



Weekly Briefing

Poland social briefing:

The "Polish Order"

- **post-pandemic reform program announced by the government**

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The "Polish Order" - post-pandemic reform program announced by the government

Summary

The Polish government has unveiled the "Polish Order" - a program of socio-economic reforms to rebuild the Polish economy, modernize the health service and improve the material position of Polish families after the pandemic. The changes include new social programs to support Polish families, tax changes, but also investments in health care, infrastructure and housing. The announcement of the program was combined with a significant easing of epidemic restrictions in Poland. The program is criticized by the opposition and organizations of entrepreneurs, according to whom it means an increase in taxes and support for the poorer part of society at the expense of the richer and more enterprising. According to many commentators, the "Polish Order" is a kind of election program for the ruling Law and Justice party, which could be used in a potential situation of accelerated parliamentary elections. The announcement of the program also demonstrates the unity of the ruling coalition camp, which has recently been plagued by internal conflicts.

Introduction

The announcement of the "Polish Order" was held ceremonially with the participation of the Polish Prime Minister Mateusz Morawiecki, the President of the ruling Law and Justice (PiS) party and Deputy Prime Minister Jarosław Kaczyński, the Deputy Speaker of the Sejm Elżbieta Witek and the leaders of the coalition groups – The Agreement (Porozumienie) and the United Poland (Solidarna Polska), who jointly signed the document. – “The Polish Order” is meant to realize Polish aspirations, or perhaps something more difficult, Polish dreams - said ruling Law and Justice president and Deputy Prime Minister Jaroslaw Kaczynski during the program's presentation. - Poles deserve a life like in the West; we want to fulfill these aspirations; there is a chance - he stressed.

The goal: a fast track to recovery

The Prime Minister Mateusz Morawicki began his speech during the presentation of the program by recalling the impact of the pandemic on socio-economic lives and stressed that a plan, a strategy and the ability to implement it is needed to return to normality. - The fundamental goal of our plan - the Polish Order - is that we get back on the fast track of recovery, but at the same time it is extremely important that we forge a new path - Prime Minister Mateusz Morawiecki said. He described the new path as modernity based on tradition, social programs, and rebuilding the economic and tax system. He listed five pillars of the "Polish Order," including health care, a fair tax system, a tax-free pension, housing and a major investment program.

Highlights of the program included:

- allocating 7 percent of GDP to health care within 6 years (6 percent from 2023).
- increasing the tax-free amount to about 6660 euros,
- abolition of contracts without social and health insurance,
- raising the second income tax threshold,
- a one-time allowance of about 2660 euros for the second child,
- a pension up to the amount of 555 euros without tax,
- provision by the state for young families aged 20-40 years of up to 40 percent of their own contribution (up to the amount of 22,220 euros) for housing loans,
- remission of housing loans up to 33,330 euros depending on the number of children in the family,
- procedural facilitations in the construction of houses up to 70 sq. m,
- infrastructural investments worth within 5-7 years approx. EUR 144 billion, implemented under the established Polish Investment Fund.
- construction of 2.5 thousand km of new roads and freeways within 7 years and completion of the entire network of express roads and freeways by 2030-2031, for which ca. 49 billion euros will be allocated.
- Equalization of subsidies for the Polish farmers to the EU average within 2-3 years.

The average annual cost of the projects proposed in the "Polish Order" is about 16 billion euros, and the maximum cost by 2030 is expected to be about 145 billion euros. According to

the Prime Minister, 18 million people will benefit from the tax changes. The changes are to mean that tax will not be paid on 65% of pensions, as well as on the lowest wages. On the other hand, the increase in outlays for the health service is to come from, among others, the tax increase consisting in the lack of the possibility for entrepreneurs to deduct the health contribution from the income tax.

Among the planned investments, Prime Minister Morawiecki mentioned the reconstruction and modernization of 50 thousand kilometers of national roads, 15 thousand kilometers of railroad lines, investments in transshipment ports, low- and zero-emission transport, construction of community centers in rural areas, modernization of 3,000 sports fields, development of cultural centers, education, reconstruction of state institutions, as well as the development of digitization, bringing broadband to millions of homes, investments in rural areas, including the construction of thousands of kilometers of water and sewage roads where they are lacking. The head of government also listed among the priorities financing clean energy, including the development of photovoltaics, construction of new heating plants in 120 smaller and larger cities.

Investments in the health care, modernization of schools and support for the Polish artists

Law and Justice Chairman and Deputy Prime Minister Jaroslaw Kaczynski indicated that the "Polish Order" assumes a deep reform of the health service. He stressed that new funds will be used, among others, to increase employment in this area. Investments in this sector are to be carried out by newly established institutions: Hospital Modernization Fund, Medical Fund and Hospital Development Agency. They will also carry out research, focusing especially on oncology. Deputy Prime Minister Kaczyński also announced "the introduction of a law on family farms and the development of an agricultural code", streamlining inheritance procedures in the countryside, as well as the creation of a law on the status of professional artists, providing social security for artists in difficulty.

In turn, the total outlay on the "Polish Order" pillar "Friendly school and culture for the new century" is to amount almost to 14.5 billion euros in 2021-2030. The annual average expenditure is 1.6 billion euros. The National Educational Equalization Program after COVID-19 is identified as the most important in this section. They are to include additional activities for students, organization of sports activities and modernization of schools. The changes proposed in the "Polish Order" also concern the issue of organization of work and will be

oriented towards supporting remote work or regulating flexible forms of work adapted to young parents.

Loosening of pandemic restrictions

Having lived for 15 months in a pandemic reality, on May 15th, Poles woke up in much more pleasant circumstances than just a day earlier. Since that day, on which the "Polish Order" was also announced, they have been functioning under a new, relaxed sanitary regime. All restrictions are still far from being lifted, but since May 15th it has been possible to visit restaurants, have a meal in their food gardens, or walk on the street without a mask on your face. Also launched, although with restrictions, the activities of cinemas, theaters, cultural institutions, sports centers. To a limited extent, it is possible to organize sports events in the open air. The hybrid learning of students of higher grades is possible too. At the end of May there will be another loosening of restrictions.

Entrepreneurs, opposition and local governments criticize the program

Representatives of the Polish opposition question the credibility of the ruling coalition's promises contained in the "Polish Order," pointing to the government's earlier, unfulfilled promises. In their opinion, the presentation of the "Polish Order" was largely propaganda in nature. Politicians of the biggest opposition party, the Civic Coalition, describe the proposed changes as the biggest tax increase in years and support for the less wealthy part of the society at the expense of entrepreneurs. They also warn against solutions that could harm Polish entrepreneurship, such as self-employment, pointing to the planned increase in health care contributions for such people. Left-wing politicians criticize the government's unrealistic - in their opinion - promises concerning housing policy. Among the opposition there are also positive opinions praising the increase of the tax free amount and liquidation of taxation of most pensions. Politicians emphasize that much depends on the final bills that the government will present.

From the point of view of entrepreneurs, the "Polish Order" does not contain any breakthrough values - assesses the Association of Entrepreneurs and Employers (ZPP). The ZPP believes that the "Polish Order" may lead to increased burdens for some taxpayers. "The Polish Order does not contain the expected proposals as regards the legal and institutional environment for companies, nor does it address the issue of regulatory uncertainty which is

currently a key barrier to investments," - the organization pointed out. The "Polish Order" has also been criticized by representatives of Polish local governments, pointing out that the increase of the free amount of income tax (from which local governments are financed), without indicating alternative sources of financing local governments will drastically limit their revenues, which will translate into a decrease in local investments.

Conclusion

The "Polish Order" program will determine the shape of Poland's socio-economic policy for the coming years. It is also a kind of the election program of the ruling Law and Justice party, thanks to which this grouping has shown the unity of the ruling camp, as well as a strong vision for Poland's socio-economic development, criticized, however, by opposition groups and many experts. "Polish Order" and its efficient implementation may be conducive to the continuation of the current coalition's rule in the next term. Detailed solutions, which will be implemented by the government, will be known during the presentation of subsequent laws of "Polish Order".