freedom of economic activity "Constitution for entrepreneurs"](#) – establishment of the fundamental rules for economic activities, including the relationships with the institutions. Reduction of the legal barriers for the entrepreneurs and simplification of the business registration. Work at the government level should start as early as in the second half of 2016.
- 2) Poland will seek to **improve the public administration functioning** – both in terms of state–citizen and state–entrepreneur contacts.
  - According to the government the development potential of enterprises is associated with the change in public administration approach to the purchase policy. Work is carried out on [the act on public procurement](#) with the intent to draft an amendment which provides for the abandonment of the lowest price criterion, inclusion of the operating costs at the purchase stage, facilitations for small and medium enterprises, credits for innovation and social clauses and promotion of stable employment.
  - As Poland is aware of the fact that it has one of the lowest in the EU on-line contact rates between the public bodies and citizens, a document entitled "Strategic Actions Priorities of the Minister of Digital Affairs in computerization of public services" has been elaborated. The document defines the actions the Ministry intends to undertake to bring order to the present chaos with regard to the division of competences, to catch up and to bring about a situation in which any citizen, organization or entrepreneur will be able to deal electronically with the public administration on any matter. In order to achieve the objectives laid down in the document Poland will continue its actions aimed at maintaining and improving the ePUAP system, including its extension with new functionalities, and will start construction of a single internet portal for the whole public administration where the citizen or entrepreneurs will quickly find any required information on the government and public e-services. This will allow to improve the effectiveness of public administration and to decrease the cost of maintenance, management and development of public internet service.
  - The government also undertakes measures aimed at improving the effectiveness of services offered by the tax administration:
    - a reform of tax and customs administration is planned, which would consist in [establishing a National Fiscal Administration](#) within the government administration. The modified structures would consist of fiscal administration units specialised in performing

tasks of tax collecting and taxpayers service and in control activities. The National Fiscal Administration (NFA) will be responsible for implementation of all tasks associated with collection of taxes and custom duties. At the local level the tasks will be shared on the basis of specialization of particular units and local competence corresponding to the type of tasks, administration customers' needs as well as on the basis of economy and purposefulness. The fiscal administration units at the regional level will ensure proper work organization, funding and material assets, and, in the first place, a selection of properly trained staff proportional to the amount and type of tasks. The Director of the National Fiscal Information will be one of the NFA bodies which will promote voluntary compliance with fiscal obligations through issuing of uniform tax interpretation and supporting taxpayers in application of the law provisions (NFA info line).

- In September 2015 there were 50 service centres launched in tax offices, which offer comprehensive services and assistance for the citizens, not only in the area of taxes, but also in the areas of social insurance and excise, regardless of the local jurisdiction of a tax office. With the first experience acquired, the scope services offered to the citizens by the service centres as well as the number and localisation of the centres will be verified.
- The Ministry of Finance runs tax educational campaigns. The plan for 2016 includes 3 main measures:
  - [Narodowa Loteria Paragonowa \(National Receipt Lottery\)](#) – to be continued until 30 September 2016. During the first 5 months of the Lottery, i.e. between October 2015 and February 2016, there were almost 66 million fiscal receipts registered. Additionally, the attitude towards the receipt issue has changed within the space of last year as the survey commissioned by the Ministry of Finance shows. Indeed, the proportion of respondents who claim that they request the receipt whenever it is not delivered rose from 7% to 31% in the case of goods purchase, and from 5% to 28% in the case of services purchase. The Lottery will be continued until 30 September 2016;
  - [Szybki PIT Action \(Fast Return Form submission\)](#) – dissemination of information on the possibility of submitting the tax return forms electronically and raising the awareness of the taxpayers of the benefits coming from the timely and fast submission of tax return.
  - ["Finansoaktywni. Misja: Budżet"](#) (*Financially active. Mission: Budget*) – educational project addressed to the lower secondary school pupils.

- 3) Poland shares the thesis that present regulations in the investment and construction sector, in particular at the local level, including those governing the **spatial planning**, are not sufficiently effective, and thereby unfriendly for the investment processes. Hence, measures have been already taken that aim at developing comprehensive solutions – the Act [Urban Planning and Building Code](#) which is to ensure clarity and stability of the provisions concerning the investments to the benefit of the local government units, inhabitants and investors. Regulation should also prevent the existing identified weaknesses or problems (such as spatial chaos or insufficient transparency of the planning and building procedures). The draft act is to be ready in the 4th quarter of 2016.

## (II) Challenges we agree with, though with some reservations:

- 1) Being aware of the importance of challenges faced by the **railway transport sector**, Poland is disappointed by the fact that European Commission noted limited progress in CSR 4 implementation concerning removal of obstacles to investment in the railway sector. During recent years Poland has made a number of legislative and organisational changes (at the PKP PLK – infrastructure manager) which resulted in the improving preparation (that is already visible) and conduct of investment processes the European Commission was notified of on several occasions, recently during its mission in January in Warsaw. This was not reflected in

the European Commission's document. The government, in cooperation with PKP PLK SA, is reviewing additional possible measures to facilitate the investment process at each stage. It is expected to undertake measures in the area of procedure limitation and delegation of decision-making processes, including the financial powers, to a lower level of management so as to provide greater flexibility and swift response to the project implementation problems. [The Investment Forum was re-established](#) – a dialogue platform with the railway projects contractors. The Forum intention is to elaborate, for instance, input documents which, after being implemented for application, will ensure more effective cooperation with the contractors at the stage of implementation of individual projects.

- 2) Poland indeed has **a large share of fixed term contracts in employment**. Often their application is overused, particularly against groups with relatively weaker position in the labour market. A lot has been done in terms of limiting the segmentation in the labour market, which the Country report itself emphasises. Moreover, the government plans further changes - introduction of a minimum hourly rate at the level of PLN 12 for persons working under specified civil law contracts and strengthening of competences of the National Labour Inspectorate (*for more information on this topic see Chapter 4.1*). The statement of the European Commission that the "rigidity of the Labour Code" is one of the reasons of segmentation raises certain doubts. The study of the level of restrictiveness of regulations on protection of employment is carried out by the OECD, which calculates the value of a synthetic indicator for individual countries on the basis of analysis of 21 variables. According to this study, in Poland, the level of protection of a worker employed under an open-ended contract against individual or group termination, remains slightly higher than the average for all OECD countries (the values of the indicator amount to: 2.39 and 2.29 respectively). However, the need for further discussion on comprehensive changes related to regulation of employment relations has been observed. For this purpose the government intends to establish [a labour law codification committee](#).
- 3) Counteracting negative **demographic trends** is a significant challenge for Poland. However, we see the solution primarily in changing the age structure of the population. The total fertility rate per one woman in Poland remains one of the lowest in the European Union. Thus, the actions taken by the government include the [Family 500 plus Programme](#), which envisages a transfer of PLN 500 for each second and subsequent child in a family, and in case of poorer families - already for the first child (*the macroeconomic and social impact of the Family 500 plus Programme has been presented in Annex No 2*). Poland should also pursue an increase of professional activeness of its citizens and an increase in the employment rate (*activities in this area have been described broader in chapter 4.1.*) As regards professional participation of older persons, it should be emphasised that the entitlement to retirement at a certain age, does not mean that everyone will use this opportunity immediately after achieving this age. Depending on personal, family, health or professional situation, everyone shall be able to take the decision on termination of professional activity and exercising of this right. One should take into account the fact that in a near future persons who will be approaching retirement age shall have qualifications and predispositions to functioning in the labour market shall be different than those of the generation presently at the age of 60 +. Such persons will be more inclined to continue employment, as they will be more and more aware of the fact that a longer period of employment and paying contributions will have a positive impact on the amount of their future retirement benefits.
- 4) In principle Poland shares the opinion that changes in **tertiary education are necessary** in the light of unfavourable demographic trends, which result in the decrease in the number of students and – as a consequence - in financial problems of universities, as well as challenges related to the quality and usefulness of education. Therefore the following actions have been undertaken:

- legislative changes have been drafted in cooperation with the academic community, which will improve [the process of external assessment of the quality of education](#), which will facilitate quality enhancement rather than formal control to a much greater extent. The Central Council of Science and Higher Education approved the premises for changes in this area in February 2016. Amendments of relevant provisions aiming at de-bureaucratisation of the National Qualification Framework and the quality assessment system are envisaged for as early as 2016.
- The Ministry of Science and Higher Education has undertaken efforts on designing [assumptions of a new act on tertiary education](#). The new act is to be simplified in comparison to the present Law on Higher Education and at the same time respond to key challenges faced by Polish higher education system. The assumptions shall include: the system of higher education, the statutory structure of institutions in the higher education system, management, finance and property in the higher education system, the quality assessment system and issues related to studies, students, doctoral students and graduates. The formula chosen - development of draft assumptions by three research teams and their consultation with the academic circles - will ensure involvement of stakeholders in drafting new regulations already at the stage of conceptual work. Implementation of tasks financed under the project should be completed by 31 January 2017.
- the activities for improvement in the quality and usefulness of education at the tertiary level have been continued (*for more information on this topic see Chapter 4.4, where current activities for achievement of the education objective have been presented*).

Moreover, Poland believes that the *Country report* fails to see recent changes to tertiary education aiming at better adaptation of education to the needs of the labour market. They included both changes of a legislative nature (including introduction of the practical profile, connected with the need to involve employers and practitioners in designing education programmes and delivery of courses, inclusion of employers in the education evaluation system, introduction of the legal basis for the central system for monitoring of graduates' professional careers and confirmation of results of learning) as well as programmes implemented with the use of European funds (including the Competence Development Programme, the "Academic Career Offices" competition"). Information on Poland's activities in this area have been provided to the European Commission on a regular basis and have so far been noticed (e.g. in the ET 2020 Monitor). Furthermore, the issue of internationalisation indeed is a challenge to the Polish tertiary education system, it is surprising that the Country report has not recorded the almost threefold increase in the share of foreign students in the total number of students within only five years (2009 -0.89%, 2014 -3.14%, according to CSO data).

**(III) The Country Report also contains assessments, which are either not shared by Poland or additional clarifications are needed. These include:**

- 1) **Availability of pre-school education and beginning of primary school education.** The European Commission concludes, *inter alia*, that "[...] the school entry age was recently raised from six to seven years. This change is likely to impact on the availability and take-up of pre-school education, as the six years olds will have to stay in kindergartens occupying places that could be allocated to younger children and compulsory pre-school education for five years olds will be abolished. These changes are likely to negatively affect children from poorer backgrounds and the supply of labour."

Poland emphasises the significance of pre-school education for the physical, mental and social development of children. Presently a place in pre-school education is ensured for all children at the age of 4 and 5. Since 1 September 2017 places will also be ensured for all children aged 3. The policy in this area is not subject to change, while recent changes related to compulsory

education have no impact on participation in pre-school education in Poland. Since 1 September 2016 children aged 6 will be obliged to attend a one year pre-school preparation programme. A child turning 6 in a given calendar year may start education in a primary school at the request of parents. Organisation of pre-school education belongs to own tasks of municipalities, which receive a targeted subsidy from the state budget for each child. In connection with the amendment reinstating the start of compulsory education at the age of 7, [the per-child subsidy for pre-school education has been increased](#), and the target reserve in the budget act for 2016 allocated to increasing availability of pre-school education has been increased by additional PLN 84 million to PLN 1,670 million.

- 2) **Social security and taxation systems for farmers.** For many years the European Commission has been indicating that the KRUS system is the primary reason for slow transformations in the labour market and poor labour force participation of residents of rural areas. This is, however, not reflected by the figures. In the past 20 years the number of persons insured in KRUS oscillates within the range of 1.5 million (in 2014-1.43 million), while the number of beneficiaries decreased from 2.05 million in 1993 to 1.20 million in 2014. Moreover, the funds paid to the insured under KRUS may be treated as partial compensation for farms with a surplus of workforce, for which satisfactory employment opportunities have not been created. At the same time the KRUS systems partly protects such persons from broadly understood social exclusion. This confirms government's attempts in the area of creation of new jobs outside of agriculture, support for territorial/transport accessibility of rural areas and creating conditions for professional mobility of residents of rural areas.

It should be noted that the share of persons working in agriculture has been systematically decreasing and now amounts to ca. 12% (BAEL data). In this group persons insured in KRUS represent ca. 61%, and among the population economically active in agriculture - nearly 54%. This means that despite having the opportunity to be covered by KRUS insurance, almost half of professionally active persons decide to take up employment outside of agriculture and thus become covered by the general system of insurance in ZUS. The system of social insurance for farmers does not stop persons, who have so far been involved in agriculture, from moving to the non-agricultural labour market. This is exemplified by: (i) the opportunity for persons, who simultaneously carry agricultural and non-agricultural activities, to remain in the social insurance system for farmers, (ii) the opportunity for persons, who simultaneously carry out agricultural activity and are employed on a civil law contract to remain in the system, (iii) or instruments supporting inter-sectoral mobility included in operational programmes ([for more information on this topic see Chapter 4.1.](#))

There are solutions in Polish agriculture, which pertain to farmers' keeping revenue and expense ledgers or accounting books. Following meeting of certain criteria, the obligation of keeping books results from the Accounting Act of 29 September 1994 (Journal of Laws of 2013 item 330, as amended). Furthermore, provisions of the Act of 9 April 2015 on amendment of the Act on the income tax from natural persons and certain other Acts (Journal of Laws, items 699 and 1595) have imposed an obligation to declare the revenues on the basis of accounting books kept by taxpayers operating special sectors of agricultural production, if pursuant to the regulations on accounting they are under the obligation to keep them. Moreover, part of beneficiaries of the Rural Development Programme (RDP) 2014-2020 has been covered by the obligation to keep the revenue and expenses ledgers. It is estimated that in the period 2014-2020 this solution will pertain to ca. 130 thousand farms. Introduction of certain standards for the group of farms using the RDP and promotion of knowledge on revenue and expenses ledgers will facilitate future introduction of the system of ledgers throughout the sector.

## 4. Implementation of national targets of the Europe 2020 strategy

Each subsection has been divided into three parts:

- 1) the analysis of implementation of the national target on the basis of available data and up to date indicators and identification of primary challenges,
- 2) the summary of primary actions taken since the time of approval of the NRP 2015/2016,
- 3) the part presenting actions planned for 2016/2017.

The ministry responsible for implementation, the schedule of activities and the estimated financial impact has been allocated to each activity. The data on financial impact of planned measures/interventions are estimations of their potential influence. For 2016 these estimations are either the result of the budget act for 2016 or have been taken into account in financial plans of NRP implementers for the current year. The final level of their financing in 2017 will result from the budget act for 2017 and relevant acts of law. In case of measures, which are at the stage of drafts, the amounts shall not be a commitment, until they are officially approved by the Council of Ministers.

It should also be emphasised, that the assignment of measures to a specific objective of the strategy is to the certain extent of a tentative nature. Often they may have a direct or indirect impact in implementation of more than one target.

### 4.1. The employment targets

2015<sup>5</sup> year has brought further improvement in the situation in the labour market in Poland. The number of employed increased to 16,276 thousand persons in Q4 2015. In 2015 more than 1.2 million job offers were submitted to labour offices (by over 180 thousand more than in 2014, including 876.6 thousand unsubsidised (“market”) job offers submitted by employers, i.e. 22.8% more than in 2014. The supply of work also increased. Activity rate increased from 73.3% to 73.5% y/y (in 20-64 age group) primarily as a result of increased labour force participation of persons in pre-retirement age. This translated into an increase in the employment rate among persons aged 20-64 to the level of 68.5%, by 1.1 pp (data from Q4 2015.). Similarly to the preceding year, the increase in the employment rate pertained to both younger and older age groups, though it was strongest for persons aged 55-64. Moreover, 2015 saw the fast pace of the decrease in unemployment, which had begun in Q2 2013. According to LFS, the unemployment rate in Poland in Q4 2015 was 6.9%, against 9.1% for the entire EU. According to the data from labour offices, the number of the unemployed in December 2015 amounted to 1.56 million persons and was lower by 262 thousand persons than a year earlier. The rate of registered unemployment as of the end of 2015 was at 9.8% and was 1.6 pp lower than a year before.

Contrary to 2014, the growth of employment was accompanied by changes in the structure of types of contracts, consisting in gradual reduction of the share of less stable forms of employment. Beginning from Q3 2015, the increase in employment resulted solely from an increased number of open-ended contracts (which had not happened for 3 years). The share of this form of employment in total employment increased to 72.1% (data for Q4 2015). At the same time the share of persons holding fixed-term contracts was decreasing.

Despite these undoubtedly positive signs, the increase in labour force participation and employment continue to remain among top challenges in Poland, particularly in the light of demographic trends recorded. According to the new forecast by the CSO of Poland of the resident population of Poland, in 2015-2020 Poland may experience the decrease in the population in the working age by ca. 558 thousand persons, and by another ca. 680 thousand in subsequent 5 years.

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<sup>5</sup> Unless otherwise stated, the data come from the Labour Force Study.

The employment rate in 20-64 age group in Poland continues to remain by 2.1 pp lower than the EU-28 average (Eurostat data for Q3 2015.). In case of the employment rate for women, this difference is bigger and amounts to 3.2 pp, and in case of older persons in total (55-64) - 8.4 pp.

The unemployment rates among young persons are also high, despite the significant improvement in the situation recorded since April last year. According to the LFS data for Q4 2015 the unemployment rate for youth (persons under 25) in Poland amounted to 20.2%. Further improvement in the occupational situation of this group requires continuation of measures planned under the Youth Guarantee. Furthermore, positive results should be brought by implementation of the number of measures for modernisation of education and trainings, both vocational and general, as well as strengthening of cooperation between education and business sectors, which have been described in the part on implementation of Europe 2020 strategy education targets.

Participation of permanently unemployed persons also continues to be a challenge. As of the end of 2015 there were 880.3 thousand long term unemployed persons registered in labour offices. They represented 56.3% of all unemployed persons. The long term unemployed are the group, which is most difficult to activate. These are mostly persons with low level of education and qualifications, which are not adapted to the needs of the labour market, often immobile, often discouraged with job search. It is therefore all the more expedient to emphasise that as a result of activities of labour offices, the decrease in unemployment within this category amount to 16.5% in the annual scale (173.7 thousand persons), with the overall decrease in the unemployment at 14.3%.

The segmentation of the labour market and the high share of fixed-term contracts (27.9 in Q4 2015) continue to remain a challenge for the Polish labour market. A part of contracts used in the labour market are civil law contracts, which remain an attractive alternative to employment contracts, though it should be emphasised that it is not admissible to replace a labour law contract with a civil law contract, if the conditions of performing work laid down by the Labour Code are retained. According to CSO estimations<sup>6</sup>, in 2014 ca. 1.3 million persons in the national economy held an order agreement contract or a contract for specific work, while not being employed on the basis of an employment relationship. In a module LFS survey<sup>7</sup>, 1.1 million persons declared work under atypical forms of employment in the first three quarters of 2014, while for 0.7 million of them this was their primary work. Though the scale of the phenomenon of working under civil law contracts seemed to be smaller than assumed so far, undoubtedly the significant prevalence of unstable forms of employment in Poland has negative social consequences (poverty of workers<sup>8</sup>), consequences for the labour market (lower productivity<sup>9</sup>) and for the economy (weakening of the internal demand, distortion of competition, absence of incentives for innovation<sup>10</sup>). While the lower cost of labour has a considerable significance from the point of view of employers, in the scale of the entire economy the retention of low wages facilitates petrification of the development model, in which competitiveness of Polish products and services in global markets is based primarily on lower costs of labour. Departure from this model towards another - innovation based, is conditioned by the combination of a number of factors, one them being strengthened pressure on the increase in remuneration in the economy, which remains relatively low. The share of the total cost related to employing a worker in Polish GDP amounted to 47.5% in 2014 and was lower not only from the EU

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<sup>6</sup> *Selected labour market issues, CSO (2015)*. <http://stat.gov.pl/obszary-tematyczne/rynek-pracy/pracujacy-zatrudnieni-wynagrodzenia-koszty-pracy/wybrane-zagadnienia-ryнку-pracy-dane-za-2014-rok,9,3.html>

<sup>7</sup> *Persons employed in atypical forms of employment, CSO (2016)*. <http://stat.gov.pl/obszary-tematyczne/rynek-pracy/pracujacy-zatrudnieni-wynagrodzenia-koszty-pracy/pracujacy-w-nietypowych-formach-zatrudnienia,11,1.html>

<sup>8</sup> A fixed-term contract normally means lower earnings, particularly in Poland, where the share of low-wage earners among persons holding fixed-term contracts amounts to over 42% (Eurostat data).

<sup>9</sup> Persons working under non-permanent contracts often have a limited access to employee trainings, so the human capital in the companies is not fully used.

<sup>10</sup> One cannot draw a conclusion though that each of 1.3 million persons should hold an employment contract.

average, which is almost 56%<sup>11</sup>, but has also dropped by almost 3 pp since 2005. This is worrying, taking into account the fact that the productivity of labour<sup>12</sup> has increased by nearly 24% since 2005.

#### The total employment rate of persons aged 20-64 (%) in Poland in 2010-2020<sup>13</sup>

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>total</b>	64.3	64.5	64.7	64.9	66.5	67.7	68.4	69.1	69.7	70.4	<b>71.0</b>

Source: Data for 2010-2015 - on the basis of LFS, CSO. Data for 2016-2020 – MFLSP

It should be noted that the employment rate increases at a pace faster than in envisaged in the path for achievement of the national target. According to the preliminary data for 2015 the real rate is by 0.6 pp higher than planned (67.1%).

#### Main actions undertaken from April 2015

The Ministry of Family, Labour and Social Policy has continued implementation of the [Youth Guarantee](#) in the formula of two central calls for proposals under the Knowledge, Education, Development Operational Programme (OP KED). The first of these (Call for proposals 1.3.1.) envisaged the support for over 2800 young persons aged 15-29 under projects related to individual and comprehensive promotion of educational and economic activity of young persons (unemployed, inactive and job-seekers, including in particular those not registered in a labour office). Another initiative (Call for proposals 2.4.) envisaged development of recommendations by partnerships established under projects (one in each Voivodeship), which are to be used by labour market institutions to support young people who are particularly disadvantaged in the labour market (the substantive evaluation of projects has been completed). On 30 December 2015 a supplementary call for proposals was launched, as in the initial one applications from the following Voivodeships (7) had not been submitted or had not passed the evaluation: Kujawsko-Pomorskie, Lubuskie, Łódzkie, Śląskie, Warmińsko-Mazurskie, Wielkopolskie, Zachodniopomorskie.

In case of VLC's activities, the implementation of the following projects was being concluded between September and December 2015: "The idea for everyone - YEI and ESF" consisting in delivery of workshops on active job search, courses on entrepreneurship, individual psychological support, qualification vocational courses and projects "Equal in the labour market - YEI and ESF", under which individual psychological support has been provided, category B driving courses, group and individual classes with lawyers or social skills trainings.

Under implementation of the project "Equal in the labour market - YEI and ESF", which had been extended to 30 June 2016, implementation of activities related to individual support of clients by tutors, apprenticeships with employers and organisation of employment of participants were concluded. At the same time it needs to be added that implementation of the Youth Guarantee is based on labour force participation activities carried out by poviats labour offices, the loan programme "The first business - support for the start" and on regional calls for proposal launched since the beginning of 2015.

Furthermore, in order to increase employment of the youth - the [amendment of the Act on employment promotion and labour market institutions was approved on 25 September 2015](#), which

<sup>11</sup> (European Commission data , AMECO database).

<sup>12</sup> Eurostat real labour productivity per person employed.

<sup>13</sup> Employed population = persons aged 15 or more, who in a surveyed week performed work bringing profit or income or assisted (without remuneration) in running of a family farm in agriculture or a family business outside agriculture, as well as persons who formally had work, but have not performed it (e.g. due to sickness, leave or other reasons), while the period of the pause in employment has been shorter than 3 months, or if it has been longer than 3 months, such persons have been employees and received at least 50% of their remuneration in this period. (Source: CSO, LFS)

facilitated introduction of a new tool supporting employment of young persons through reimbursement of the cost related to employing of an unemployed persons below 30 years of age to an employer. In return for employing a young person full-time for the period of 12 months, an employer shall receive a monthly reimbursement in the amount not exceeding the minimum remuneration. The employer shall be under the obligation to continue to employ such person full-time for another 12 months. The functioning of the programme has been scheduled for 2016-2018. For 2016 700 million has been allocated for reimbursement of the cost of employing unemployed persons under the age of 30, which translates into a possibility to subsidise employment for ca. 30 thousand persons. By 2018 the total number of persons covered by the programme is to reach 100 thousand persons under 30 years of age.

The implementation of [the Council recommendation on integration of long-term unemployed persons in the labour market](#) is carried out on the basis of the Act on employment promotion and labour market institutions. The Act envisages mechanisms of cooperation between public employment services and social assistance centres. The cooperation is enacted primarily under the Activation and Integration Programme (AIP), in which a social assistance centre may implement the tasks related to social integration of long-term unemployed persons and related to community service, to which unemployed persons using the system of benefits provided by social assistance centres are referred.

In 2015, 516.5 thousand unemployed persons were covered with active form of counteracting unemployment, of which 51.5 thousand used new forms of support, introduced by the amendment of the Act on employment promotion and labour market institutions. The instruments used included: an apprenticeship voucher (in 2015 2.1 thousand long-term unemployed persons used it), a training voucher (in 2015 1.1 thousand long-term unemployed persons used it), referral to a job placement agency under outsourcing of labour force participation activities (used by 17.3 thousand long-term unemployed persons, co-financing of remuneration for employing a referred unemployed persons aged over 50 (in 2015 this form of support was used by 1.3 thousand long-term unemployed persons), an employment voucher (in 2015 this form of support was used by 0.7 thousand long-term unemployed persons), a settlement voucher (in 2015 this form of support was used by 0.7 thousand long-term unemployed persons).

In order to limit the use of fixed-term contracts [the Labour Code has been amended](#). Since 22 February 2016 the period of employment under a fixed-term employment contract, or the combined period of employment under fixed-term employment contracts, concluded between the same parties to the employment relationship, may not exceed 33 months, with not more than 3 contracts of this type. Certain exceptions from these rules have been foreseen, e.g. pertaining to replacement employment contracts of contracts for a term of office.

Support aimed at ensuring [equal opportunities for men and women in the labour market](#) has been provided through projects selected under calls for proposal. In the Competition for Non-Governmental Organisations' Initiatives in 2015, the task of breaking stereotypes related to the role of women in the labour market has been selected as a priority. In the competition named "More women in men-dominated occupations" 10 highest scoring project offers of 11 NGOs have been selected. The implementation of the EU co-financed project "Equal opportunities for women and men in the economic decision process as a tool of a social change", the objective of which has been to promote balanced participation of women and men in high-level positions in companies. An information and promotion campaign has been carried out, which has been devoted to issues pertaining to promotion of women in decision-making positions in large companies. The campaign has also promoted tools and mechanisms facilitating reconciliation of professional and family lives. MFLSP has also received an EU grant for implementation of the project "Family and work pay off!" in 2016-2017, the objective of which is to promote mechanism and instruments facilitating reconciliation of professional and family roles by workers.

The activities aiming at development of [institutions of care over children aged up to 3 have been continued](#). The Ministerial programme for the development of childcare institutions for children aged up to 3 years “Toddler” (“Maluch”) 2015 edition has been implemented. The Ministerial programme for the development of childcare institutions for children aged up to 3 years “Toddler” - 2016 edition has been drafted. The call for proposals for “Toddler” – 2016 edition was settled in March 2016. In parallel, more childcare institutions have been established under OP HC measures financed from ESF, i.e. measure 1.5 of Human Capital Operational Programme (OP HC) “Support for solutions facilitating reconciliation of professional and family life”. Sub-measure 1.3.2. of OP HC “Projects for promotion of equal opportunities of women and men and reconciliation of professional and family life”.

The report on the implementation of the Act of 4 February 2011 on care for children under the age of 3 for 2014 indicates that since entry of this Act into force (4 April 2011) a dynamic increase in the number of childcare institutions for children aged up to 3 and the number of places in such institutions has been recorded. While in 2010 there had been ca. 500 nurseries and nursery units, in 2015 there were already ca. 3 thousand institutions entered into the register of nurseries and kids clubs and in the list of daycare providers. In the same period the number of registered care places increased substantially (from ca. 32.5 thousand in 2010 to ca. 82,5 thousand of places in 2015). The percentage of children aged up to 3 covered by institutional form of care has also been systematically increasing (in 2010 - ca. 2.6%, while in 2015 already ca. 8%)<sup>14</sup>.

On 29 December 2015 [the Act on the education system was amended](#), which reinstated the previous school entry age. The compulsory education of a child shall begin with the start of a school year in a calendar year, in which the child turns 7. A child aged 6 is obliged to undergo a one year-long pre-school preparation in a kindergarten or in other form of pre-school education. This is important in the context of the reinstatement of the compulsory education at the age of 7. Pursuant to the provisions of the new Act, children aged 3-5 have the right to use pre-school education in a kindergarten or other form of pre-school education, and by 31 August 2019 also in a kindergarten unit in a primary school.

According to the data from 30 September 2015, presently 84.2% of children aged 3-5 use pre-school education, of which 75.2% in rural areas. Over the past two years the number of kindergartens increased by more than 900, of which in rural areas - by nearly 300.

By the end of 2015 on the basis of the Act [on specific solutions related to protection of jobs](#), under the allocated limits, the administrator of the Guaranteed Employee Benefits Fund granted funds to 34 employers for disbursement of benefits to more than 800 workers, in the total amount of nearly PLN 4 million.

In the area of [improving the mobility of labour resources from agriculture to other sectors](#), in this period Regional Operational Programme (ROP) and Operational Programme Knowledge Education Development (OP KED) measure have been implanted and the accreditation audit has been planned, on which the launch of the RDP 2014-2020 operations depends: “Bonuses for starting of activities outside agriculture and “Payments for farmers transferring small farms”. At the same time drafting of “The strategy for responsible development” has been initiated, in which the issues of inter-sectoral mobility, unemployment in rural areas and bringing persons permanently at risk of marginalisation to the labour market shall also be addressed, including through “The pact for rural areas”.

## **Main actions planned for 2016-2017**

### **Limiting the use of civil law contracts in employment (Ministry of Family, Labour and Social Policy)**

A draft act has been prepared, with the primary objective to bring about a positive change in the labour market through counteracting overuse of civil law contracts and introduction of protection for

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<sup>14</sup> Estimation for 2015

persons receiving remuneration at the lowest level. This is because currently there are situations, where a person working on the basis of a civil law contract has an hourly rate set at a level much lower than the minimum remuneration for work under an employment contract.

Introduction is proposed of, among others: minimum remuneration rate for certain contracts of mandate and contracts for provision of services, to which the regulations on mandate apply, in the amount of PLN 12 per hour and broadening of inspection competences of the National Labour Inspectorate.

#### **Timetable**

The expected date of entry into force of the provisions of the act - **3rd/4th quarter of 2016.**

#### **Financing**

The measure shall not result in increased budgetary expenditure.

### **Implementation of the Youth Guarantee in Poland (Ministry of Family, Labour and Social Policy)**

The implementation of the Youth Guarantee shall be continued with the following components: central calls for proposals, regional calls for proposals, VLC's projects, continuous support for poviats labour offices under the activities envisaged by the act, the loan programme "The first business - support for the start" implemented by Bank Gospodarstwa Krajowego.

#### **Timetable**

- Launching of recruitment of participants in projects selected in central calls for proposals - **1st/2nd quarter of 2016**
- Implementation of four non-competition projects of the VLC (for the total of 5,200 particularly disadvantaged young persons) - two in the area of YEI and two in the area of ESF: "Wake your potential - YEI and ESF" and "Action activation - YEI and ESF" - **1-4 quarter 2016.**
- VLC submitting an application for co-financing of the project: "From training to employment - YEI", the implementation of which shall begin in 2017 (for 1,500 young NEETs) - **4th quarter 2016**
- Activation of the unemployed and job seekers aged 18-29 in poviats labour offices - **a continuous task**
- Continuation of the loan programme for persons aged up to 29 "The first business - the support for the start" in cooperation with Bank Gospodarstwa Krajowego - **1st quarter 2016 - 4th quarter 2017**
- Launching of recruitment of participants in projects selected in regional calls for proposals - **2nd/3rd quarter 2016**

#### **Financing**

In 2016 the impact for the public finance sector will amount to the total of ca. PLN 2.6 billion, including ca. PLN 1.1 billion of the EU funds. In 2017 the impact for the public finance sector will amount to the total of ca. PLN 2.8 billion, including ca. PLN 1.1 billion of the EU funds (according to the estimation of the financial plan for implementation of the Youth Guarantee in Poland included in the updated Youth Guarantee Implementation Plan for Poland of October 2015).

### **Ensuring general availability of pre-school education (Ministry of National Education)**

Implementation of solutions envisaged in the Act of 13 June 2013 on amendment of the Act on the education system and certain other Acts and the Act of 29 December 2015 on amendment of the Act on the education system and certain other Acts shall be continued, with the aim to systematically increase availability of pre-school education, with the final objective to provide, by 1 September 2017, all children aged 3-6 with a location for delivery of pre-school education in kindergartens and other forms of pre-school education, and by 31 August 2019 also in kindergarten units of primary schools - where the level of fees collected from parents has been limited by the act of law. Since 1

September 2016 a child aged 6 is under obligation to undergo a year long pre-school preparation. This is important in the context of the reinstatement of the compulsory education at the age of 7. Children aged 4 and 5 have the right to pre-school education. Since 1 September 2017 this right will be extended to children aged 3. The place to exercise this obligation and right shall be provided by municipalities.

The fee for using pre-school education in a public kindergarten, other public form of pre-school education or a kindergarten unit of a primary schools in a period exceeding the period of free teaching, education and care designated by the operating authority (not shorter than 5 hours a day) shall not exceed PLN 1 per hour of activities.

#### **Timetable**

- Introduction of the obligation to provide each child aged 3 with a place in a pre-school education institution - **1 September 2017**

#### **Financing**

This task, as own task of territorial self-government units, is financed from self-government budget, and additionally co-financed via a targeted subsidy to municipalities from the state budget in the planned amount of PLN 1.670 billion in 2016 and PLN 1.726 billion in 2017.

#### **Increased accessibility to care for children aged up to 3 years (Ministry of Family, Labour and Social Policy)**

The Ministerial programme for the development of childcare institutions for children aged up to 3 years “Toddler” (“Maluch”) will be continued in 2016 in order to improve the accessibility of places in childcare institutions for children up to the age of three. Moreover in 2016 the implementation of Measure 2.1. *Equality between men and women in all areas, including in access to employment, career progression, reconciliation of work and private life* of the Operational Programme Knowledge Education Development concerning trainings for representatives of local authority units at the gmina level in the scope of childcare for children aged up to 3 years is going to start.

#### **Timetable**

- Settling of the competition (announced in December 2015) in the framework of Ministerial programme for the development of childcare institutions for children aged up to 3 years “Toddler” (“Maluch”) – **1<sup>st</sup> quarter of 2016**
- Announcement and settling of two competitions under Measure 2.1. *Equality between men and women in all areas, including in access to employment, career progression, reconciliation of work and private life* of the Operational Programme Knowledge Education Development – 2016 and following years
- Providing the Council of Ministers with the report from implementation of the Act on care for children under the age of 3 for 2015 – **3<sup>rd</sup> quarter of 2016**

#### **Financing**

Actions of public and non-public bodies in the scope of development of the childcare system for children up to 3 years of age are supported from the state budget resources. In 2016 funds from the state budget planned for the implementation of tasks resulting from the Act on care for children under the age of 3 amounted to PLN 151 million. The total funds planned for the implementation of Measure 2.1 concerning two abovementioned competitions amount to PLN 12.8 million.

## Support aimed at ensuring equal opportunities for men and women on the labour market (Ministry of Family, Labour and Social Policy)

Projects and competitions for ensuring equal opportunities for men and women on the labour market as well as reconciling the family and professional life will be implemented, *i.a.* the Competition for Non-Governmental Organisations' Initiatives.

The project "Family and work pays off" co-financed from the European Commission's funds will be implemented under the European Commission Programme Rights, Equality and Citizenship. The aim of the project is to improve entrepreneurs' and employees' knowledge in the scope of mechanisms (systemic and non-systemic instruments) for reconciling professional and family roles.

In 2016 it is planned to announce a competition under the OP KED Priority Axis 2 *Effective public policies for the labour market, economy and education* – **Measure 2.1 Equality between men and women in all areas, including in access to employment, career progression, reconciliation of work and private life entitled *Implementation of the tool supporting equality between men and women in economic decision-making processes in medium enterprises*, aiming at adjusting the tool developed in the framework of the project entitled "Equality between men and women in economic decision-making processes – a tool for social change", the aim of which is to support enterprises in promoting gender equality on managerial positions in large companies and in enhancing women participation in economic decision-making processes, to specificity of medium enterprises (employing from 50 to 249 employees) as well as testing it in 40 enterprises and implementing it in 360 enterprises.**

### Timetable

- Competition for Non-Governmental Organisations' Initiatives – **until the 4<sup>th</sup> quarter of 2016**
- Implementation of the project "Enhancing professional activity of men and women – Family and work pays off" – from the 1<sup>st</sup> quarter of 2016 **until the 2<sup>nd</sup> quarter of 2017**
- Competition under Measure 2.1 *Equality between men and women in all areas, including in access to employment, career progression, reconciliation of work and private life* of the Operational Programme Knowledge Education Development – **from 2<sup>nd</sup> quarter of 2016** until the 4<sup>th</sup> quarter of 2017

### Financing

	2016			2017		
	total public finance sector spending (in PLN thousand)	of which state budget (in PLN thousand)	of which European fund budget (in PLN thousand)	total public finance sector spending (in PLN thousand)	of which state budget (in PLN thousand)	of which European fund budget (in PLN thousand)
Competition for Non-Governmental Organisations' Initiatives	300	300	0	300	300	0
"Family and work pays off"	645.7	129.1	516.6	183.3	36.6	146.7
Measure 2.1 OP KED	200	31.4	168.6	700	110	590

## Fostering employment of disabled persons (Ministry of Family, Labour and Social Policy)

It is planned to include into the Act on professional and social rehabilitation and employment of disabled persons institutions for supported employment which should contribute to increase the employment level for disabled persons at risk of exclusion and in the most difficult situation on the labour market. Supported employment is to not only constitute a method of introducing disabled

persons on the open labour market, but it will also support their staying in this market. The instrument, as one of systemic solutions, is to support professional activation of disabled persons in the most difficult situation on the labour market, that is the persons whose disability limits completely or significantly the possibility of finding the job and keeping it on their own. The principal function of supported employment will constitute in preparing a disabled employee to perform professional tasks and obligations in the workplace. Actions that will be undertaken in this scope constitute mainly in helping a disabled person to find a potential employer and to establish contact with him, in helping to adapt in a new workplace and in subsequent monitoring of the disabled employee in the place of employment in order to retain the permanent effects of the previously undertaken actions.

#### **Timetable**

Works on the draft act followed by the parliamentary works finalised by adoption of the Act – **until the 2<sup>nd</sup> quarter of 2017**

#### **Financing**

Supported employment will be financed from the State Fund for Rehabilitation of Disabled Persons (PFRON) funds.

#### **Improvement in inter-sectoral mobility of employees (Ministry of Economic Development/Ministry of Family, Labour and Social Policy/Ministry of Agriculture and Rural Development)**

Inter-sectoral territorial mobility will be more significantly included and programmed in a newly created system of strategic documents, the main basis of which is the “Action Plan for Responsible Development of Poland”.

The Partnership Agreement defines the framework for actions in rural areas which focus on development of entrepreneurship and better use of human capital, including occupational reorientation of farmers. It is reflected in actions envisaged in ROP, OP KED and RDP. OP KED and individual ROP include projects in the scope of professional activation, social and professional activation of excluded persons or projects aiming at facilitating returning to professional activity for persons taking care of their children. Among ROP actions supporting the process of change it is worth mentioning *i.a.* outplacement for persons quitting farming who are in possession of an agricultural holding of an area exceeding 2 conversion ha or for members of their families covered by the Agricultural Social Insurance Fund, directed at taking up employment outside farming (i.e. transition from the social insurance system for farmers to general social insurance system).

Actions for improvement in inter-sectoral mobility of employees are continued under the Rural Development Programme for years 2014–2020, where it is envisaged to provide aid to farmers, who will permanently transfer their holdings to other farmers wishing to enlarge their holdings, and in consequence they will cease their agricultural activity. It is also expected that inter-sectoral mobility of employees will be supported through operations of the type “Premium for starting non-agricultural activity”– financing of investments related to starting non-agricultural activity, which will be related to cessation of insurance from the Agricultural Social Insurance Fund.

Also in the framework of LEADER RDP 2014–2020 the sub-measure “Support for Implementation of operations under local development strategies driven by community is planned, which aims at diversifying activities towards non-agricultural activity.

#### **Timetable**

- Work on the document “Strategy for Responsible Development” – **until the end of 2016**
- Actions under OP KED and ROP according to programmes timetables.
- Date of launching RDP operation of the type “Premium for starting non-agricultural activity” – **2<sup>nd</sup> quarter of 2017**

- Date of launching RDP operation of the type “Payments for farmers transferring small holdings” – **1st quarter of 2017** (depending on the accreditation)
- Date of launching LEADER “Support for the implementation of operations under local development strategies driven by community” – **2<sup>nd</sup> quarter of 2016**

### **Financing**

Total allocation for “Premium for starting non-agricultural activity” – approximately EUR 414 million; LEADER “Support for the implementation of operations under local development strategies driven by community” – approximately EUR 735 million; “Payments for farmers transferring small holdings” – approximately EUR 130 million.

Specified amounts concern financing and implementation of objectives defined in RDP 2014–2020 under those operations.

### **Limiting illegal employment through elimination of so called “first day syndrome” (Ministry of Family, Labour and Social Policy)**

An obligation of presenting an employee with a written confirmation of basic arrangements related to concluding an employment contract before he/she is accepted to work will be introduced in the Labour Code. Currently an employment contract should be confirmed with the worker on the first day of his/her work that is to the end of this day. During the Labour Inspectorate control persons without employment contracts are often indicated as persons during their first day of work. According to the National Inspectorate this information is often false.

The envisaged change aims at limiting the scale of employing workers without previously concluding a written an employment contract with them or without the previous written confirmation of basic employment condition and therefore it improves the protection of workers’ rights and prevents illegal employment.

### **Timetable**

Envisaged date of adoption of the act –**2<sup>nd</sup> quarter of 2016**

### **Financing**

This action will not result in any increase in budgetary spending.

## 4.2. R&D expenditure targets

According to the Central Statistical Office data the value of the gross domestic expenditures on research and development (GERD) in 2014 amounted to approximately PLN 16.2 billion, i.e. 12.1% higher than in the previous year. The intensity of R&D works, that is the share of domestic expenditures for research and development works in the GDP amounted to 0.94% (in comparison to 0.87% in 2013). A significant increase in domestic expenditures per year (by 19.7%) was observed in the enterprise sector, where in 2014 expenditures amounted to PLN 7.5 billion. The number of people employed in research and development (R&D) activity in 2014 amounted to 153.5 thousand, that is by 5.4% more than the year before.

In 2014, like in previous years, the public sector participated mostly in the R&D expenditures, however from 2010 this share systematically decreases for the benefit of other sectors, which is in line with the Polish priorities in this respect. . Also the systematic increase in the enterprise sector share in financing R&D activity (BERD) can be observed. In 2014 expenditures from this sector amounted to 39.0% of all expenditures and it exceeded by 1.7 pp the amount from the previous year and by 14.6 pp the amount from 2010.

However in order to reach the national objective and to build sustainable competitive advantages of Polish companies in the international trade, the increase in the expenditures on R&D from the enterprise sector is of the key importance. In all EU countries where R&D expenditures amounted to 1.7% of GDP or higher, the expenditures from enterprises constitute over half of all the R&D expenditures, while in the countries where GERD is over 2.5%, BERD amounts approximately to 2/3 of all expenditures.

Increase in expenditures on R&D, or more broadly, on innovative activity, will not be possible without the enterprises being interested in transition towards the model of creating competitive advantages based on the improved products, services and processes.

Poland is also aware that development of innovative companies means creating for Polish entrepreneurs conditions for increasing the scale of their activity. In the first place this must involve elimination of regulatory and bureaucratic barriers in every-day operations of the Polish enterprises.

Between 2012 and 2014, 18.6% of industrial enterprises and 12.3% enterprises from the service sector introduced innovative activity<sup>15</sup> (compared to 18.4% and 12.8% in the years 2011-2013). In this period 17.5% of industrial enterprises and 11.4% enterprises from the service sector introduced new or significantly improved product or process innovations (compared to 17.1% and 11.4% in the years 2011-2013 respectively)<sup>16</sup>.

The great majority of enterprises which did not implement any innovation in the years 2012–2014 declared that they do not feel such a need (over 70% of industrial enterprises and over 80% of enterprises from the service sector). The remaining enterprises indicated barriers as the reason. The most often quoted innovation barrier is the lack of possibility to finance innovation, both from the domestic enterprise resources and from the external resources, as well as difficulties in receiving public grants or subsidies<sup>17</sup>.

The position of Poland in the innovation ranking is relatively low, however it has slightly improved lately. According to the latest Innovation Union Scoreboard 2015 report, Poland with its summary

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<sup>15</sup> Innovation active enterprise is an enterprise, which in the period under review implemented at least one product or process innovation or carried out at least one innovative project, which was interrupted or abandoned during the period under review (unsuccessful) or was not completed by the end of that period (i.e. is ongoing).

<sup>16</sup> "Innovation activities of enterprises 2012–2014", Central Statistical Office 2015.

<sup>17</sup> Ibidem.

innovation index on the level of 0,313 was among the countries defined as moderate innovators before Romania, Bulgaria, Latvia and Lithuania. This result cannot be considered as satisfactory.

Polish companies still have unused development potential. In order to increase enterprises innovativeness it is necessary to coordinate actions undertaken in different areas. Development of effective policy in the scope of support for innovation requires the overall perspective for all stages of their creation and implementation.

One of the first actions of the new government for this area was the appointment of **Innovativeness Council**, the objective of which is to support entrepreneurs, search for new solutions and initiate actions aiming at development and creation of competitive advantage of the domestic economy. The members of the Council are Minister of Economic Development (Head of Council), Minister of Culture and National Heritage, Minister of Science and Higher Education, Minister of Digital Affairs, Minister of Health, Minister of National Education and Minister of State Treasury.

Actions undertaken by the Innovativeness Council will constitute of projects aiming at concentrating the efforts and means to improve the innovative potential in Poland.

#### Level of expenditure on research and development activities between 2011 and 2020 (% of GDP)<sup>18</sup>

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
% share	0.75	0.88	0.87	<b>0.94</b>	1.02	1.12	1.23	1.33	1.57	<b>1.70</b>

Source: data for 2011–2014 – Central Statistical Office<sup>19</sup>. For years 2015–2020 – MS&HE

#### Main actions undertaken from April 2015

On 5 September 2015 the amendment of act on certain forms of innovative activity support entered into force, which introduced “**credit for technological innovation**”. It is an instrument of financial support the aim of which is to enhance innovativeness and competitiveness of micro-, small and medium enterprises by enabling them the implementation of technological innovations resulting from their own R&D work or R&D works purchased by entrepreneurs in the framework of the project. The support for entrepreneur is in the form of technological premium, which constitutes the repayment of the part of the technological credit granted by the commercial bank for the implementation of technological investment.

From 1 January 2016 a new tax **relief for R&D** is also in place, which replaces the relief for the purchase of new technologies. It envisages the possibility for entrepreneurs to deduct from the tax base within the income taxes particular costs, so called “eligible costs” incurred for the research and development activity. The amount to be deducted cannot exceed the value of 10%, 20% or 30% of eligible costs, depending on their kind.

The works aiming at preparing **accreditation system for business environment institutions providing pro-innovative services** were finalised. In December 2015 the call for proposals for accreditation was launched. Innovation centres which obtain accreditation gain the possibility to start cooperation with SME in the framework of the sub-measure 2.3.1 SG OP. Moreover the recommendations for the entrepreneurial discovery process (EDP) were developed on the central level, *i.a.* through the results of the EDP project carried out by the World Bank commissioned by the former Ministry of Economy. In 2015 the model for monitoring and evaluation of NSS was developed, which will be in place until 2023.

<sup>18</sup> Gross Domestic Expenditures on Research and Development (GERD) in relation to GDP – total value of expenditures allocated for research and development in relation to Gross Domestic Product (source: Central Statistical Office).

<sup>19</sup> Due to the transfer from ESA 1995 methodology into ESA 2010 methodology, data for the years 2011–2012 were changed in relation to those presented in previous versions of the National Reform Programme.

In the 3<sup>rd</sup> quarter of 2015 the 1<sup>st</sup> round of competition for the Key National Cluster status was finalised. As a result 7 Key National Clusters (KNC) were appointed, that is clusters with the highest competitive and innovative potential on the national scale. The appointed KNC may profit from the dedicated Measure 2.3.3 SG OP, which was developed in order to support their international expansion. Preferential points were developed for KNC also under other selected SG OP measures.

On 25 May 2015 r. the amendment of the act on the principles of financing science entered into force, which is targeted *i.a.* at enforcement of internationalisation of Polish science, especially adjusting financing of large research infrastructure to the European Research Area and improvement in procedures and rules for granting financial resources for science.

Research and development programmes and programmes supporting cooperation between science and industry were carried out: 3<sup>rd</sup> competition within STRATEGMED programme, 2<sup>nd</sup> competition under BIOSTRATEG programme, 6<sup>th</sup> and 7<sup>th</sup> competitions under LIDER programme, 3<sup>rd</sup> competition under CuBR programme, 2<sup>nd</sup> competition under DEMONSTRATOR+ programme, 1<sup>st</sup> competition under RID programme.

In June and October 2015 the Council of the National Centre for Research and Development gave the positive opinion about launching of the following sectoral programmes: InnoSBZ – unmanned systems, INNOTEXTILE – textile industry, INNOCHEM – chemical sector, INNOTABOR – innovative rolling stock for passenger, goods and dedicated transport, GameINN – video game production, INNOSTAL – steel sector, PBSE – electrical power engineering, INNOMOTO – motorization, IUSER – power generating smart devices. In 2015 competitions programme under INNOMED and INNOLOT was announced, and in 2016 recruitment for programs INNOCHEM and INNOTEXTILE was opened. Competitions are also planned as part of INNOSBZ, INNOSTAL and GameINN.

Since April till the end of 2015 under the “Programme for support of investments of high importance to the Polish economy for 2011-2020” there were 26 agreements for financial support signed. The total number of the agreements implemented by the end of 2015 amounted to 64 (8 of them are agreements for maintenance of an investment which has already received support). Besides, the grants were paid in accordance with the agreements provisions. In accordance with the programme the agreements could be concluded only before the end of 2015, however the grants will be paid until the end of 2020. At present, the possibilities for an extension of the support period and the programme budget increase are examined.

On 23 December 2015 the final implementation protocol was signed in connection with the completion of the project “Foresight National Programme - implementation of results”.

The programme “R&D large voucher”. Within the framework of the 3d programme edition PARP settled the accounts for over 100 payment requests and paid PLN 4.3 million in total by 31 December 2015. The support let the entrepreneurs to provide services that consisted in elaboration of a new product, new design, new production technology or in a significant improvement in a product or production technology.

Furthermore, in the third quarter of 2015 a competition was held under sub-measure 2.3.2 Innovation vouchers for SMEs in the framework of SGOP. Under the 1st competition 561 applications for financing were submitted through the application generator for a total amount of about 130 million. The evaluation results will be published in the first half of 2016.

Simultaneously, in 2015, the 4th edition of the programme “Support for obtaining grant” was carried out for which 23 agreements for support were concluded for an amount of PLN 912 thousand.

Under the Top 500 Innovators programme agreements were concluded with Stanford University, University of California, Berkeley (USA) and University of Cambridge (Great Britain), as well as 180 agreements with the programme participants. In total 180 Polish academics and employees of the technology transfer centres have participated in the programme at these universities since April 2015. The evaluation of Top 500 Innovators programme was carried out.

On 30 September 2015 implementation of [the Innovation Brokers programme was completed](#). The innovation brokers – as a part of their activity – were to provide support to the basic organisational units of a university in the area of cooperation contacts between the research community and economic environment. Transfer of the research results of the university to the economy was an important task. The innovation brokers identified the research projects of high commercial potential, developed and maintained the networks between the research community and economic environment. During the project implementation the innovation brokers organised meetings of the research and economic environment representatives while preparing the portfolio of research projects of high implementation capacity. They also initiated the process of *spin-offs* establishment and participated in license agreements or other forms of cooperation between the research community and economic environment representatives. There were 61 license agreements concluded and 12 *spin-offs* established with the framework of the programme.

### **Main actions planned for 2016-2017**

#### **Preparation of the innovation acts (Ministry of Science and Higher Education/Ministry of Economic Development/ Ministry of Finance)**

The planned legislative amendments are intended to stimulate and develop innovation through the elimination of administrative barriers and introduction of additional incentives, including the fiscal ones. The new regulation will result in the possibility of creating a comprehensive system to support innovation at the various stages of innovation development.

The action will include the following:

- adoption of the act amending certain acts establishing the conditions for innovative activity (referred to as “small act on innovation”) and implementing the changes for the entrepreneurs running research and development business.
- elaboration of “white paper on innovation” - a review of legislation and regulations perceived as barriers to innovation, based on the consultations with the research community and entrepreneurs.
- elaboration of so-called “large act on innovation” which is intended to introduce comprehensive solutions in respect of innovation stimulation and development.

#### **Timetable**

- adoption of the act amending certain acts establishing the conditions for innovative activity by the Parliament – **3d/4th quarter of 2016.**
- elaboration of “white paper on innovation” – **2nd/3d quarter of 2016.**
- elaboration of the draft “large act on innovation” – **4th quarter of 2016.**

#### **Financing**

This action will have no adverse financial impact on public finance sector in 2016.

#### **Programme “Start in Poland” (Ministry of Economic Development)**

START IN POLAND programme is an initiative of the Ministry of Development, dedicated for start-ups. It will allow the start-ups to develop based on the needs of State-owned enterprises (SOE) and private Polish corporations with their financial and technical support.

Implementation of the programme implies a wider opening of SOEs to the innovation, among others through appointment of persons responsible for innovation at the level of Management Board member of selected SOEs, and first of all through informed investments in the innovation projects implemented by Polish start-ups.

The role of Polish corporations will consist not only in providing investment capital, but first of all in providing adequate resources (knowledge, infrastructure) necessary for dynamic development of start-ups. Each corporation participating in the programme will act as a trade partner, i.e. it will bear responsibility for a specific market sector and will take the specific companies from the fund portfolio under its “wing”. Such approach allows to minimize the investment risk, to conduct fast and transparent investment process, and, in the first place, to implement the innovative product or services into the industry while ensuring significant competitive edge to the project participants.

Within the framework of the programme an investment vehicle will be established with a financial envelope derived from the private funds received from large enterprises. Thus, the projects that would emerge in response to the specific needs of large enterprises could be continued within the framework of investments undertaken by a specially created fund.

In consequence, access to the potential of State-owned companies’ globalisation of activities, implementation of concepts and ideas realised by start-ups in the State-owned companies will allow the start-ups to develop and raise the level of their innovativeness.

**Timetable** The launch of ‘Start in Poland’ Programme – 2<sup>nd</sup> half of 2016

### **Financing**

The funds for the programme will come from European funds and the SOE’s resources.

### **Guarantee Fund for SMEs innovation development (Ministry of Economic Development /Bank Gospodarstwa Krajowego)**

Guarantee Fund for SMEs innovation development under the Innovative Economy Operational Programme is intended to support the development of innovative enterprises in the SME sector, based on the use of repayable instruments. This is the first innovation support guarantee programme. The responsibility for the instrument implementation is borne by Bank Gospodarstwa Krajowego which is to provide the SME entrepreneurs with a product in the form of a guarantee based on the proven formula of de minimis aid. The commercial banks interested in the guarantee instrument may apply for guarantee portfolio limit to the Bank Gospodarstwa Krajowego for the innovative entrepreneurs in the SME sector.

The assumed benefits for SMEs: better accessibility of the commercial credits for innovative activity, easier access compared with the support in the form of subsidies and faster decision path, lack of commission and guarantee up to 60% of the credit capital.

### **Timetable**

- Agreements on cooperation with the crediting banks concluded – **1st quarter 2016.**
- Start of guarantee provision – **2d quarter of 2016.**
- End of eligibility period for guarantees – **4th quarter of 2016.**

### **Financing**

This instrument has no adverse financial impact on public finance sector in 2016 and 2017 since the funding of Guarantee Fund was supplied in total in 2015.

### **Financial support for development of research and development and innovative activities of enterprises (Ministry of Economic Development / Polish Agency for Enterprise Development)**

In 2016 a second competition is planned under sub-measure 2.3.2 Innovation vouchers for SMEs in the framework of SGOP. The programme is intended to stimulate the cooperation of researchers and entrepreneurs based on financing of the services addressed to micro -, small and medium enterprises and implemented by research unit in order to contribute to the development of the products of these enterprises (goods or services). Under this action a support will be granted for purchase of a service consisting the following:

- development of a new or significantly improved products, a new or significantly improved production technology, a new design;
- development of a new or significantly improved service.

The next round of the financial instrument – Loan Fund for Innovation Support – implemented since 2013 will be opened, which is addressed to micro- and small enterprises to allow their transition from start-up stage to growth stage. Preferential interest loans will be granted from the Fund to the enterprises which have been unlisted during up to 55 months from their registration, which have not distributed the profits and were not established as a result of merger. The Loan Fund will require the private capital to be involved in the form of a signed investment agreement which commits the capital investor – Business Angel or venture capital fund – to make inject into the enterprise an amount of a specific proportion in relation to the loan applied for. The loan will range from PLN 200 thousand to PLN 2 million in case of VC Fund, and from PLN 200 thousand to PLN 1 million in case of Business Angels.

#### **Timetable**

- Sub-measure 2.3.2 Innovation vouchers for SMEs in the framework of SGOP: 2nd competition – **until the 2nd quarter of 2016.**
- Start up of the call for proposals for the Loan Fund for Innovation Support – **2nd quarter of 2016.**

#### **Financing**

The planned allocation for co-financing of the projects under “Innovation vouchers for SMEs” in 2016 amounts to PLN 62.5 million.

PARP intends to earmark about PLN 100 million for the Loan Fund for Innovation Support in 2016. In 2017 the financing instrument will be continued from funds of the Smart Growth Operational Programme and the actual allocation for 2017 will be estimated based on the demand for instrument in 2016.

#### **Strengthening of the system of services provided by the innovation centres to the SMEs (Ministry of Economic Development/Polish Agency for Enterprise Development)**

In order to use effectively the innovation centres in Poland, with particular focus on acceleration of their professional development and effective functioning, the actions for accreditation of the business environment institutions (BEI) providing pro-innovative services will be continued in 2016. The entrepreneurs interested in the mentioned services may select service providers from the list for accredited BEIs and use their pro-innovative services.

Due to the current multitude of BEI support instruments, relevant governing principles and different level of BEI maturity, BEIs operated based on the implementation of individual actions associated merely with establishment and development of such institutions instead of the function they fulfil in the National Innovation System. Therefore, there is an urgent need for professionalization of BEIs in Poland to improve continuously the quality of their functioning and competence development in the area of services they provide to the enterprises. The systemic measures taken in this respect will contribute to the improvement in innovative environment of enterprises in Poland and to the enhancement of competitiveness of Polish economy.

Co-financing under the project “Proinnovative BEI services for SMEs” may be applied for by small and medium enterprises which implement innovative products or technological processes. The following will co-financed under the project:

- advisory services in the area of innovation (consultancy, assistance and trainings related to knowledge transfer, purchase and protection of intangible and legal values and their use, use of standards and regulations in which they are embedded);

- advisory services in the area of innovation and innovation supporting services (access to office space, data banks, libraries, market research, laboratories, marking, testing and quality certification to develop more effective products, processes and services).

Under the instrument 2636 pro-innovative services will be provided which will result in implementation of at least 2636 technological innovations.

#### **Timetable**

- Continuation of the accreditation of business environment institutions which provide pro-innovative services – **until the 4th quarter of 2016.**
- Implementation of competition within sub-measure 2.3.1 „Proinnovative services of business environment institutions for MSP" – **up to the 1st quarter of 2017.**

#### **Financing**

The financial consequences of Sub-measure 2.3.1 „Proinnovative services of business environment institutions for MSP" are estimated at about PLN 1.3 million in 2016 and about PLN 16 million in 2017. These expenditures will be entirely covered from the European funds.

#### **Implementation of the support programmes for implementation of innovative environmental technologies (National Fund for Environmental Protection and Water Management)**

The “Sokół” (“Falcon”) programme to be implemented is focused on the implementation of innovative environmental technologies intended to reduce the impact of plants/facilities/equipment on the environment and to use or produce the technologies which compatible with at least one area of the National Smart Specialisations in respect of sustainable energy (KIS7) as well as natural resources and waste management (National Smart Specialisations 11 and 12)

The program will consist in the implementation of measures intended to launch the production of a new or modernized product/technology, or new or significantly improved technology that help increase efficiency of the use of natural resources, reduce human adverse impact on the environment or strengthen the resilience of economy against environmental pressures. The projects must be innovative at least at the national level.

#### **Timetable**

Planned date of notification of the call for proposals: 2nd/3d quarter of 2016. Call for proposals will be carried out on an ongoing basis.

#### **Financing**

The budget allocated for the programme objective implementation amounts to PLN 1 billion. The programme will be implemented throughout the years 2015-2023. The financial consequences of the Programme are estimated at about PLN 30 million in 2016 and about PLN 90 million in 2017.

#### **Support for cluster development - Key National Clusters (Ministry of Economic Development / Polish Agency for Enterprise Development)**

The Key National Cluster is a cluster of significant importance for the national economy and highly competitive internationally. The key national clusters are identified at the national level, using criteria such as critical mass, development and innovation potential, current and planned cooperation as well as coordinator’s experience and potential. The process of cluster evaluation and granting Key National Cluster status assumes choosing such entities from the clusters currently operating in Poland that display substantial potential for the development of Polish economy and are competitive in international terms. The KNC status is awarded through a competitive process.

Under this measure a sub-measure intended to increase internationalisation of enterprises operating within the Key National Clusters will be implemented. Co-financing will be granted for the projects submitted by the cluster coordinators under this sub-measure and related to the services for cluster

members, consisting in networking, exchange of knowledge with foreign partners, international cooperation, increasing the visibility of the cluster on international markets.

#### **Timetable**

- Planned date of Key National Clusters selection under the 2nd round of the competition – **2nd/3d quarter of 2016.**
- Planned date of Key National Clusters selection under the 3d round of the competition – **2nd/3d quarter of 2017.**
- Implementation of five stage of the 1st competitions for Sub-measure 2.3.3 “Internationalisation of Key National Clusters” - **by the 2nd quarter of 2017.**

#### **Financing:**

Financial consequences under sub-measure 2.3.3 “Internationalisation of Key National Clusters” for 2016/2017 are estimated at about PLN 22.5 million/year.

#### **R&D programmes and science and industry cooperation support programmes (Ministry of Science and Higher Education/ The National Centre for Research and Development)**

The National Centre for Research and Development (NCBR) will continue to implement programmes that support applied research and development as well as commercialisation and other form of R&D transfer into the economy. In the second quarter 2016 based on the National Research Programme the subsequent competitions under the programmes “Natural environment, agriculture and forestry – BIOSTRATEG” will be realised.

In the framework of B&R support a relevant programme for the non-ferrous metal (CuBR) industry will be continued.

Continuation is granted for the programme for enhancing the competences of young scientists in the area of independent planning, management and own research team leading (LIDER) and the program DEMONSTRATOR mainly intended to strengthen the transfer of research results into the economy by supporting projects aimed at developing new technology or product comprising tests of the design to demonstration scale.

Furthermore, the Operational Programme Digital Poland E-Pionier Programme is planned to be launched - it provides for financing the solutions in the model of pre-commercial orders.

#### **Timetable**

(The starting date of the call for proposals for funding, as of April 19, 2016).

##### Strategic R&D programmes

- TECHMATSTRATEG: implementation of the 3d competition – **2nd quarter of 2016**
- BIOSTRATEG: implementation of the 3d competition – **2nd quarter of 2016**

##### R&D support programmes:

- LIDER: implementation of the 7th competition – **1st quarter of 2016**
- LIDER: call for proposals under 8th competition – **1st quarter of 2017**
- CuBR: implementation of the 3d competition – **1st quarter of 2016**

##### Programmes supporting commercialisation and other form of R&D transfer into the economy:

- DEMONSTRATOR: implementation of the 2nd competition – **1st quarter of 2016**
- DEMONSTRATOR: call for proposals for the 3d competition – **2nd quarter of 2016**
- E-Pionier DP OP: call for proposals – **2nd quarter 2016**

## **Financing**

Allocation under the 3d competition for CuBR programme amounted to PLN 108 million and was provided in equal parts by NCBR and KGHM.

In case of the BIOSTRATEG programme, the allocation for competition amounted to PLN 200 million.

In case of the LIDER programme, the allocation for competition amounts to a total of PLN 80 million.

Within the DEMONTSTRATOR programme the allocation equals 500 million PLN for every competition and PO PC e-Pionier - the allocation for the pilot competition equals approx. PLN 50 million.

## **The development of the sectoral programmes for key industries (Ministry of Science and Higher Education/ The National Centre for Research and Development /Ministry of Economic Development)**

Sectoral programs are programmes which finance R&D works in enterprises in a given sector of the economy, set up as a response to the needs of the representatives of the environment - affiliated entrepreneurs operating in a given sector.

In the framework of sectoral programmes the calls for applications for funding the R&D projects, compatible with the research agendas identified in the programmes are announced. The calls are open to all entrepreneurs, including those operating in consortia, involving actors of a given sector (i.e. not only for those members within the entity submitting the proposal to establish a programme).

In order to prepare the programmes that will best fulfil the expectations of a given sector, it is necessary to identify the needs and the R&D potential as well as the innovative potential of individual economy sectors.

We will continue to carry out competitions within the framework of sectoral programmes called INNOLOT (industrial research and development activity for the aviation industry) and INNOMED (industrial research and development activity as well as preparatory activities for the implementation of innovative medicine).

Apart from the continuation of the established programmes, National Centre for Research and Development has started the competition entries within new sectoral programmes: INNOCHEM for chemical industry and INNOTEXTILE for textile industry.

INNOCHEM sectoral programme aims at financing industrial research and development work of innovative solutions for the aviation industry. It is the result of the positive assessment of the feasibility study of the sectoral programme INNOCHEM, which was submitted to the NCRD by the Polish Chamber of Chemical Industry. NCRD's budget devoted to financing projects selected in the first competition equals 120 million PLN. INNOCHEM is addressed to entrepreneurs or the consortia of enterprises.

The National Centre for Research and Development has also started the competition entries within the sectoral programme INNOTEXTILE which aims at financing the industrial research and development works of innovative solutions for textile industry. It is the result of the positive assessment of the feasibility study of the sectoral programme INNOTEXTILE, which was submitted to the NCRD by Federation of Apparel & Textiles Industry Employers (PIOT).

In addition, in June and October 2015 the Council of the National Centre for Research and Development issued a positive opinion on the introduction of the next sectoral programmes: InnoSBZ – unmanned systems, INNOTABOR – innovative rolling stock for passengers, cargo and specialized, GameINN – video game production, INNOSTAL – steel sector, PBSE – electrical power engineering, INNOMOTO – motorization, IUSER – power generating smart devices, the implementation of which is planned for the years 2016/2017.

### Timetable

- Implementation of the II competition within the sectoral programme INNOMED – **from 3rd quarter of 2016**
- Implementation of the I competition within the sectoral programme INNOCHEM – **from 1st quarter of 2016**
- Implementation of the I competition within the sectoral programme INNOTEXTILE – **from 2nd quarter of 2016**
- Implementation of the I competition within the sectoral programme InnoSBZ – **from 2nd quarter of 2016**
- Implementation of the I competition within the sectoral programme INNOSTAL – **from 2nd quarter of 2016**
- Implementation of the I competition within the sectoral programme GameINN – **from 2nd quarter of 2016**

### Financing

Co-financing within the II INNOMED competition equals approx. PLN 57 million.

Allocation of the 1 INNOCHEM competition equals PLN 120 million.

Allocation of the 1 INNOTEXTILE competition equals PLN 60 million.

Allocation of the 1 InnoSBZ competition equals PLN 50 million.

Allocation of the 1 INNOSTAL competition equals PLN 120 million.

Allocation of the 1 GameINN competition equals PLN 80 million.

Financial resources will be entirely derived from the budget of Innovative Economy Operational Programme 2007-2013

### Supporting projects within areas and technologies of the greatest potential for growth (Ministry of Economic Development)

Actions will be carried out which relate to the implementation, monitoring and evaluation of the National Smart Specialisation (NSS), indicating endogenous potential of the Polish economy which will be aiming at the support within the new financial perspective 2014-2020 in the area of R&D&I.

The essence of monitoring and evaluation of NSS will be the collection, development and processing of information, which are useful in the management of NSS. The monitoring process will involve the systematic observation of changes taking place within individual specialisations at national and regional level as well as within the objectives determined for NSS. The process of entrepreneurial discovery will make it possible to verify and update the list of R&D&I (National Smart Specialisation).

Moreover, the recommendations for the entrepreneurial discovery model will be implemented on the central level, among others through the results of the EDP project carried out by the World Bank commissioned by the former Ministry of Economy.

In view of the need to monitor global technological trends, the need to use good practices of enterprises and of other countries in the field of internationalization and the creation of international cooperative relations and identify the Polish success stories in global markets, Ministry of Development will continue actions included in the project "InSight2030 into Silicon Valley" as well as the cooperation with Polish office of Silicon Valley Acceleration Centre (SVAC).

The above mentioned activities will allow to regularly update the identified National Smart Specialisations adding the emerging Polish technological niches, the actual successes of Polish enterprises on foreign markets and adjusting R&D works to changing global trends in the field of technology and development.

### Timetable

- The implementation of the monitoring and evaluation process of NSS – **I quarter of 2016**
- The execution of an ex-ante evaluation within NSS – **IV quarter of 2016**

- The implementation of project concerning the analysis of global development trends in the Silicon Valley – **II quarter of 2016**
- The development of the cooperation model within EDP and national smart specialisations for each of 16 regions, based on its specification as well as the regional EDP – **III quarter of 2016**
- Updating and verification of National Smart Specialisations – **continuous operation**

### **Financing**

Funds from the Smart Growth Operational Programme 2014-2020 addressed at projects connected with the National Smart Specialisation equal approx. EUR 6.1 billion. By contrast, the system of monitoring and evaluation of NSS will receive EUR 13 million.

### **“From concept to commercialisation” – a series of training sessions on the protection of intellectual property addressed to youth and entrepreneurs (Patent Office of the Republic of Poland)**

The awareness of the importance of intangible assets, their adequate protection, as well as the effective combating of infringements of exclusive rights is extremely important from the perspective of conducting business activity in the economy based on knowledge and innovation. This awareness allows using the protection of intellectual property as a tool for gaining competitive advantage and measurable benefits. It provides for the possibility of an effective protection of the rights of third parties fostering the culture of respect for the effects of someone else’s creativity in society. As such it is vital to disseminate the knowledge on intellectual property among different age and social groups. Bearing that in mind the Patent Office of the Republic of Poland developed the concept of training sessions “From concept to commercialisation”, addressed to youth and entrepreneurs.

Two such sessions will be organised as a part of the 10th International Warsaw Invention Show IWIS 2016. The training courses will concentrate on the selected aspects of intellectual property protection, including industrial property (characteristics of individual industrial property objects and their respectively awarded exclusive rights, the procedure regarding obtaining the protection, technology transfer tools, e.g. licenses, etc.) and management of intangible goods (issues concerning building the competitive advantage on the market based on innovation, valuation of intellectual property, legal and practical aspects of the commercialization process etc.).

Two consecutive sessions, addressed to school children, will take place in the first quarter of 2017. During these courses, their participants will become familiar with the basic principles of the protection of intellectual property, will meet young inventors who have succeeded commercializing their solutions and will take part in workshops on entrepreneurship conducted by a start-up representative.

### **Timetable**

- conducting two training sessions within the International Warsaw Invention Show IWIS 2016 and developing post-training materials, available in an electronic version on the website of the Patent Office – **4th quarter of 2016**
- conducting two training sessions for youth and developing post-training materials, available in an electronic version on the website of the Patent Office – **1st quarter of 2017**

### **Financing**

The overall cost of the series of training courses amounts to PLN 67 thousand, including approx. PLN 52 thousand in 2016 and PLN 15 thousand in 2017.

### **The reform of an examination procedure regarding trademark applications - introduction of an opposition system and change of trademark and industrial design (Patent Office of the Republic of Poland)**

On 15 April, 2016 the amendment of 11 September 2015 of the *Industrial Property Law* came into force; it simplifies the procedure of examining trademark applications and brings it more in line with

the standards of the EU law. According to the new system (opposition system) the registration of trademark will take no more than half the time it required under the previous system.

Moreover, a draft regulation has been prepared providing for the change of fees for filing a trademark application with simultaneous reduction of a fee for registering trademark in one class of goods, as well as reduction of fees for the protection of industrial designs for the first two protection periods lasting five years each.

The proposed changes aim at increasing the availability of the trademarks and industrial design, protection thus contributing to the competitive growth and boosting the innovation. At the same time they intend to enable protection of both trademarks and industrial designs at the national level by companies, which, taking into account the current fees, cannot afford such a protection, or due to economic reasons, protect only a small portion of their trademark and design portfolio present on the market. The level of fees greatly determines a decision, especially in the case of micro as well as small and medium-sized enterprises, whether the trademark or an industrial design should be filed for protection.

#### **Timetable**

- the adoption of the Regulation of the Council of Ministers on fees relating to the protection of inventions, utility models, industrial designs, trademarks, geographical indications and topographies of integrated circuits – **3rd quarter of 2016**

#### **Financing**

Financial impact of the adoption of the above Regulation is estimated to be approx. PLN 1.6 million yearly, defined as a decrease in state budget revenues.

### 4.3. Energy targets

Modernisation, reconstruction and expansion of the energy infrastructure is the key issue to ensure the stable development of Polish economy while achieving the “20/20/20” target of the Europe 2020 strategy, identified for the whole UE in the field of energy and environment. Poland has adopted the reduction of primary energy consumption as a method and indicator of fulfilling the threefold objective. Such reduction of consumption is not only connected with decarbonising the economy, but also with improving the energy efficiency, under conditions of economic growth. This effect will be reinforced by the increase in the share of energy consumption from renewable sources.

According to the assessments published among others by the European Commission, Eurostat and European Environment Agency, Poland has a chance to implement the specified national targets of Europe 2020 strategy in the field of energy and climate. With a permissible increase in greenhouse gas emissions in sectors not covered by the EU ETS by 14% by 2020 compared to the level of 2005, according to the arrangements of the EU (so-called *Effort Sharing Decision*), the estimated increase in 2014 amounted to 7.5%. Taking into account the assumed share of renewable energy in the final energy consumption of 15% for 2020, this share amounted already 11.4% in 2014 (an increase of 2.7 pp compared to 2009). Moreover, the adopted objective regarding the energy efficiency, i.e. the reduction of primary energy consumption to the level of 96.4 Mtoe in 2020, is successfully implemented – in 2013 this consumption amounted to 93.0 Mtoe and in 2014 – 89.1 Mtoe.

#### Projected cumulative primary energy savings (Mtoe) in 2010–2020<sup>20</sup>

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
(Mtoe)	0.58	0.84	1.21	1.74	2.51	3.62	5.25	6.65	8.44	10.7	13.6

Source: Ministry of Economy

From the Poland’s point of view, activities aiming at supporting enterprises, contributing to increasing competitiveness of the European industry, also play an equally important role. Therefore, the guiding premise of the discussion on the framework of the climate-energy and industrial policy should be a balance between three elements: environmental protection, protection of industrial competitiveness and energy security. Supporting of economic growth and employment in Europe should be the indispensable part of this discussion. Climate-energy policy of the EU must not contribute to the crowding-out of the industry from EU. It is equally crucial to provide for the social aspect of implemented policies.

Infrastructure investments will be supported among others within “[Polish Investments](#)” programme. In addition, in order to facilitate the investment process a comprehensive regulation of a code nature taking into consideration, among others, the earlier works on the Act on strategic public investment, will be prepared.

[Improvement in the energy efficiency](#) will be supported by the new law frameworks developed within the Act on energy efficiency. Energy efficiency in the construction sector will be improved by implementing instruments included in the Act on the energy performance of buildings, technical and construction regulations in relation to energy efficient buildings, which will be subject to gradual changes till 2021, in compliance with the adopted timetable included in this Act, and support from national and European resources for the construction, modernisation or thermomodernisation of buildings. The development of installations applying renewable energy sources (RES) will be supported by instruments provided for in the new Act on renewable energy sources and by project measures. Infrastructure investments in the energy sector will be supported among others within “[Polish Investments](#)” programme.

<sup>20</sup> The procedure established in accordance with the Article 3(1) of Directive 2012/27/EU of the European Parliament and of the Council of 25 October 2012 on energy efficiency, amending Directives 2009/125/EC and 2010/30/EU and repealing Directives 2004/8/EC and 2006/32/EC. The values refer to primary energy savings compared to projected consumption without action (*no policy change scenario*).

## Main actions undertaken from April 2015

On 9 September 2015 an [Act from 12 June 2015 on the greenhouse gas emission allowance trading scheme came into force](#), implementing among others the Directive 2009/29/EC of the European Parliament and of the Council of 23 April 2009 amending the Directive 2003/87/EC so as to improve and extend the greenhouse gas emission allowance trading scheme. Owing to transposition of the legislation of the European Union to the national law regime, Polish entities covered by the scope of this regulation are ensured about their participation in the system on the same principles as in the case of entities covered by the system in other member states.

In 2015 works on [the draft Act on strategic public investments](#) were conducted. The objective of this Act is the integration of procedures concerning the preparation and implementation of investments, including those in the applicable special investment acts and application of these procedures in relation to electricity transmission networks and investments representing projects of common interests, referred to in Regulation of European Parliament and of the Council 347/2013. The proposed solutions were designed to implement critical infrastructure investments in the European 2014-2020 programming period. The scope of the proposed regulation phase included the location of investment, the acquisition of property rights, as well as the construction process, predicting among others the integration of investment decisions in the framework of an integrated decision, similar to the current functioning of the decision authorizing the implementation of road investment. The proposal provided also for the introduction of mechanisms to strengthen the spatial order, such as the obligation to conduct negotiations with gminas concerning the progress of the investment and its technical solutions, as well as the duty of the subsequent adjustment of local spatial development plans. Works on the draft Act reached the level of inter-ministerial arrangements and public consultations which was conducted in July 2015. Following the establishment of the new Council of Ministers the inclusion of this issue into the scope of the comprehensive regulation of a code nature regarding the investment and construction process, which will be prepared in the Ministry of Infrastructure and Construction, was decided.

Due to the prolonged work on the abovementioned Act on strategic public investments, parallel in 2015 the works on the special urgent regulation regarding the electricity transmission networks were initiated. As a result of these works, on 15 September 2015 [an Act from 24 July 2015 on preparation and implementation of strategic investments concerning transmission networks](#) came into force. The basis for the preparation of the Act was the European Union legislation, which imposed on Poland numerous responsibilities regarding strengthening the security of electricity transmission and integration of power systems in the framework of the development of trans-European energy networks (TEN-E). The Act ensures that significant investments in energy sector, in particular, investments which are projects of common interest (PCI), will benefit from priority, accelerated path as regards obtaining decisions and permits necessary for the implementation of these projects. At the same time the Act, as a regulation of an extraordinary nature, is temporary (until 2025) and concerns 23 strategic investments in relation to transmission networks designated by name in the annex to this Act. The implementation of all these investments is necessary, among others, due to relevant responsibilities regarding strengthening the security of electricity transmission imposed on Poland, integration of power systems, co-establishing of a liberalized market of power transmission as well strengthening the competitiveness in electricity sector.

Within the implementation of Polish Nuclear Power Programme, on 16 October 2015 Council of Ministers adopted a national plan for dealing with radioactive waste and nuclear fuel. Due to the necessity of some activities being moved in the Programme timetable, the works on changing the concept of development of the Plan for human resources development for the purposes of the nuclear energy were carried out. Moreover in 2015 the works on development of the programme for support of Polish enterprises in preparations for participation in construction of nuclear energy objects were carried out.

On 4 May 2015 [the Act of 20 February 2015 r. on renewable energy sources](#) entered into force. On 29 December 2015 the Sejm of the Republic of Poland introduced an amendment to the Act, postponing by 6 months, i.e. until 1 July 2016, the entry into force of the provisions of the RES Act, which were to enter into force on 1 January 2016. These provisions concern especially the launching of the auction system for energy purchase from the renewable energy sources installations and mechanisms supporting energy production in micro-installations of the joint power not exceeding 10 kW. This additional *vacatio legis* is to enable: 1) carrying out an additional impact assessment of this regulation and introduction of mechanisms enabling the bankruptcy of currently functioning agricultural biogas plants being avoided and their further development; 2) preparing of necessary regulations in the scope of rules for localisation and construction of wind power stations on land; 3) finalising investment processes, which could not be finalised by the end of 2015 due to reasons beyond the control of investors.

Pursuant to the Act of 29 August 2014 r. on energy performance of buildings, in 2015 the “[National Plan to increase the number of low-energy buildings](#)” was developed. The Council of Ministers adopted the resolution on the adoption of this Plan on 22 June 2015, and it entered into force on 17 July 2015.

Moreover in 2015 the works on the [draft Act on energy efficiency](#) were continued. The project aims at *i.a.* implementation of provisions of Directive 2012/27/EC of the European Parliament and of the Council of 25 October 2012 on energy efficiency, amending Directives 2009/125/EC and 2010/30/EU and repealing Directives 2004/8/EC and 2006/32/EC. Following the public consultation and inter-ministerial arrangements in 2014, the subsequent versions of the draft Act were discussed by the Standing Committee of the Council of Ministers on 19 March 2015, 11 June 2015 and for the last time on 7 January 2016, when the Committee of the Council of Ministers adopted the draft Act and recommended it to the Council of Ministers. The Council of Ministers accepted the draft Act at the meeting held on 23 February 2016. The draft law on 14 April 2016 was submitted to the Sejm for further legislative work.

In addition the actions concerning [supporting investments in energy efficiency and renewable energy sources](#) were carried out on an ongoing basis under the programmes of the National Fund for Environmental Protection and Water Management and the Bank Gospodarstwa Krajowego.

In the 2<sup>nd</sup> part of 2015 the process of identification of [investment projects in the scope of energy security](#) has been launched, the aim of which is to introduce initially verified projects into the List of Identified Projects of the Operational Programme Infrastructure and Environment 2014–2020. Until the end of 2015, 30 projects were identified in this area.

## **Main actions planned for 2016-2017**

### **Fostering development of energy infrastructure by providing co-financing in cooperation with private entities under the “Polish Investments” Programme (Ministry of Treasury)**

Under the “Polish Investments” Programme, via Bank Gospodarstwa Krajowego and specially established for this purpose society Polskie Inwestycje Rozwojowe S.A. (PIR S.A.)<sup>21</sup>, the infrastructural investments in Poland are co-financed with private entities, including also investments in the scope of energy production and distribution.

The agreements were concluded concerning investments carried out *i.a.* by the following societies from the energy sector: PGE Polska Grupa Energetyczna S.A., TAURON Polska Energia S.A., ENEA S.A. and Puławy Power Plant.

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<sup>21</sup> currently, Polski Fundusz Rozwoju SA – PFR S.A.

As exemplary projects which are organised and which will be carried out and financed with participation of PFR S.A. one may indicate:

- construction of power unit with a capacity of 413 MW in Łagisza power plant in Będzin – on the basis of the agreement with TAURON Polska Energia S.A.; the value of the undertaking will exceed PLN 1.5 billion, and the share of PFRS.A. will amount to PLN 750 million; the unit will start operation in the mid-2019;
- construction of CHP gas plant in Toruń with capacity of 390 MWt and 90-110 MWe in cooperation with EDF Polska S.A.; the value of the undertaking will amount to approximately PLN 568 million, including the share of PIR S.A. of maximum value of PLN 284 million;
- project by the Miejskie Przedsiębiorstwo Energetyki Ciepłej in Olsztyn Sp. z o.o. of construction of installations for the incineration of municipal waste and modernisation of existing coal heating plant Kortowo; the value of the project is estimated at PLN 535 million, the maximum amount of the PFR investment via Local Government Investment Fund is PLN 97 million;
- project of installation for propylene production through propane dehydrogenation (PDH) – based on the cooperation agreement signed on 19 May 2015 r. with Azoty Police Group and Azoty ZAK Group. The total value of the project is estimated at PLN 1.7 billion. The project involves also renovation/development of an existing energy and heat source for the needs of PDH installation. Pursuant to the agreement signed, PFR will be the preferred investor in a special purpose vehicle (SPV) established for the investment implementation. The share of PFR in the investment is at least 25% of the target equity financing. Finalisation of investment and entry into operation is planned for 2019.

Bank Gospodarstwa Krajowego envisages for 2016–2017:

- organising the financing for Puławy power plant – the estimated project value amounts to PLN 1.1 billion.

#### **Timetable**

- Łagisza power plant in Będzin – launching of the project financing – **3<sup>rd</sup> quarter of 2016**
- CHP gas plant in Toruń – envisaged finalisation of investment and entry into operation – **2<sup>nd</sup> quarter of 2017**
- Miejskie Przedsiębiorstwo Energetyki Ciepłej in Olsztyn – envisaged date of signing investment agreement – **2<sup>nd</sup> quarter of 2016**
- installation for propylene production through propane dehydrogenation project – launching of project financing – **2<sup>nd</sup> quarter of 2016**
- Puławy power plant – envisaged date of finalising transaction – **2<sup>nd</sup>/3<sup>rd</sup> quarter of 2016**

#### **Financing**

Estimated value of the abovementioned projects in energy sector amount to PLN 5.4 billion. The investments will be carried out with the financial engagement of BGK, PFR S.A. and partners.

#### **Nationwide system of advisory support for public, residential and enterprise sectors in the scope of energy efficiency and RES (National Fund for Environmental Protection and Water Management )**

Energy efficient and low carbon economy in Poland, despite numerous studies and concepts, is not adjusted for planning, which is necessary for the development of framework for organised management of national and EU funds in order to build energy efficient economy model targeted at innovation and to stimulate change resulting in transformation of Polish economy towards low carbon economy, while maintaining the sustainable development rules.

This is why Ministry of Economic Development, Ministry of Energy and National Fund for Environmental Protection and Water Management came up with an initiative to establish a

nationwide network of advisors including groups of advisors providing services in given voivodeships. The advisory support will be provided to public institutions, entrepreneurs, housing communities and residential condominiums as well as natural persons. Different forms of advisory services are envisaged in order to enhance the social awareness for the benefit of low carbon economy.

The measurable motivating power for the project is to prepare technical assumptions and to verify low carbon economy plans (LCEP) developed with consideration of EU standards (in the scope of development of plans of actions for sustainable energy) and national requirements, including those related to implementation of the CAFE Directive<sup>22</sup>. So far, approximately 1200 LCEP including over half of Polish gminas were developed. It is assumed that between 2016 and 2017 approximately 80% of gminas will have their LCEP.

It is expected that this initiative will lead to optimum use of support from the public resources, including those from EU, it will bring measurable results in the scope of energy efficiency, reduction of emissions, will contribute to low carbon economy development, use of RES in the industry, construction and municipal services as well as influence in a positive way the development of low carbon transport.

As a result of implementation of the abovementioned initiative in the framework of the decision of an intermediate body, the National Fund for Environmental Protection and Water Management was appointed as a beneficiary of sub-measure 1.3.3 *Nationwide system of advisory support for public, residential and enterprise sectors in the scope of energy efficiency and RES* OPI&E 2014–2020 and in 2016 it signed the agreement for co-financing of the Energy Advisory Project.

### **Timetable**

Main actions planned for 2016/2017:

- construction and management of nationwide network of advisory support – further trainings for Energy advisors are prepared in this scope, tender procedures will be organised for the workplace equipment (computer equipment, phone services, etc.);
- advisory services – it will especially include verification and implementation of low carbon emission plans (LCEP) and monitoring of their implementation, development and implementation of investments in the scope of energy efficiency and RES, *i.a.* with the use of financial instruments, support in energy audit verification;
- development and organisation of trainings for energy specialists from gminas – advisors will activate and encourage gminas to participate in those trainings for their energy specialists;
- building and ensuring the operation of an IT Platform;
- information on and promotion of the project as well as monitoring and control of the project implementation.

### **Financing**

The measure is financed entirely from the European funds. The expenditures planned for implementation of this measure will amount to approximately 17.5 million in 2016 and 15 million in 2017.

### **Implementation of the Poland's nuclear energy programme (Ministry of Energy)**

Poland's nuclear energy programme defines the scope and the structure of organisation of actions necessary to implement nuclear energy, ensure safe and efficient operation of its installations and their decommissioning after the end of their operation as well as safe management of nuclear fuel and radioactive waste. The document presents timetable for actions including 4 stages planned until 2030. Under the 1st stage envisaged for years 2014–2016 the works related to establishing a

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<sup>22</sup>Directive 2008/50/EC of the European Parliament and of the Council of 21 May 2008 on ambient air quality and cleaner air for Europe.

localisation of nuclear plant are carried out and the opening of the integrated procedure for providing selected technology for the first plant. The works on amendments to the abovementioned timetable of actions are in progress.

In 2016 the works on the Plan for human resources development for the purposes of the nuclear energy, technology and physics will continue, as well as on the localisation of the new surface disposal facility for low and intermediate-level nuclear waste. Moreover following the identification of the Polish industry resources with the competence to participate in the nuclear programme implementation, in 2016 a programme for Polish enterprises will be developed, providing support in preparation for participation in construction of nuclear energy installations in Poland and supporting international activity of Polish industry in this scope. In parallel – from 2015 – Ministry of Energy (separated from the former Ministry of Economy) carries out direct pro-export and education and training oriented actions for Polish industry, *i.a.* through organisation of economic missions and special technical seminars.

#### **Timetable**

- Announcement of an integrated tender for the nuclear technology selection by the investor (PGE) – in the process of updating
- Envisaged time for development of the Strategic plan for human resources development for the purposes of the nuclear energy – **3<sup>rd</sup> quarter of 2016**
- Envisaged time for development of the draft programme for support of Polish enterprises in preparations for participation in construction of nuclear energy objects – **1<sup>st</sup> – 2<sup>nd</sup> quarter of 2017**

#### **Financing**

Envisaged financial consequences from the national budget related to the implementation of the Poland's nuclear energy programme amount to approximately PLN 8.9 million in 2016. The projected financial consequences for 2017 amount to approximately PLN 9.2 million.

#### **Energy efficiency improvement (Ministry of Energy)**

New Energy Efficiency Act is to be adopted. The main aim of introducing the new regulation is the development of legal framework for actions for the improvement in the energy efficiency of the economy, including support mechanism and leading to energy savings in 2020 which are required by the Directive 2012/27/EC of the European Parliament and of the Council of 25 October 2012 on energy efficiency, amending Directives 2009/125/EC and 2010/30/EU and repealing Directives 2004/8/EC and 2006/32/EC. The project defines the principles of preparation of national action plan concerning energy efficiency: the tasks of public sector bodies in the scope of energy efficiency, the rules for implementing the obligation to obtain energy savings through receiving and redemption of energy efficiency certificates, rules for preparing energy efficiency audits and rules for conducting energy audit of an enterprise, as well as regulations aimed at eliminating barriers and irregularities on the energy market limiting the efficiency of delivery and use of energy.

#### **Timetable**

- Envisaged date of the adoption of the Act by the Parliament – **2<sup>nd</sup> quarter of 2016**
- Planned date of entry into force – **1<sup>st</sup> half of 2016**

#### **Financing**

The entry into force of the Act will not lead to increase in public finance sector expenditures.

## Supporting energy efficiency in construction (Ministry of Infrastructure and Construction/ Ministry of Culture and National Heritage/ National Fund for Environmental Protection and Water Management)

On 9 March 2015 the Act of 29 August 2014 r. on energy performance of buildings entered into force. Regulations concerning preparing and transfer of energy performance certificates should contribute to spreading the energy efficient construction, as well as enhancing the awareness of proprietors and tenants of buildings and parts of buildings in the scope of possibility for gaining energy savings. The Act imposes an obligation to carry out energy efficiency certification of buildings where a useful floor area occupied by justice bodies, prosecution and public administration bodies exceeds 250 m<sup>2</sup>.

Questions of appropriate standard of energy efficiency of buildings which are under design or construction or are reconstructed are regulated by the Regulation on technical conditions for buildings and their location. The amendment to the Regulation introduced gradual increase in the requirements level starting from 2014 until 2021. Such gradual changes will enable *i.a.* fluent adjustment of the construction market to increasing requirements concerning energy efficiency of buildings, and as a result they are to ensure that on 31 December 2020 r. all new buildings will be characterised by the properly high standard in the scope of energy efficiency, considering technical progress, EU requirements and optimisation of costs in estimated economic lifecycle of a building. Additionally the established requirements are subject to periodic reviews with regard to including the technical progress in construction.

The programme supporting undertakings in the scope of energy renovation and renovation undertakings related to energy renovation carried out in the oldest multi-family residential buildings financed from the Renovation and Energy Renovation Fund will continue.

The support granted under the NFEP&WM programmes targeted on energy renovation undertakings, modernisation of internal installations and exchange of the heat sources will continue, including “LEMUR programme energy efficient public service buildings”, where the support include design and construction or only construction of new public service buildings and collective accommodation facilities.

The projects under the new perspective of OP I&E 2014–2020, Priority Axis I “Decarbonising the economy”, Measure 1.3 “Support for energy efficiency in buildings” will be implemented, the aim of which is to support deep and comprehensive energy renovation in public service buildings and in residential buildings.

The project “Comprehensive energetic modernisation of selected public arts education facilities in Poland” will be implemented, the aim of which is to support energy efficiency and the use of renewable energy sources in public arts education infrastructure in Poland and to reduce the demand for energy and its use (energy savings), and thus to reduce total costs of maintenance of the buildings included in the project.

### Timetable

- Co-financing from the Renovation and Energy Renovation Fund – **on an ongoing basis**
- Co-financing from the NFEP&WM funds under the 2<sup>nd</sup> call for proposals to priority programme LEMUR – proposals accepted **until the end of the 4<sup>th</sup> quarter of 2016**
- Implementation of the Measure 1.3 Support for energy efficiency in buildings (sub-measure 1.3.1 Support for energy efficiency in public service buildings) – **from the 2<sup>nd</sup> quarter of 2016**
- Call for proposals for the Measure 1.3 Support for energy efficiency in buildings (sub-measure 1.3.2 Support for energy efficiency in residential buildings) – **2<sup>nd</sup> half of 2016**
- Launching of the project “Comprehensive energetic modernisation of selected public arts education facilities in Poland” – **3<sup>rd</sup> quarter of 2016**

## **Financing**

In 2016 the Renovation and Energy Renovation Fund has an amount of PLN 236 million at its disposal.

Expected spending of funds under the LEMUR programme in years 2016–2017 amounts to over PLN 13 million.

The spending budget under OP I&E 2014–2020 – Measure 1.3 “Support for energy efficiency in buildings” amounts to over EUR 390 million, of which the funds envisaged for 2017 amount to PLN 28 million. Due to the timetable of the calls for proposals and the nature of the financed projects no payments are planned under this measure in 2016.

Financial consequences for the project “Comprehensive energetic modernisation of selected public arts education facilities in Poland” in years 2016–2017 will be known in the moment of signing an agreement for co-financing between the beneficiary (MC&NH) and the National Fund for Environmental Protection and Water Management.

## **Supporting investments in renewable energy sources (Ministry of Energy/National Fund for Environmental Protection and Water Management)**

On 4 May 2015 the Act adopted on 20 February 2015 r. on renewable energy sources entered into force. The aim of the Act was to implement optimised support mechanisms for producers of energy from RES, with special consideration for distributed generation based on local RES resources. The Act is to ensure the implementation of objectives in the scope of development of renewable energy sources defined in the government documents, i.e. Energy policy for Poland until 2030 and National Renewable Energy Action Plan in the scope of renewable energy sources.

The support for producers of energy from RES should ensure in the first place the increase in power in installations, which use in optimum way the Polish local resources of RES, climate and environmental conditions and which are worked out from the technological point of view.

Supporting mechanisms for new installations will be mainly targeted at the entities which will install RES with the highest contribution for the development of Polish economy understood as jobs and created added value.

The envisaged changes are relatively far reaching, including planned introduction of simplified reporting procedures for micro- and small energy producers everywhere, where thanks to technological progress it is possible to use the remotely read equipment. Therefore, the amendment of RES Act will be synchronized with the draft act amending the Energy Law and the Act on the rules for the compensation of costs incurred by the generators in connection with early termination of long-term power purchase agreements, i.e. so-called Counter Act.

Legislative work carried out by the Ministry of Energy are aimed at introducing a new concept for RES technology, which will promote an entrepreneurial and social approach among the population groups living in the rural areas. It concerns energy micro-clusters in gminas, which by joining actions from different areas of economy can ensure sustainable RES resources management and local energy self-efficiency.

The solutions included in the Act will enable development of competition mechanisms and better stability for entities conducting economic activity consisting in production of energy from RES. Moreover the implemented solutions will ensure possibility of flexible control of quantity and structure of the RES power in the energy system and of total costs of support for these sources.

Moreover creating of installations using renewable energy sources is supported under the programmes implemented by NFEP&WM. Under the priority programme “Support for distributed renewable energy sources. Part 1) BOCIAN – Distributed renewable energy sources” entrepreneurs are granted loans for construction, enlargement or reconstruction of renewable energy sources installations in the amount to PLN 40 million (up to 85% of eligible investment costs). The BOCIAN

programme will be subject to analyses and modifications related to launching of new systems of support for RES (auctions, OPI&E and ROP).

The initiative of creating the Sustainable Energy Platform is continued, which fosters cooperation between business and public administration in the framework of implementation of systemic approach on the Polish market towards efficient use of energy, including energy from renewable sources. The aim is to encourage investments into renewable energy sources and energy efficiency, as well as to engage market participants to undertake decisive actions in Poland. Platform enables:

- dissemination of knowledge on financial resources dedicated to actions for efficient use of energy, including energy from renewable sources;
- cooperation with institutions and non-governmental organisations financing or propagating actions in this scope;
- educational project concerning publishing of week reports on RES – cyclic reports “Media about RES” are summaries of current information from press and from the internet, as well as from radio and television, in the subject of renewable energy sources (*i.a.* water energy, geothermal energy, solar energy, prosumer-oriented energy, biomass, etc.);
- using and disseminating so called good practices, that is knowledge on innovative projects in the field of sustainable energy implemented in Poland;
- presenting summary of EU grants for renewable energy sources sector and for low carbon energy sector for 2016 and of the majority of organised competitions and co-financing;
- implementation *i.a.* of the obligation of sharing information concerning costs and advantages stemming from using heating, cooling and electric equipment and systems using energy from renewable sources, resulting from Article 132 of the RES Act and ensuring access to information and guidelines concerning ways of optimum joining of renewable energy sources installations, highly efficient technologies and heating and cooling systems (Article 134 of the RES Act).

#### **Timetable**

- Development of solutions for which the *vacatio legis* was prolonged – **2<sup>nd</sup> quarter of 2016**
- BOCIAN programme: call for proposals **until 2<sup>nd</sup> quarter of 2016**

#### **Financing**

Analysis of financial consequences stemming from the amendment of the RES Act is in progress. The budget of the BOCIAN programme amounts to PLN 570 million, of which PLN 63 million are to be spent in 2016, and PLN 87 million in 2017.

#### **Circular economy. Rational waste management (Ministry of Energy)**

The support granted under the priority programme NFEP&WM: *Rational waste management*, for undertakings related to separate waste collection and preventing waste production, construction of installations conducting recovery processes, including recycling of waste, will continue.

Programme implementation in this area and the proper allocation planning depends on adoption of voivodeship plans for waste management together with investment plans. Adoption of these documents is the condition for obtaining access to public funds for the actions included therein.

#### **Timetable**

Call for proposals under the priority programme Rational waste management is envisaged in 2<sup>nd</sup> and 3<sup>rd</sup> quarter of 2016 on an ongoing basis.

#### **Financing**

The budget of the programme Rational waste management amounts to approximately PLN 1.7 billion, of which approximately PLN 770 million is envisaged to be spent in years 2016 and 2017.

## Carrying out of investments in the energy area under Operational Program Infrastructure and Environment (Ministry of Energy)

In 2016 identification of investment projects continuous in the scope of construction and reconstruction of networks enabling joining installations producing energy from RES, development of smart systems for storing, transmitting and distribution of energy and natural gas, supporting construction of smart energy networks of the pilot and demonstrative nature. Until the end of first quarter 50 projects were submitted to the OP I&E List of Identified Projects.

### Timetable

- Launching of first projects from the OP I&E List of Identified Projects – **2<sup>nd</sup> quarter of 2016**
- Call for proposals for projects concerning only development of smart systems for storing, transmitting and distribution of energy and natural gas – **2<sup>nd</sup> quarter of 2016 – 1<sup>st</sup> quarter of 2017**

### Financing

In 2016 at least PLN 1.2 billion will be mobilised from Union means under the Operational Program Infrastructure and Environment for projects which were already submitted for assessment. Allocation for projects concerning only development of smart systems for storing, transmitting and distribution of energy and natural gas amounts to almost PLN 300 million.

#### 4.4. Education targets

Europe 2020 strategy outlined two targets in the area of education and higher education: (1) reducing the rates of early school leaving (age of 18-24) below 10%; and (2) at least 40% of 30-34-year-olds completing third level education.

According to the European Commission data already in the beginning of implementing Europe 2020 strategy Poland as one of few EU countries reached recommended values in the scope of 4 out of 5 of the most important indicators of education development in Europe<sup>23</sup>. Considering significance of education area for development of social and economic life, Poland formulated for herself more ambitious objectives than those in the EU, i.e. reducing the rates of early school leaving to 4.5% and 45 % of people completing third level education.

According to the latest Central Statistical Office data for 2014, an indicator of young people leaving school early was 5.4% and it was by 0.2 pp lower than in 2013.

Major challenges in the education area are still:

- better access to early education and childcare forms, including pre-school education (actions presented in the chapter 3.1);
- better adjusting of education and training to labour market needs;
- improved education quality (work quality of schools and educational facilities), improving methods and conditions of teaching and education, better work organisation and increasing the competences of education staff;
- education policy based on comprehensive and coherent strategy of lifelong learning, with particular focus on improvement in the scope of dissemination of adults learning.

For the second education target, according to the data for 2014, over 42% of 30-34-year-olds completed tertiary education, which means an increase by 1.6 pp compared to 2013. While Poland observes continuous increase in this indicator and while achievement of the target in 2020 seems to be very probable, the main challenge is systematic diminishing of the higher education system. First cause of this situation is demographic. In the academic year 2010/2011 over 1,800 thousand of people were studying, while in 2014/2015 it was less than 1,500 thousands of persons. Another crucial reason is a decrease in interest in higher level education. From 2010 gross enrolment rate<sup>24</sup> systematically falls down from 53.8% to 48.1% in years 2010–2014. The answer to such a tendency will be probably growing competition between universities. Therefore the visible challenge will consist in ensuring appropriate quality of education.

#### Raising the proportion of 30-34 year aged university graduates up to 45%

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
% share	34.8	36.5	39.1	40.5	42.1	42.5	43	43.5	44	44.5	45

Source: data for 2010–2014 – based on LFS, Central Statistical Office. Data for 2015-2020 – projections of MS&HE based on the tendency analysis.

#### Main actions undertaken from April 2015

In 2015 works were finalised on the draft Act on [Integrated Qualifications System](#), which envisages *i.a.* introduction of 8-level Polish Qualification Framework (characterising requirements towards

<sup>23</sup> Percentage of young people with poor reading results (according to PISA study), percentage of young people leaving school early, percentage of 20-24-year-olds with completed secondary education or vocational training, the number of graduates in mathematics, natural science and engineering, the number of 25-64-year-olds participating in education or training.

<sup>24</sup> Gross enrolment rate is relation of all persons learning on a certain level of education to all population of persons of the age nominally assigned to this level of education (in case of higher education of the age of 19-24 (as for the 31 December)) expressed in percentage value.

learning outcomes defined in categories of knowledge, skills and competence) and Integrated Qualifications Register. The Act was adopted in the end of December 2015 and it entered into force on 15 January 2016 r. Pursuant to this Act the Integrated Qualifications Register will be launched within 6 months after its entry into force.

From September 2015 [schools providing vocational education](#) shall ensure to their students practical occupational learning pursuant to changes introduced by the Regulation of the Minister of National Education from 11 August 2015 r. amending the Regulation on practical occupational training (Journal of Laws, item 1183). The most important changes include:

- definition of the dual education system, where the legal basis for practical classes at employers' premises may be in a form of job agreement aiming at vocational training concluded between a young employee and an employer, as well as in a form of agreement for practical occupational learning concluded between school headmaster and an employer accepting students for practical occupational learning;
- assignment of every form of practical occupational learning to a particular type of school;
- defining the amount of practical classes with the employer on the basis of dual education system;
- ensuring possibility for the employer to influence the content of vocational learning programme in the scope of practical classes carried out in his or her company.

As for the measures aiming at increasing the competences of people participating in higher education to match the needs of the economy, labour market and the society: in May the competition was announced under the "[Competence development programme](#)", and in October the competition for high quality work placements under the programme "[Studying? Get practice!](#)". Project evaluation and selection procedure is currently in progress.

In the framework of actions that are to contribute to [improvement of higher education quality](#) and to enhance significance of its practical elements:

- applications for co-financing of the off-competition projects of the conceptual nature concerning creation of vocational training model in State Higher Vocational Schools "Education on PhD studies: Development of PhD studies programmes with diverse profiles" were prepared;
- the evaluation of the offers from the competition "The best from the best!" for highly gifted students participating in international competitions and contests is in progress;
- in October NCR&D announced competition entitled "Academic Career Offices". Its aim constitutes in supporting actions improving quality of services provided by the academic career offices and other university units supporting students entering labour market. Currently, the submitted applications are under assessment.

## **Main actions planned for 2016-2017**

### **Implementation and development of the Integrated Qualification System (Ministry of National Education – the head of the inter-ministerial taskforce for the lifelong learning, including National Qualifications Framework)**

Development of the integrated qualifications system will enable better integration of qualifications currently functioning in the general education, VET, higher education and qualifications that can be obtained outside of these systems, i.e. qualifications granted on the labour market or on the basis of separate provisions. Instruments for integration of qualifications system in Poland which will be introduced by the Act, will constitute Polish Qualifications Framework, Integrated Qualifications

Register, general rules concerning: ensuring quality of qualification, validation as well as credit transfer and accumulation (in line with European recommendations in this scope).

Implementation of new instruments will contribute to:

- facilitating development and modernisation of qualifications according to the labour market needs;
- facilitating access to information on qualifications;
- enhanced effectiveness of spending public and private means for education and training;
- improved human resources management in enterprises;
- facilitating workers mobility on the labour market.

#### **Timetable**

- Launching of the Integrated Qualifications Register – **3<sup>rd</sup> quarter of 2016**
- Start of proceeding the applications for inclusion of “market” qualifications in the Integrated Qualifications System – **3<sup>rd</sup>/4<sup>th</sup> quarter of 2016**
- Including partial qualifications from the education system – **1<sup>st</sup> quarter of 2017**

#### **Financing**

The exact estimations of financial consequences of implementation of the measure will be possible after accepting for implementation OP KED projects supporting implementation of the system and after ministries plan their actions to implement the system. This will take place in the 2<sup>nd</sup> quarter of 2016.

#### **Models development and support for processes modernising higher education system (Ministry of Science and Higher Education / The National Centre for Research and Development)**

In recent years number of changes was introduced in the Act on higher education. Universities were given back the autonomy in the scope of education programme development, mechanisms were introduced that are to contribute to improvement in education quality and to enhance significance of its practical elements. In order to improve education quality and to enhance significance of its practical elements the actions will be continued in the scope of:

- creation of vocational training model in State Higher Vocational Schools for practical profiles;
- supporting among students development of qualifications that are the most needed on the labour market;
- development and implementation of model education models on the PhD studies with proposal for the studies programme;
- support for highly gifted students participating in international competitions and contests;
- supporting the universities consolidation processes – support for the process of universities profiling towards creating highest quality educational institutions;
- implementation of central system for graduates career monitoring using data from the Social Insurance Institution in an anonymous way;
- improving quality of services provided by the academic career offices and other university units supporting students entering labour market;
- support for organisational changes and increasing the competences of higher education system staff;
- support for internationalisation of higher education in Poland.

#### **Timetable**

- Launching of projects under the 1<sup>st</sup> competition in the programme “Studying? Get practice!” – **2<sup>nd</sup> quarter of 2016**
- Announcement of the 2<sup>nd</sup> competition in the programme “Studying? Get practice!” – **1<sup>st</sup> quarter of 2017**
- Implementation of the competition “International Education Programmes” – **from 4<sup>nd</sup> quarter 2016**

- Launching the projects of the 1<sup>st</sup> competition within the Competence Development Programme **from 2<sup>nd</sup> quarter of 2016**
- Announcement of the 2<sup>nd</sup> competition within the Competence Development Programme – **from 2<sup>nd</sup> quarter of 2016**
- Announcement and implementation of the competition “New Education Programmes” – **from 2<sup>nd</sup> quarter of 2016**
- Announcement and implementation of the competition “Increasing the competences of didactic staff” – **from 3<sup>rd</sup> quarter of 2016**
- Announcement and implementation of the competition “Interdisciplinary programmes of PhD studies” – **from 4<sup>th</sup> quarter of 2016**
- Carrying out actions in the scope of implementation of the off-competition projects “Vocational training programme in SHVS” and “Education on PhD studies: Development of PhD studies programmes with diverse profiles” – **from 1<sup>st</sup> quarter of 2016**
- Publication of aggregated results of the first edition of central monitoring of university graduates professional careers – **2<sup>nd</sup> quarter of 2016**

### Financing

	2016			2017		
	total public finance sector spending (in PLN thousand)	of which state budget (in PLN thousand)	of which European fund budget (in PLN thousand)	total public finance sector spending (in PLN thousand)	of which state budget (in PLN thousand)	of which European fund budget (in PLN thousand)
Competition “Studying? Get practice!”*	145,000	22,794	122,206	145,000	22,794	122,206
Competition “Academic Career Offices”**	35,000	5,502	29,498			
“The best from the best!”	5,970	938.484	5,031.516	1,000	157.200	842.8
Vocational training programme in SHVS	29,197.762	4,589.888	24,607.874	52,410.940	8,239	44,171.940
Education on PhD studies...	5,000	786	4,214			
Competence Development Programme * /**	500,000	78,600	421,400			
Competition “New Education Programme”**	200,000	31,440	168,560			
Competition “International Education Programme”**	145,000	22,794	122,206			
Competition “Increasing the competences of didactic staff”**	132,000	20,750.4	111,249.6			
Competition “Interdisciplinary programmes of PhD studies”**				155,000	24,366	130,634

\* the amounts result from allocation of resources for the competition announced in 2015. \*\* the amounts result from allocation of resources for the competition announced in 2016.

## Support for the cooperation of schools with employers (Ministry of National Education/ Polish Agency for Enterprise Development)

The aim of the action is to gain a wide range of stakeholders together with their engagement in actions for adjusting education, especially vocational education, to the labour market needs.

The groups of social partners' representative for the vocational education professions will be created and organised into 25 specialised groups of professions' branches. They will include the representatives of the employers' organizations, chambers of commerce, trade associations and trade unions.

In order to adjust both formal and informal education to the needs of employers, there are actions focusing on the involvement of the employers in progress. These actions aim at engaging employers from various sectors into the identification and forecasting of the needs for qualifications in the labour market, and to provide conditions for active cooperation of the entrepreneurs from individual sectors/trades with the schools and educational establishments of various types and levels in order to adjust education to the demand of a given sector/branch. The objective will be achieved through the identification of the demand for professions and qualifications in particular sectors based on an off-competition project "Partnership for vocational education". Representatives of social partners relevant for particular professions provided within vocational education system will be invited to cooperate, including the representatives of the employers' organizations, chambers of commerce, trade associations and trade unions. Based on the result of these consultations the skills needed by industry in the years to come as well as expectations concerning the profiles of a given profession graduates will be defined. The information will be used to adjust the vocational classification of occupations to the labour market needs. The classification defines occupations for which training can be provided in the VET system. Achievement of this objective will also contribute to the development of a system of councils for competences, which will eventually include: Programme Council for Competences, 15 sectoral councils for competences (selected in competition procedures led by PARP) and cyclic monitoring of the competence demand on the market, implemented under the off-competition PARP project "Study of human capital".

Sectoral councils for competences will help the entrepreneurs to influence the educational services providers and to develop partnerships of enterprises and labour market institutions where the enterprises will provide reliable data on the qualifications needed in the relevant sectors.

The Programme Council will act as a platform for confronting the opinions and recommendations of the particular sectoral councils, and than will promote implementation of the legislative amendments in the area of learning/teaching and education and its adjustment to the labour market needs. Furthermore, the Programme Council will promote wide access to the results of labour market monitoring.

### Timetable

- elaboration by the social partners of the demand for VET professions and competences with regard to the labour market expectations, the review of the classification of occupations taught at the vocational education establishments and the review of 190 core curricula to better adjust the vocational education to the labour market needs – **2nd quarter of 2016 – 4th quarter of 2017.**
- elaboration of modernised core curricula for 50 professions – **2nd quarter of 2016 – 4th quarter of 2017**
- Establishment of Sectoral Councils for competences – **4th quarter of 2016 – 1st quarter of 2017.**

## Financing

	2016			2017		
	Total public finance sector expenditure (in PLN thousand)	of which state budget (in PLN thousand)	of which European fund budget (in PLN thousand)	Total public finance sector expenditure (in PLN thousand)	of which state budget (in PLN thousand)	of which European fund budget (in PLN thousand)
Support for cooperation of vocational education and employers	4,968	781	4,187	5,940	934	5,006
Establishment and functioning of the Programme Council and Sectoral Councils, and the Study of Human Capital	3,123	491	2,632	3,624	569	3,055

#### 4.5. The poverty targets

Improved country economic situation in 2014, which was featured by, among other things, GDP increase, drop of unemployment rate, was reflected in further decrease in the general at-risk-of-poverty or social exclusion rate<sup>25</sup> calculated according to the methodology developed by EUROSTAT and based on the results of EU-SILC survey.

In Poland, the number of persons at the risk of poverty or social exclusion has been gradually diminishing since 2008, so that in 2013 the target of Europe 2020 strategy was achieved, i.e. the number of persons at the risk of poverty or social exclusion was reduced by 1.5 million compared to 2008.

In 2014 the proportion of persons at risk of poverty or social exclusion was 24.7% which means that it fell by 1.1 pp compared to 2013. This implies that in absolute terms this population diminished by about 400 thousand persons. Thus, the number of persons at the risk of poverty or social exclusion has decreased by 2.2 million since 2008. As in the previous years this resulted in the first place from the reduction of severe material deprivation rate (from 11.9% in 2013 to 10.4% in 2014). In 2014, no significant change in relative poverty and very low work intensity rates was observed. These two remained at the levels similar to those of 2013 and amounted to about 17% and about 7%, respectively.

At-risk-of-poverty rate anchored at a fixed moment in time in 2014 (taking into account the real value of 2008 threshold) amounted to 11.3%, i.e. definitely less (by about 6 pp) than the relative poverty rate estimated against 2014 threshold. During the analysed period a reduction of income inequalities was also observed.

As in the majority of the EU Member States, in Poland the children form a group at particular risk of poverty. The relative poverty rate among the persons aged 0–17 amounted to about 22% in 2014 in Poland, which is about 5 pp more than the average for the whole country. In Poland, the children situation in this respect is somewhat worse than in the EU average as the rate for all 28 countries amounted to 21% in the year in question.

Persons living in extreme poverty are in particularly difficult situation.<sup>26</sup> The household budget survey (HBS) shows that 7.4% of the inhabitants of Poland (about 2.8 million) lived in extreme poverty in 2014, i.e. about 2 pp more than in 2008 when the extreme poverty rate was 5.6%. However, the rate of 2014 stabilized at the 2013 level (i.e. 7.4%) and the changes made in tax system and social benefit system in 2015 and 2016 suggest that the extreme poverty will also be decreasing in the years to come.

As it is in the case of relative poverty calculated on the basis of EU-SILC survey, on the average the large families were more often at risk of extreme poverty. In 2014, in the families of a couple with 3 children about 11% of persons lived below the subsistence minimum (about 9% in 2008) and about 27% in the families of a couple with 4 or more dependent children (about 18% in 2008).

Despite the differences in methodology of measuring the relative and extreme poverty rate (estimates based on EU-SILC survey or Household budget survey - different poverty thresholds,

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<sup>25</sup>At-risk-of-poverty or social exclusion rate is defined as a proportion of persons at risk of relative poverty or severe material deprivation or those who live in households with very low work intensity. A person who lives in a household facing at least one of the above three elements is, therefore, considered at risk of poverty or social exclusion. However, it should be noted that the persons are counted only once, even in the case where they are at risk of more than one form of poverty or social exclusion.

<sup>26</sup> The extreme poverty rate implies a proportion of persons in households where the expenditure was below the assumed threshold for extreme poverty (subsistence minimum). The subsistence minimum (calculated by the Institute of Labour and Social Studies) includes only those needs which cannot be satisfied at a later stage and the consumption below this level may lead to cachexia.

analysis based on expenditure or income data) the determinants of this phenomenon remain the same. In Poland, the main determinants of poverty include position on the labour market, composition of the household (including the number of children), place of residence. The poverty feeds on unemployment, low professional status, presence of a disabled person in the household, considerable number of dependent persons as well as life in rural areas or in small towns.<sup>27</sup>In 2014, the extreme poverty rate in rural areas amounted to 11.8%, whereas in the towns up to 20 000 inhabitants – 8.5% while in large cities (500 thousand or more inhabitants) it was only 1%.

Family policy is now a priority in the context of demographic challenges that Poland face. Hence, a very important measure entered in April 2016 is the new parental benefit of PLN 500 per month for a child up to the age of 18, with the reservation that for a family with one child the right for this benefit depends on the income criterion (PLN 800/person in a family or PLN 1,200/per person in a family with a disabled child). This benefit should be seen as an important pro-natalistic stimulus as well as the factor that strengthen the subjectivity of Polish families. Introduction of this benefit means that the public expenditure for the families will increase in Poland by about 1% of GDP in 2016 and by about 1.3% GDP in the years to come.

As mentioned above in Poland the poverty has a significant impact on the position on the labour market. In Poland, according to EU-SILC data the relative poverty rate among the unemployed was slightly lower than the EU average (43% and about 47%, respectively). This, however, does not mean that the poverty is associated just only with unemployment. In 2014, in Poland almost 11% among the employed persons aged 18–64 lived in households below the assumed income poverty threshold (so called working poor). To compare: in the EU–28 this rate amounted to 9.6% in the same year. Given the extreme poverty rate, in the households with at least one unemployed this rate was about 15% whereas in the households with at least two unemployed it was at the level of about 33%.

The income situation of so called working poor will be improved by the measures such as Family 500 plus Programme, mentioned above, and other actions described in detail in the part relating to the employment growth, though in the first place it will be the minimum hourly wage at the level of PLN 12/work hour and limited differentiation of the minimum wage that will contribute to the improvement. In combination with 2015 tax allowance for children these measures should contribute to a reduction of the number of working poor and children at risk of poverty.

### **Main actions undertaken from April 2015**

Adopted amendment of the Act on family benefits which has allowed to [change the mechanism of granting the right for family benefits](#) since 1 January 2016 – when the income threshold entitling for family benefit with supplements is exceeded the benefit is not withdrawn but only reduced (the benefit value is set out as difference between the family benefits amount laid down in the act and the part of income exceeding the income criterion (PLN 1 for PLN 1)).

Since 1 January 2016 a [new benefit for families raising children](#) has been in force – parental benefits of PLN 1,000/month dedicated for all those who are not entitled to the maternity allowance or maternity pay.

A pilot [review of public expenditure](#) was carried out in the area of support for families with low incomes. The review conclusions based in the comprehensive quantitative analyses show that the family benefits and social assistance are effective and addressed to the relevant social group, and the objectives they were designed for are achieved. On the other hand, a relatively low level of benefits prevents a significant reduction of poverty.

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<sup>27</sup>See *Information on basic poverty rates in Poland*, presented at the meeting of the Group for Europe 2020 Strategy on 15 October 2015.

As the work on the guidelines for the amendment of the act on social assistance has been withheld, some of the previously planned amendments were introduced to the act of 5 August 2015 on the amendments of the act on social assistance (Journal of Laws of 2015, item 1310): 1) supplementing the commune's own tasks with a provision which allows the social work to be implemented on social project basis defined as a set of actions aimed at improving the life situation of persons, families, groups at risk of poverty, marginalization and social exclusion; 2) clarification of the provisions on social work supervision; 3) amendments related to granting shelter for homeless by the commune. Additionally, amendments were made in relation to payment for certain services provided by the social assistance as well as to criteria and conditions concerning certain social assistance services, and the procedure for awarding basic social benefits in emergency situations (such as disasters, random incidents, evacuation from the risk areas) was simplified.

Additionally, measures of pilot project type were adopted to implement [new model of the social assistance centre](#). On 30 December 2015 MFLSP announced a competition under OP KED referred to as "Implementation of organisational improvements in organisational units of the social assistance through orientation of actions at the client servicing". At the first stage support is planned for 80 social assistance centres (eventually 200). It is assumed that in the social assistance centres selected under the competition the organisational system will be changed, i.e. the employee work organisation will be changed, with a focus on the performance of social work and service. The work organization change will consist in the separation of administrative tasks from the social work and social services, contributing to the enhanced servicing of the clients.

In respect of the support for [development of the social economy sector](#) during the reporting period under the project "Integrated system of support to social economy" (HC OP) - the accreditation procedure for the Centres of Support to Social Economy (CSSE) was completed in all voivodeships. Accreditation was granted to 59 CSSEs under the project. With reference to the Regulation No 45 of the Minister of Family, Labour and Social Policy of 31 December 2015 invalidating the accreditation granted in 2015, the process of accreditation of the a.m. 59 CSSE was resumed as of January 2016. Additionally, loans were granted to the social enterprises. As known at the end of 2015 about 300 loans were granted within the first turnover of funds (PLN 25.2 million). About 85 loan agreements (for an amount exceeding PLN 6 million) were concluded within the framework of the second turnover. By 31 December 2015 about 390 entities of social economy in total had received support within the framework of the 1st and 2nd turnover. Work was going on the project entitled "Integrated monitoring system of social economy sector".

Implementation of the Programme [Civic Initiatives Fund](#) for the years 2014–2020 was carried out. In 2015, 630 offers were co-financed<sup>28</sup>. Under CIF one-year, two-years and three-years projects may be implemented.

A competition was held for establishing and running "[Senior-WIGOR daily residences](#)", under which co-financing was granted for establishment of "Senior-WIGOR" Daily Residences in about 100 local government units. Support for establishing "Senior-WIGOR" Daily Residences and guarantee of functioning for the existing facilities is ensured following the establishment of the multiannual programme "Senior-WIGOR" for the years 2015-2020. About 470 offers were co-financed under the open competition for the programme Social Activity of the Older People" (SAOP).

On 11 September 2015 [the law on public health](#), which lays down the public health tasks, principles of their coordination and financing, was adopted. The law entered into force on 3 December 2015. One of the tasks concerning public health and referred to in Art. 2 of the law consists in reducing health inequalities resulting from social and economic conditions. The Ministry of Health is working on regulation to the law establishing the National Health Programme for 2016–2020.

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<sup>28</sup> Over 5,600 offers were submitted in total.

Additionally, in the area of health protection activities a call for proposals was held for deinstitutionalisation of care by developing alternative forms of care over dependent persons (including elderly people). Systematic projects were started in the area of support for pro-quality activities and development programmes for medical universities.

Also health programs and investments in health care infrastructure of supra-regional importance were implemented in order to increase the availability and quality of health services and to prevent professional deactivation due to the health problems.

## **Main actions planned for 2016-2017**

### **Systemic State aid for bringing up children – the Family 500 plus Programme (Ministry of Family, Labour and Social Policy)**

In the light of the law on State aid for bringing up children (it will a basis for the so-called Family 500 plus Programme) adopted on 11 February 2016 the families with dependent children are granted with the right for parental benefit of PLN 500/month per child until reaching the age of 18 by the child. The child benefit for the second and subsequent children is granted regardless of the family income. The child benefit for the first child depends on fulfilling the income criterion of PLN 800 per family member or PLN 1,200 per family member in the case of a family with a disabled child. Similar support (as far as the amount is concerned) is granted to children in foster families or family type caring-educational centres (it is a parental allowance and bonus to lump sum).

The benefit is intended to enhance the birth rate and to help financially families with dependent children. . Nevertheless, it should be noted that the parental benefit can also reduce the poverty of these families with children with the most difficult social condition. The number of entitled families is 2.7 million in total. In these families about 3.7 million children are raised. In particular, the situation of large families (“families3+”) which are now at risk of poverty will improve.<sup>29</sup>The macroeconomic scale effects of the Programme are presented in Annex No 2.

#### **Timetable**

- Disbursement of benefits - **beginning 2nd quarter 2016**

#### **Financing**

Financial impact for the state budget is estimated at PLN 17,055 million in 2016 and ca. PLN 22,567 million in 2017.

### **Financial support for carers of persons with disabilities in case of death of a person over which care has been exercised or expiration of validity of the certificate of disability or the level of disability (Ministry of Family, Labour and Social Policy )**

A draft act has been elaborated, which introduces provisions facilitating inclusion of the period of collecting the attendance allowance, special care benefit or carer’s benefit to periods providing entitlement to unemployment benefit of pre-retirement benefit.

- **Timetable**
- Expected date of approval of the Act on amendment of the Act on employment promotion and labour market institutions and the Act on pre-retirement benefits - 3rd/4th quarter 2016.
- Entry into force of the Act is planned for 1 January 2017.

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<sup>29</sup>According to Eurostat’s data for 2014, more than 35% of families with three or more children were the relative poverty threshold set at the level of 60% of median equivalent income, after transfers, which represents a value more than double of that in the general population.

## Financing

Expected income on the public finance sector in 2017 shall be ca. PLN 222 million.

### Support for the social economy sector (Ministry of Family, Labour and Social Policy)

Presently the primary task consists in continuation of the system for accreditation of social economy support centres, which is to ensure that services provided by these institutions are of adequate quality, which is to be followed by launch of the social economy sector monitoring system.

Following completion of a pilot projects, a loan fund and a guarantee fund for social economy sector entities shall be launched.

#### Timetable

- Continuation of the repayable support - launch of the loan and guarantee funds - **2nd/3rd quarter 2016.**
- Launch of the monitoring system of social economy sector - **2nd/3rd quarter 2016.**

#### Financing

	2016			2017		
	total public finance sector expenditure (PLN thousand)	of which state budget (in PLN thousand)	of which European fund budget (in PLN thousand)	total public finance sector expenditure (PLN thousand)	of which state budget (in PLN thousand)	of which European fund budget (in PLN thousand)
Accreditation process of social economy support institutions	1,800	283	1,517	1,800	283	1,517
Loan fund	47,160	7,413	39,746			
Development of instruments for comprehensive monitoring of the social economy sector	980	154	826	2,306	362	1,943

### Support for activities of non-government organisations (Ministry of Family, Labour and Social Policy)

Under the Civic Initiatives Fund Programme for 2014-2020, , projects may be co-financed in an open call for proposals, which are submitted by non-governmental organisations and entities listed in Article 3(3) of the Public Benefit and Volunteer Work Act, and which envisage following activities:

- support for innovative projects and self-help mechanisms in the area of counteracting social and professional exclusion,
- measures for active integration, including cooperation of social services and public and civic sectors in the area of social integration,
- innovative solutions in the area of social integration,
- innovative solutions in the area of prevention and work with families bringing up children, which are at risk of marginalisation,
- support for persons with disabilities through limiting social exclusion of persons with disabilities,
- support for older persons, social empowerment of older people in local communities and intergenerational integration and solidarity,
- ensuring equal opportunities for discriminated and harmed persons and groups.

### Timetable

- execution of the call for proposals for 2016: Priority 2: Active society - **2nd quarter 2016**
- Announcement of the open call for proposals under the Civic Initiatives Fund Programme for 2017 - **3rd quarter 2016/4th quarter 2016**

### Financing

The state budget funds in the amount of PLN 60 million per year have been planned for implementation of the Programme in 2016-2017.<sup>30</sup>

### Counteracting social exclusion of older persons (Ministry of Family, Labour and Social Policy)

In order to facilitate social participation of older persons and counteract social exclusion on 17 March 2015 the Council of Ministers approved the multi-annual programme “Senior - WIGOR” for 2015-2020. The programme envisages establishing of “Senior- WIGOR” day centres and support for their functioning through participation in the cost of their operation.

The primary objective of the programme is to improve the quality of life of older persons by making it possible for them to use care, participation, educational, cultural and recreation offer, as well physical activity and kinesiotherapy. The main beneficiaries of the programme are territorial self-government units (municipalities, poviats, voivodeships) and the target groups are persons aged 60+, who are nor professionally active. The programme also envisages cooperation with non-governmental organisations and similar entities, through the possibility of their participation in the programme as project partners, as well as implementing programme tasks, commissioned by territorial self-government units. The scope of services offered by the “Senior - WIGOR” day centres includes: care by a worker or a physiotherapist or a nurse or a paramedic (in a proportion of time taking into accounts the needs or preferences of a facility), educational activities, physical activity, occupational therapy workshops, meals.

“Senior - WIGOR” supplements activities implemented under the Governmental Programme for Social Participation of Older Persons for 2014-2020 (ASOS), which is an implementing document for the Assumptions of the Long-term Old Age Policy in Poland for 2014-2020 in the area of social participation.

### Timetable

- implementation of projects related to financial support of territorial self-government units in the scope of establishing and operating “Senior - WIGOR Day Centres - **2nd quarter 2016 - 4th quarter 2016.**
- Implementation of projects under the 2016 edition of the ASOS Programme – **2nd quarter of 2016 – 4th quarter of 2016**
- Settlement of projects, implemented under these programmes in 2016 edition - **1st quarter of 2017.**

### Financing

Funds in the amount of PLN 40 million have been planned in the budget act for 2016 for implementation of the “Senior - WIGOR” programme, while the multi-annual programme Senior - WIGOR 2015-2020 approved by the resolution of the Council of Ministers indicates that the state budget funds in the amount of PLN 60 million have been envisaged for its implementation in 2017. For implementation of the ASOS Programme the total of PLN 40 million have been planned for 2016 (PLN 32.5 million in the target reserve item 33 and PLN 7.5 million in part 44 Social security).

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<sup>30</sup> In 2016 PLN 52.5 million in the target reserve item 39 and PLN 7.5 million in part 44 Social security.

## Selected measures in the area of health care, facilitating improvement in health status and well-being of citizens (Ministry of Health)<sup>31</sup>

The work on the Regulation establishing the National Health Programme for 2016-2020 is under way.

Further implementation of number of initiatives included in the “National strategic framework. Policy paper for health care system - 2014-2020” is planned for 2016-2017, including:

- supporting de-institutionalisation of care by developing alternative forms of care for dependent persons (including elderly people);
- implementation of coordinated care into the health care system. Pilot initiative will introduce new forms of management , processes and technological solutions;
- support for quality-enhancing actions dedicated to healthcare entities which provide primary healthcare services, as well as quality-enhancing actions dedicated to healthcare entities which provide hospital care;
- support for development of medical personnel.

### Timetable

- The planned date for approval of the Regulation establishing the National Health Programme for 2016-2020 - **before 3rd quarter 2016**
- Implementation of projects in the area of support for de-institutionalisation of care over dependent persons - **from 2nd quarter 2016**
- Completion of the work on the 1st stage of implementation of the project related to preparation, testing and implementation of coordinated care organisations to the health care system - **4th quarter 2016**
- Launching of projects (in competitive mode) related to development programmes for medical universities - **from 1st quarter 2016**
- Implementation of projects related to quality-enhancing measures - **from 1st quarter 2016**
- Implementation of projects related to post-graduate education of nurses and midwives - **from 2nd quarter 2016**
- Implementation of specialisation courses under the project related to specialisation training for medical doctors in the areas relevant to epidemiological and demographic needs of the country - **1st -4th quarter 2016**

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<sup>31</sup> For the first time the NRP, in its chapter devoted to limiting poverty and social exclusion, contains tasks in the area of health care. However, most of these tasks had already been presented in the previous edition of the NRP, which were then referred to as the “Strategic measures to increase cost saving and effectiveness of health care expenditure”.

## Financing

	2016			2017		
	total public finance sector expenditure (PLN thousand)	of which state budget (in PLN thousand)	of which European fund budget (in PLN thousand)	total public finance sector expenditure (PLN thousand)	of which state budget (in PLN thousand)	of which European fund budget (in PLN thousand)
Implementation of coordinated care into the health care system - OOK	4,500	707.4	3,792.6	15,000	2,358	12,642
Support for de-institutionalisation of care by developing alternative forms of care for dependent persons (including elderly people) - DDOM	10,000	1,572	8,428	15,000	2,358	12,642
Support for development programmes for medical universities - CSM	34,000	5,344.8	28,655.2	31,000	4,873.2	26,126.8
Support for quality-enhancing actions dedicated to healthcare entities which provide hospital healthcare services - CMJ hospitals	4,050	636.6	3,413.3	4,950	778.1	4,171.8
Quality-enhancing actions dedicated to entities providing primary healthcare - CMJ POZ	3,100	487.3	2,612.6	1,900	298.7	1,601.3
Implementation of projects related to post-graduate education of nurses and midwives	12,000	1,886.4	10,113.6	8,000	1,257.6	6,742.4
Implementation of specialisation courses under the project related to specialisation training for medical doctors in the areas relevant to epidemiological and demographic needs of the country	16,000	2,515.2	13,484.8	13,000	2,043.6	10,956.4
<b>Total</b>	<b>83,650</b>	<b>13,149.8</b>	<b>70,500.2</b>	<b>88,850</b>	<b>13,967.2</b>	<b>74,882.8</b>

## 5. The institutional process of NRP updating and involvement of the stakeholders

The Minister of Economic Development shall be responsible for implementation of the Europe 2020 strategy in Poland. This pertains primarily to drafting of the annual update of the NRP. This task also translates into the necessity to ensure mutual cohesion between the NRP and programming and strategic documents drafted by the government administration. Furthermore, the task of monitoring progress in implementation of actions included in the update of the NRP is also connected with the coordination function of the Minister of Development. The results of the monitoring process, alongside proposal of new actions submitted by ministries, are the basis for drafting of subsequent updates of this document.

The rhythm of the NRP update process is set by the schedule of the European Semester on one hand, and on the other by the principles in place when elaborating programming documents. A draft document is first subject to inter-ministerial and public consultations; then it is discussed in the fora of relevant committees of the Council of Ministers and finally approved by the Council of Ministers.

Having in mind both ensuring the adequacy of measures proposed in a subsequent NRP update and getting possibly broad approval for these measures, the government invites a broad spectre of stakeholders from economic, scientific and civic society circles to participate in the work on drafting, implementation and monitoring of the NRP. Polish Parliament is also involved in the processes of the NRP update and implementation of the European Semester.

Involvement of the Parliament takes place in the crucial moments of the European Semester, when the EU Council approves the Country Specific Recommendations (CSR) at the end of its cycle and when the European Commission starts a new cycle with the publication of the Annual Growth Survey (AGS). Draft recommendations for Poland published by the European Commission on 13 May 2015 was subject to the discussion on 27 May 2015 at the joint meeting of the European Union Committee, Public Finance Committee and the Economy and Development Committee of the Sejm of the Republic of Poland (the European Union Committee of the Senate discussed them on 8 July 2015). The European context of the CSRs was the subject of the meeting of the Sejm European Union Committee on 4 August 2015. The European Commission Communication on AGS 2016 and respective position of the Government of the Republic of Poland were discussed by the European Union Committee of the Senate on 9 February 2016 and the European Union Committee on 9 March 2016.

In addition, the information on the NRP and the Convergence Programme drafts was presented at the joint meeting of the Committee for the European Union, the Public Finance Committee and the Economy and Development Committee of the Sejm of the Republic of Poland on 13 April 2016. The inclusion of social and economic partners in the NRP update and implementation process has been facilitated by the Inter-ministerial Team for Europe 2020 strategy presided by the Minister of Economic Development. This consultative and advisory body to the President of the Council of Ministers gathers not only representatives of government administration authorities, but also a broad spectre of representatives of territorial self-government units, organisations of entrepreneurs, trade unions, economic and agricultural chambers, non-governmental organisations and scientific and research entities. Representatives of the following institutions have been invited to participate in the work of the Team:

- The Association of Voivodships of the Republic of Poland,
- The Association of Polish Poviats,
- The Union of Polish Metropolises,
- The Association of Polish Cities,
- The Association of Rural Municipalities of the Republic of Poland,
- The Independent and Self-Governing Trade Union “Solidarność”,

- The All-Poland Alliance of Trade Unions,
- The Trade Unions Forum,
- The Employers of the Republic of Poland,
- Polish Confederation of Private Employers - Lewiatan,
- Business Center Club – the Association of Employers,
- Polish Craft Association,
- Polish Academy of Sciences,
- Polish Academy of Learning,
- The National Economic Chamber,
- The National Council of Agricultural Chambers,
- The Conference of Rectors of Academic Schools in Poland,
- Polish Agency for Enterprise Development,
- The Institute of Economic and Social Sciences Foundation,
- The Federation of Scientific and Technical Associations NOT,
- The Patent Office of the Republic of Poland

and representatives of following institution indicated by the Public Benefit Works Council:

- The Institute for Eco-development Foundation,
- Working Community of Associations of Social Organisations (WRZOS),
- The National Federation of Non-governmental Organisations,
- The Foundation for Polish Science,
- Caritas,
- The Polish Committee of the European Anti-Poverty Network (EAPN),
- The Foundation Institute for Regional Development.

The tasks of the Team include consultation of drafts of the NRP and other documents elaborated in connection with implementation and monitoring of implementation of the Europe 2020 strategy in Poland. The Team also participates in monitoring and evaluation of implementation of structural reforms described in the NRP and in drafting of recommendations pertaining to increasing the effectiveness of the Europe 2020 strategy implementation. The participation of partners from outside of the government administration in the Team facilitates strengthening of their co-responsibility for implementation of the Europe 2020 strategy at national and local levels. Thanks to such broad participation formula, the Team is a space where different perspectives on important social and economic problems get together. This facilitates better understanding of the targets of the Europe 2020 strategy, more effective implementation and monitoring, as well as enhancing the knowledge on the European Semester.

Meeting in principle at least on a quarterly basis, the Team for Europe 2020 strategy discusses documents and projects emerging at subsequent stages of the European Semester, starting from the country specific recommendations, through the Annual Growth Survey, the Country Report, to individual stages of elaboration of a subsequent NRP update. In particular, the forum of the Team may be used by social and economic partners to point to problems, which are important from their perspective and which in their opinion should be reflected in measures proposed for implementation in the updated document.

The discussion of individual priorities and targets of the Europe 2020 strategy runs in parallel to consultation of documents. In particular, the level of achievement of all five targets of the Europe 2020 strategy has been discussed in the meeting of the Team. In connection with the new

government taking over following the parliamentary elections, the first meeting of the Team in 2016 was primarily devoted to the discussion of the “Plan for Responsible Growth” approved by this government and its possible contribution to the implementation of the Europe 2020 strategy. In subsequent meetings the Team discusses thematic areas proposed by social and economic partners. In the period since the previous NRP update, this pertained in particular to the area of vocational training and cooperation of vocational schools with employers and the area of poverty in Poland.

At the meeting on vocational training and cooperation of vocational schools with employers, representatives of ministries presented, among others, the results of the reform of vocational education of 2012, activities in the area of development of cooperation of schools and institutions providing vocational education with employers, development of vocational and life-long learning centres, development of education clusters, the structure of the Council for Competences in the course of organisation, as well as the instrument of the tri-partite training contract, concluded between employers, labour offices and training institutions. In the course of the discussion the social and economic partners pointed to issues, which included: too few hours devoted to practical training in the minimum curriculum, the need for clear definition of apprenticeship and vocational practice and for personalisation of vocational counselling, and the fact that persons educated in a workplace are better prepared for employment than those trained at schools.

The topic of phenomenon of poverty and social exclusion had first been the subject of preliminary discussion at a working meeting of interested members of the Team, and then it has been discussed at a plenary meeting. The discussion was based on the “Information on primary poverty indicators in Poland” elaborated by Central Statistical Office (CSO). In the course of the working meeting some of the social partners submitted proposal to supplement this information with, *inter alia*, administrative data on poverty, data on poverty from other surveys, not carried out by CSO, e.g. “The Social Diagnosis” or the studies of the Institute of Labour and Social Issues on poverty thresholds. It has been postulated that the information is supplemented with data on poverty among children and persons excluded from the system of social assistance. A motion has also been submitted to carry out an evaluation of the effectiveness of support instruments with the use of a micro-simulation model. A need was expressed to prepare a collective publication including the above mentioned information by the Central Statistical Office (GUS) and the Ministry of Family, Labour and Social Policy, with representatives of partners participating. Social partners pointed to the need of more frequent publishing of data on poverty (e.g. quarterly, just like with unemployment). The Central Statistical Office explained that for substantial reasons, there is no need to increase the frequency of publishing information about poverty. In statistical terms, poverty does not appear and disappear over a quarter, which justifies that the present, annual frequency of publishing information about this phenomenon be retained.

At the Team’s plenary session, social and economic partners again proposed the revision of the target set out in NRP to counteract poverty or social exclusion and its clarification by adding information about poverty of children and people with disabilities. The Government retained its position that there is no need to change the fundamental objectives of the strategy while it is being implemented. Moreover, the question of no official poverty threshold was raised and the joint elaboration of the poverty thresholds by the representatives of social and economic partners, the Government and the Central Statistical Office, under which the objectives will be adopted, was proposed (e.g. for the next 5 years). A proposal of breaking down the national objective regarding poverty into voivodeships was also repeated. During the discussion, the Central Statistical Office pointed to difficulty of monitoring possible objectives set at the voivodeship level, due to insufficient precision of data at this territorial level. Generally, it was agreed that the question of poverty is important and multidimensional and that the Ministry of Family, Labour and Social Policy in cooperation with the Central Statistical Office will prepare information about the most recent poverty indicators in Poland every year.

## Annex No 1 – Implementation of the EU Council recommendations

Table: Description of measures taken and information about their qualitative impact

		Information about planned and taken measures					Anticipated impact	
CSR	CSR sub-category	Measure number	Description of key measures directly linked to CSR		The targets of the Europe 2020 strategy	Challenges/Risks	Impact on the budget	Qualitative assessment
			The main objectives of the implemented measures and their significance for CSR	Description of measures taken so far (IV 2015 –IV 2016) /Description of planned measures	The impact assessment (IA) on the Europe 2020 strategy	Challenges/ Risks linked to measures taken	General and annual changes in state revenue and expenditure (PLN million)  Proportion of EU funds (source and value)	Qualitative description of anticipated effects of measures taken and their dates
CSR 2	a) aligning the pension arrangements for miners with those for other workers	1	N/A	Currently, there is no work on unifying the conditions of granting special pensions to miners with the general principles of the general pension scheme.	N/A	Employment in “Mining and Quarrying” has been systematically falling – in 2010 it was 173,000 persons while in 2014 – 160,000 persons. People employed in mining and quarrying represent ca. 1% of all employees.	In 2014, expenditure on pensions for miners represented PLN 9,659.5 million.	N/A
CSR 2	a) aligning the pension arrangements for miners with those for other workers	1	N/A	Currently, there are no plans to adapt the pension scheme for farmers to the general pension scheme. If changes in the general social security system are made, the farming scheme will be improved on an ongoing basis to achieve the compatibility (consistency) of the systems.  Poland is focused on improving inter-sectoral mobility of the labour force (described in detail in Chapter 4.1.).	N/A	We have been observing a downward trend in the number of insured persons as well as beneficiaries. It is anticipated that between 2016 and 2019 the downward trend in the number of beneficiaries will stop due to the rising number of insured persons at the retirement age. The rise in the number of pensions in effect of old-age pension claims filed by persons receiving early retirement pensions will also contribute to this.	Expenditure on disabled and old-age pensions is therefore increasing, and in 2016 it is planned to reach PLN 17,780,180 (in 2015 the figure was PLN 17,041,057), with revenue from contributions close to PLN 1.5bn. The balance of revenue and expenditure in the pension scheme is inherently an unrealistic expectation (assumption), considering poor profitability in agriculture and the fact that 80% KRUS contribution payers operate on small agricultural holdings, i.e. up to 10 conversion ha of agricultural areas.	N/A

CSR 2	c) adopt a timetable put in place a system for assessing and recording farmers' incomes	1	Farmer – beneficiary of measures shall keep the revenue and expenses ledgers or any other form of income accounting records required by the Farm Accountancy Data Network, FADN 9	As part of the Rural Development Programme (RDP) for 2014-2020, a support instrument called “Modernisation of agricultural holdings” was launched. The first call for applications was carried out October through November 2015.	N/A	Not envisaged.	Allocation for RDP operations 2014-2020: “Modernisation of agricultural holdings” ca. EUR 2.4bn.	The estimated number of agricultural holdings that will receive such support for 2014-2020 will be ca. 130,000 (i.e. at least this number of agricultural holdings will have to keep revenue accounting records). The implementation of certain standards for the agricultural holdings that use RDP and dissemination of knowledge of accounting will foster the future introduction of such accounting in other agricultural holdings.
		2		As part of the Rural Development Programme (RDP) for 2014-2020, a support instrument called The “Restructuring of small agricultural holdings” is planned – on 6 November 2015, a regulation for this instrument was issued. Another stage is to obtain accreditation by a paying agency.		This instrument is awaiting the accreditation audit. After having obtained accreditation, it will be possible to set a date for launching such operation.	Allocation for RDP operations 2014-2020: The “Restructuring of small agricultural holdings” ca. EUR 883m.	
		3		As part of the Rural Development Programme (RDP) for 2014-2020, a support instrument called – “Premiums for young farmers” was launched. The first call for applications was carried out August through September 2015. An accounting form and the rules of its completion were prepared for this instrument and attached as an Annex to the regulation. The beneficiaries of the „Modernisation of agricultural holdings” and the “Restructuring of small agricultural holdings” measures will apply similar rules of accounting.		Not envisaged.	Allocation for RDP operations 2014-2020: “Premiums for young farmers” – ca. EUR 718m.	
CSR 3	Take measures to reduce the excessive use of temporary and civil law contracts in the labour market	1	The purpose of the change is to limit abuse in circumventing the obligation to pay contributions and to safeguard the contracted party’s right to the lowest pension.	On 1 January 2016, the Act of 23 October 2014 amending the Act on social security system came into force. According to the new provisions, old-age and disabled pension contributions will be charged from more than one contract of mandate concluded by the same contracted party in a situation where the first contract was concluded for an amount lower than the minimum pay. Until present, when concluding two contracts – one for a small amount on which a low contribution was paid and the other for a higher amount (which was not subject to contributions) it was possible to pay smaller contributions.	The instrument limits the risk of income poverty.	1. hiding a portion of income not subject to social security contributions in the case of performing several contracts (a change in the value of pay);  2. the widening of shadow economy	The measure will benefit public finance, causing an estimated increase in inflows from contributions of more than PLN 350m to the Social Security Fund (FUS) in the first year. By increasing the basis of the contribution payment to reach the minimum pay, in the case of coexisting several contracts of mandate, the expenditure on benefits will also rise, which is initially estimated at PLN 10m. <sup>32</sup>	The instrument will limit excessive use of civil-law contracts in the labour market and unfair cost competition between undertakings.

<sup>32</sup> The detailed financial consequences are contained in the explanatory memorandum to the Act (proposal 2242) at: <http://www.sejm.gov.pl/Sejm7.nsf/PrzebiegProc.xsp?id=3043BA919C2D8102C1257CA70049EC96>

CSR 3	Take measures to reduce the excessive use of temporary and civil law contracts in the labour market		The purpose of the measure is to combat the excessive use of fixed-term contracts	As from 22 February 2016 the provisions of the amended Labour Code apply. The total period of employment under fixed-term contracts, concluded by the same parties to the employment relationship, may not exceed 33 months, with not more than 3 contracts of this type. The effect of exceeding 33 months or the limit of 3 fixed-term contracts will be considered as treating the employee – from the next day on after 33-months of service or from the date of concluding the 4th such fixed-term contract – as employed under an open-ended contract. Certain exceptions from this rule have been foreseen.	The measure results in increased employment.	There is a certain risk that exceptions will be used extensively, e.g. unjustified multiple application of contracts for a trial period with the same employee.	N/A	The instrument introduces greater predictability in the employee-employer relationship on the path to stable employment (i.e. open-end contract).
		3	The purpose of the measure is to combat the excessive use of civil-law contracts and to protect persons receiving the lowest pay.	A bill, which assumes e.g. the following, was prepared: - Introducing a minimum hourly rate of pay for certain civil-law contracts of PLN 12; - Broadening the powers of control of the National Labour Inspectorate (PIP)	The measure will improve the quality of employment.	The measure may increase labour costs with respect to some persons working under civil-law contracts, in particular in construction, trade, catering and restaurants, administration and support.	There are no figures that would enable to estimate the financial consequences of the measure.	The measure will limit a situation where an employee working under certain civil-law contracts governed by the provisions on contracts of mandate has an hourly rate which is much lower than the minimum pay for work within the framework of the employment relationship.
CSR 4	Remove obstacles to investment in railway projects	1	The purpose of the measure is to simplify administrative procedures and increase the volume of intermodal transport.	On 25 February 2015, the Act of 15 January 2015 amending the Rail Transport Act and certain other acts came into force. The amendment has introduced changes facilitating railway investments: - a possibility to set time limits in the use of real estate by their owners or holders of perpetual usufruct right; - a possibility to freely occupy the territory of flowing waters or a road lane for the time of the implementation of railway investments and the obligations to pay damages for damage caused during the investment process (if any); - simplification of notification of institution of proceedings for determining the location of investment – for real estate with unspecified legal status; - shortening the deadline for issuing a building permit for railway investment – up to 45 days after application for decision.	N/A		N/A	The anticipated effect of the regulation is to shorten the time of railway investment co-funded by the EU

CSR 4	removing obstacles hindering investment in railway projects	2	<p>The main purpose of the NRP is to reinforce the role of rail transport in the country's integrated transport system by building a coherent and modern railway network.</p>	<p>On 15 September 2015, the Council of Ministers adopted the "National Railway Programme until 2023" (hereinafter the NRP). The document defines the tasks of rail infrastructure development managed by PKP PLK SA. and the funding sources.</p> <p>As part of NRP, investments were divided into the basic and reserve lists. The division comes from the availability of allocation of EU sources for 2014-2020 and committable national resources. If there are any savings or additional funds generated by NRP, the reserve list investments could be implemented. For the portion of reserve tasks, preparatory work has been going on to file an application for aid and implement the project when/if funds become available.</p> <p>In March 2016, the Detailed Roadmap for NRP Implementation was approved. The document meets the requirements set out in the "National Railway Programme until 2023" and supplements it. The document includes a material and financial scope of planned investments. The document, in particular, defines the planned expenditure divided into funding sources for specific investments by year of implementation.</p>	N/A	<p>It is assumed that the "National Railway Programme until 2023" be submitted for verification. The NRP update procedure involves e.g. the need to review individual elements of the current Programme for the level of use of funds from the EU 2007–2013 perspective. It may be necessary to supplement the NRP with tasks which were not fully implemented in the previous EU perspective. The revision of the document is also driven by the need to adapt its provisions to the development of railway infrastructure both in terms of its management and funding. At the present stage, each investment item of railway infrastructure is studied in detail. It has to be noted that a well-prepared NRP update will create new opportunities for smooth implementation of the most needed investments in the railway sector. The update is planned for 3Q 2016.</p>	<p>The total value of NRP projects is PLN 67.5bn. The financial package of projects includes both EU funds – the Cohesion Fund (OPI&amp;E, CEF), the European Rural Development Fund (EP OP, ROP), and national funds – the state budget, the Railway Fund and own resources of the infrastructure manager, PKP PLK S.A. (e.g. loans, bonds).</p>	<p>8,500 km – the planned length of reconstructed railways under NRP until 2023;</p> <p>350 km – the planned length of reconstructed railways enabling passenger traffic with technical speed exceeding 160 km/h at the end of 2023;</p> <p>2,000 km – the planned length of railways on which ERTMS/ETCS will be built by the end of 2023;</p> <p>40 km/h – the planned average speed of goods trains at the end of 2023;</p> <p>18 – the planned number of provincial centres connected with railways with average speed of passenger trains of 100 km/h by the end of 2023.</p>
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## Annex No 2 – Impact of the Family 500 plus Programme

The main purpose of the Act is to financially support families with children and enhance incentives to make decisions to have children, especially the second child and more children. The proposed solution is to counteract child poverty, especially in large families.

The impact assessment of the Act assumes the demographic effect – an increase in the number of births by 289,000 between 2016 and 2026 (an increase in the birth rate to 1.6 in 2025, a rise of 0.16 compared to the scenario without the Family 500 plus programme); an increase in supply of labour between 2050 and 2060 by 2.5% on average.

It is estimated the increase in the fertility ratio by 10% compared to the base scenario shall result in:

- (1) a short-term demand effect – an additional growth of consumption of households of 0.7 pp in 2016 and then of 0.5 pp in 2017.
- (2) product growth effect – GDP growth of ca. 1.6% on average over that period (assuming no changes in unemployment rate, balance, factor productivity, level of capital – although the level of capital may adapt to larger labour resources and in consequence the difference in GDP will be prorated to the difference in the supply of labour); in the mid- and long-term the positive effects for potential economic growth in Poland related to improving human capital
- (3) the income effect – increase in disposable income of the poorest households – it is estimated that the statutory poverty (depending on the applied methodology) will drop by ca. 4-6 pp while the relative poverty based on Eurostat methods by ca. 4 pp.<sup>33</sup>

The effects of Family 500 plus programme on disposable income of households in 2016.

the decile of disposable income	The number of households receiving Family 500 plus benefit	% of households receiving the benefit in the decile	average % share in disposable income of households**	Average annual effect per household [PLN]**	Total effect for the public finance sector [PLN million]
1	746,756	52.6%	38.7%*	8,650	6,459
2	644,572	47.5%	18.2%	7,347	4,736
3	316,094	23.3%	12.3%	6,056	1,914
4	212,294	15.6%	9.8%	5,802	1,232
5	132,047	9.7%	8.1%	5,765	761
6	98,814	7.3%	6.9%	5,399	534
7	74,118	5.5%	5.8%	5,015	372
8	75,291	5.6%	5.0%	5,162	389
9	67,708	5.0%	4.4%	5,301	359
10	56,822	4.2%	2.7%	5,295	301

Source: Calculations of the Ministry of Finance on a basis of micro-simulation model, MF-MICROMOD. \* - the figure is calculated for disposable income greater than 0. \*\* - average values calculated for households receiving 500 plus benefit.

<sup>33</sup> The anticipated fall in poverty assumes no changes in income bands in the Act on Social Assistance. The estimated statutory poverty on a basis of MF-MICROMOD and the results of the Household Budget Survey in 2014, and the relative poverty on a basis of EU-SILC2013.

## **Annex No 3 – Involvement of social and economic partners in work related to the European Semester and the course of public consultation**

### **Social and economic partners issue an opinion on EU documents**

During the European Semester, social and economic partners were informed about documents published by EC. The Independent and Self-Governing Trade Union (NSZZ) “Solidarność” and the All-Poland Alliance of Trade Unions (OPZZ) submitted their comments to the Communication from the Commission [Annual Growth Survey 2016](#) (AGS 2016).

In the opinion of the OPZZ, the document of the Commission includes correct diagnoses of the current situation in the EU and the challenges it faces, but the OPZZ has some doubts regarding the proposed actions to overcome those challenges. The OPZZ welcomed the announcement of the Investment Plan for Europe, but stated that European trade unions had expected it to have higher value than determined by the European Commission. Therefore, the OPZZ called for extending the investment programme implemented in the EU by means of national investment programmes in the areas diagnosed as necessary for sustainable development of a given country and for stimulating the economic growth. The NSZZ “Solidarność” considers it important and necessary to inform social partners, in both individual countries and at the European level, about the projects financed under the Investment Plan for Europe.

Referring to the need to eliminate barriers to economic activity and investments in the EU, called for by the European Commission, the OPZZ pointed out that what is a barrier to some may be a necessary regulation from the point of view of the state and the society. The European Commission should bear in mind that the elimination of barriers cannot result in abolishing the requirements necessary to ensure security of production, labour, quality of products, employment standards or social protection. The OPZZ is critical of the proposal of the European Commission to improve the competitiveness of the economy by means of improving the flexibility of the labour market, adjustments of the wage system and the employment regulations. Therefore, the OPZZ expressed its concern that the workers will bear the cost of subsequent economic adjustments, although they are the main group affected by the crisis.

In the opinion of both organisations, instead of exerting a positive impact on job creation and unemployment reduction, temporary forms of employment generate the labour market segmentation and adversely affect the wages of workers, rather than an increase in their productivity and innovation. The trade unions firmly believe that it is the competitiveness based on stable work conditions and fair remuneration for workers, including the appropriate level of minimum wages that will lead to an increase in productivity, innovation and good economic performance of the EU, conducive to social inclusion. Sectoral collective agreements and social dialogues in places of employment should be used as tools for creating fair remuneration schemes for workers.

In its opinion, the OPZZ stated that initiatives for creation of good quality jobs should be the main objective of the European Semester, and investments implementing the concepts of sustainable and inclusive growth should be treated as a priority and constitute an essential element of National Reform Programmes. Particular attention should be paid to improvement of possibilities to reconcile work and private life, in order to increase the participation of women in the labour market and eliminate various forms of their discrimination on that market. In the opinion of the OPZZ, the AGS lacks a clear signal for entrepreneurs that their involvement in the organisation of work conditions conducive to reconciling professional and social roles is expected in order to achieve the objectives of the EU and the idea of a social Europe.

The NSZZ “Solidarność” agreed with the opinion that professional mobility is an important mechanism in solving the problem of certain skills in Member States and pointed to the need of a thorough analysis and finding protective measures for regions experiencing regular outflow of well-educated and usually young workers. On the one hand, the countries receiving those persons do not

incur any costs of their upbringing and education, while, on the other hand, they build their economic growth on their work, at the expense of increasing disparity of regional labour markets. In the opinion of the trade union, the possibility to provide financing from the ESF to regions affected by long-term outflow of labour force must be considered.

Both trade union organisations welcomed the improvement in the European Semester and the stress placed in the AGS on the need to conduct social dialogue at all level while implementing social and economic policies. The NSZZ “Solidarność” is of the opinion that exchange of information and consultation within the framework of the European Semester should take place at the Social Dialogue Council (Team for economy and labour market). The OPZZ emphasizes that the dialogue with social partners must go beyond the fulfilment of the formal obligation of consultation and lead to actual inclusion of the position and role of social partners in the decision-making process. In particular, social partners should be involved in preparing initiatives under the NRP.

The partners also submitted comments to the Commission staff working document “[Country Report Poland 2016](#)”. In the opinion of the NSZZ “Solidarność”, the Report is critical of the condition of the state and identifies the areas in need of improvement, and the majority of its conclusions are correct, although, regrettably, in the case of areas causing social and financial problems, such as health care service, the Report does not provide any method for improving the system. The trade union does not agree with the opinion of the European Commission concerning the need to establish a fiscal council as an institution to solve the problems with public finance. As regards the labour market, in the opinion of the trade union, the Report does not pay attention to the role of such factors as restrictions in access to health services and long-term care for the growth of employment indicators. The trade union does not agree with the claim that an increase in the retirement age can reduce the forecast decrease in workforce, since the system of incentives for employers to employ older workers is insufficient. The trade union expects the assessment of the functioning of public employment services, and the current process of profiling the unemployed should be modernised. The trade union does not agree with an argument of the European Commission that rigidities in the Labour Code explain the large proportion of atypical labour contracts in Poland. The trade union points to the weakening system of collective bargaining as the reason for the lack of fair balance between an increase in labour productivity and a growth of real wages – the support of public authorities is necessary to change the situation. As regards social policy, in the opinion of the trade union, the Report does not pay attention to the problem of the working poor and the poverty of children. The trade union agrees with the opinion on the need of a profound reform of the social assistance system and the family benefits system. As regards the tax system, the trade union considers the lack of appropriate tax progressivity to be the main challenge.

Also the OPZZ in its comments calls for increasing the progressivity of the tax system by introducing two new income tax rates and the corresponding tax thresholds, for those with the lowest and the highest incomes. At the same time, due to the risk of increased costs of household maintenance, the OPZZ is sceptical of the recommendation for limiting the use of reduced VAT rates, while the recommended broadening of the tax base should not lead to increased taxes for the citizens, but focus on reducing tax abuses. As regards the wage system in the economy, the OPZZ attaches high importance to achieving an agreement within the Social Dialogue Council on the growth rate of the minimum wages so that they amounted to 50% of the average wages, and to developing solutions with social partners to popularise sectoral collective agreements. The state should enforce law more efficiently to eliminate bad practices on the labour market, and therefore the OPZZ calls for strengthening of public institutions, such as the National Labour Inspectorate and the justice system, which should promote and consistently require socially responsible attitudes on the part of entrepreneurs. The OPZZ also reminds that the activity of public institutions should be a good example for the private sector, in terms of the practices related to both employment of workers, and the disbursement of funds. In the opinion of the OPZZ, one of the conditions for the improvement in the business environment and services for citizens is a growth of wages in the budgetary sector.

The Polish Trade Union Alliance “KADRA” also submitted its comments to the Country Report (as a member of the Trade Unions Forum confederation). It focused mainly on the situation of the coal mining sector and its workers, claiming that the approach of the European Commission is one-sided. The Alliance is highly critical of the recommendation of the European Commission concerning the pension system in Poland, pointing out that due to the level of wages and stable employment the miners regularly and without any interruptions paid pension contributions in the higher amount than many other groups of workers. It cannot be claimed that miners are exempt from the universal pension system with defined contributions. In the opinion of the Polish Trade Union Alliance “KADRA”, the slight differences in the pension arrangements for miners result, among others, from the working conditions of farmers, which is overlooked by the European Commission in its opinion. “KADRA” also believes that the problem of miners’ pensions does not have a significant impact on the problems of the entire pension system and the state budget expenditure, in particular if all expenditure and public and private contributions made by the mining sector are taken into account. “KADRA” calls for including the problems of traditional sectors of the economy in the Country Report, including an improved protection of the EU customs area against unfair competition of production from third countries (e.g. in metallurgy and mining) and the consequences of the EU climate policy for those sectors. In this context, “KADRA” considers the actions of the European Commission aimed at improvement of energy efficiency and reduce carbon dioxide emissions to be ill-advised, since in practice they lead to reduction of support to RES only, without the support for the use of clean coal which was and is the guarantee of low costs of power production and of energy security. “KADRA” also expects the European Commission to provide funds for social partners to develop social dialogue at various levels, including the sectoral level or when concluding independent collective agreements.

In the opinion of the Polish Craft Association, the Country Report does not pay sufficient attention to vocational education, including in particular the necessary cooperation of vocational schools with employers and their organisations; there are no positive examples of such cooperation presented, such as vocational training of young workers and adults, provided in Poland with a dual system in crafts. The Polish Craft Association also points out the danger of improper understanding of dual education, which could lead to its perversion and implementation of a distorted system of vocational education in Poland, which will prevent improvement of professional efficiency. Strengthening vocational education should take place without marginalisation (including in the Polish Qualifications Framework) of a proven system of dual vocational education carried out with the participation of crafts and acknowledgement of professional qualifications in the form of journeyman and master craftsman’s examinations. The Polish Craft Association shares the Commission’s view that Poland lacks proper coordination of lifelong learning strategies. The Polish Craft Association also emphasises difficulties in access of micro-companies to the European structural and investment funds. As to the widening of the tax base and reduction of the application of the reduced VAT rate system, postulated in the report, the Polish Craft Association is of the opinion that a lower basic tax rate with simultaneous elimination of preferential rates will improve the transparency of the tax system, but this advantage will not compensate for high social costs of this operation and its negative impact on the situation of micro-enterprises due to sudden changes in prices of products and services taxed preferentially so far.

Also the Polish Committee of the European Anti-Poverty Network (EAPN Poland) presented its remarks on the Country Report. The Committee agreed with the Commission that Poland needs greater efforts in terms of poverty reduction. The Committee recalled the postulate of the social partners to increase Poland’s target of poverty reduction in the framework of the Europe 2020 strategy to 3 million people and extend it to cover targets for vulnerable groups (e.g. children, persons with disabilities). The Committee considers that the social protection system in Poland has a limited reach and contributes to reducing poverty insufficiently. The areas that have been overlooked but, in the Committee’s opinion, should be covered by the report, are: housing situation and policy in this area (energy poverty, apartments for rent, social housing) and the system of professional

activation and social security for persons with disabilities (disability insurance and the pension system, care benefits).

In the opinion of the National Council of Agricultural Chambers, the picture of Polish agriculture presented in the report is a very negative (poor performance, preferential insurance and taxation), for example there is no information on its share in GDP or systematically increasing exports of Polish agri-food products that can be a showpiece of our economy at the moment.

#### **Public consultation of the NRP 2016/2017 – main comments**

The draft *NRP 2016/2017* was handed over for consultation by the organisations whose representatives are members of the Team for the Europe 2020 strategy. In the framework of the consultation, opinions were submitted by the Independent and Self-Governing Trade Union (NSZZ “Solidarność”, the All-Poland Alliance of Trade Unions (OPZZ), the Polish Craft Association (ZRP), the Polish Committee of the European Anti-Poverty Network (EAPN Poland), and the Foundation Institute for Regional Development (FIRR). On 6 April 2016, the draft NRP 2016/2017 was discussed on the forum of the Team for the Europe 2020 strategy.

In their opinions, the partners attach great importance to preventing poverty and social exclusion. They devote special attention to long-term unemployment, the working poor, and extreme poverty, postulating development of solutions to these problems through changes in the remuneration, tax, and social security systems.

The NSZZ “Solidarność” pointed out that while there has been an increase in the number of childcare institutions, still availability of public kindergartens and other public forms of pre-school care is limited, which is of utmost importance in the context of levelling of opportunities for women and men on the labour market and preventing poverty. According to the NSZZ “Solidarność”, the NRP should pay more attention to setting an overarching priority of preventing long-term unemployment and a substantial increase in funds allocated for that purpose. The NSZZ believes preventing social exclusion of the elderly and indication of actions in the field of health protection insufficient. The NSZZ calls for the development of a long-term care model, introduction of incentives to increase interest of physicians in specialising in geriatrics, adaptation of the operation of occupational medicine to longer life expectancy, while preventing early exclusion from employment due to the health condition.

The All-Poland Alliance of Trade Unions considered current actions to reduce the labour market segmentation insufficient (regulations concerning fixed-term contracts and imposing social insurance contributions on contracts of mandate) because there is still a high share of fixed-term contracts, false self-employment and use of civil law contracts contrary to their purpose. Next to imposing social insurance contributions on all income from work regardless of the legal basis for work provision, the Alliance calls for the introduction of a minimum rate per an hour of work in civil law contracts at PLN 15. The Alliance also considers it necessary to exercise more effective control of economic activity in terms of compliance with the labour law by strengthening the National Labour Inspectorate, promotion of good practices in public institutions themselves, as well as by the use of social clauses in public procurement. The Alliance points out that improved operation of public administration cannot be achieved without an increase in remunerations of public sector employees. Faster increase in salaries in the economy, including the minimum salary, was indicated as an instrument to increase the interest of entrepreneurs in seeking advanced production technologies and better work organisation. The Alliance reiterated its call for the introduction of a lower personal income tax rate for those who earn the least and a higher rate for the highest earners. The Alliance stressed the need for strengthening social dialogue, in particular in the energy sector, and development of a common position on the EU climate and energy policy.

According to the Polish Craft Association (ZRP), the draft NRP 2016/2017 lacks assessment of the effectiveness of actions in the framework of the “Youth Guarantee” programme, which should guide its lines of action when the programme is continued in subsequent years. With regard to the

proposed restriction on the use of civil law contracts in employment, the Polish Craft Association considers such actions advisable if they are adequate to the scale of the problem and apply to cases of actual violation of the law. Civil law contracts can be used in specific conditions, just as contracts of employment, and in the opinion of the Polish Craft Association they cannot be treated as the source of all evil in the labour market. Appreciating the role of knowledge-based competitive advantage and innovative solutions in a globalised economy, the Polish Craft Association opposes the statement that “the Polish economy must switch from a local market on global markets”. According to the Polish Craft Association, as both spheres of activity are important for the Polish economy, also the planned support instruments should take into account both realities.

In the opinion of the EAPN, the draft NRP 2016/2017 lacks reference to challenges in the area of social policy and poverty defined by the European Commission. Therefore, the EAPN reminds that while the official target of Poland in the area of poverty has been achieved, extreme poverty is on the rise. The EAPN calls for supplementing the draft with additional information and actions aimed at solving the problems in areas such as households with low work intensity, long-term unemployment, professional activity of persons with disabilities, energy poverty, intervention for children from poor families (crèche care, pre-school and school education), poverty and exclusion of the elderly and of persons with disabilities, access to health care of the poor and homeless. The EAPN considered housing situation and policy and the system for professional activation and social security of persons with disabilities as areas wrongly omitted.

According to the Foundation Institute for Regional Development, the draft NRP update refers to support for persons with disabilities to a slight extent. The Foundation draws attention to the fact that the employment rate for this group is only 22%, which affects achievement of the objectives of the Europe 2020 strategy in the area of employment and preventing poverty. It calls for extending the NRP update to include a number of already identified solutions resulting from research and system projects collaborated on or commissioned by the State Fund for Rehabilitation of Disabled Persons (PFRON), also referred to for example in the Social Alternative Report on the Implementation in Poland of the Convention on the Rights of Persons with Disabilities signed in New York on 13 December 2006 (Journal of Laws of 2012, item 1169).