



Weekly Briefing

**Poland political briefing:
The European Union has approved
Poland's National Reconstruction Plan
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The European Union has approved Poland's National Reconstruction Plan

Summary

In early June, after more than a year of submission, the European Commission approved Poland's National Recovery Plan (NRP), which opens up the possibility of disbursing billions of euros in funds under the EU's Reconstruction Fund. Poland and Hungary are the last EU countries whose plans have not received Commission approval. The reason is the Commission's accusations of lack of judicial independence and rule of law. In connection with the acceptance of the plan Poland was visited by the head of the European Commission Ursula von der Leyen. However, the acceptance of the plan does not yet mean the disbursement of funds. For this to happen, the Polish government must meet the European Commission's requirements included in the NRP. The key ones are those concerning the Polish judiciary, which - according to the European Commission - must become independent from the government. The Polish government has begun to implement Brussels' requirements by passing a law formally abolishing the Supreme Court's Disciplinary Chamber. Critics, however, say the changes merely transfer the powers of the abolished chamber to another chamber and may not be sufficient for EU payments. The dispute is between the Polish opposition, which has a majority in the Senate, the upper house of parliament, and the government.

Introduction

The President of the European Commission Ursula von der Leyen visited Poland in early June and met with Prime Minister Mateusz Morawiecki and President Andrzej Duda to confirm the Commission's approval of Poland's National Recovery Plan. - However, billions of euros will not flow to Poland unless strict conditions are met on respect for the rule of law. The first payment will be possible once the new law is implemented and addresses all these requirements, von der Leyen told a joint press conference. The President of the European Commission recalled the European Commission's conditions for the disbursement, such as: abolishing the Disciplinary Chamber of the Supreme Court and replacing it with an "independent and impartial court", reforming the Polish judicial system to guarantee the independence of Polish judges and reinstating judges removed from office by the Disciplinary Chamber. She also stressed that

almost 43 percent of Poland's National Recovery Plan supports the EU's climate goals, and 21 percent relates to digitization.

The Polish Prime Minister: We want a strong Union, but one that respects the sovereignty of countries

- It is good that in the wake of recovery from the pandemic we have agreed on a very large budget for the National Recovery Plan. It is a budget that will support both the development of Poland and the whole of Europe," said the Prime Minister Morawiecki. As he stressed, "Poland with its strong economic growth is one of the engines of Europe, it is one of the main locomotives of Europe. - It is enough to look at the economic growth, but also at the balance of macroeconomic parameters and those related to public finances," Morawiecki argued. - We want a strong European Union, but a Union that also respects the rights of sovereign states - he said.

In early June, the Polish parliament passed an amendment to the Supreme Court Act initiated by President Andrzej Duda, which, among other things, eliminates the Supreme Court's Disciplinary Chamber, as the European Commission had expected. It was passed after months of negotiations within the government coalition with the participation of the President in the face of resistance from the Eurosceptical and national-conservative Solidarna Polska party, which opposes the "Brussels diktat" on the Polish judiciary. After the decision of the Sejm (the lower house of parliament), the law was passed, however with numerous amendments, by the Senate (the upper house of parliament) dominated by the opposition. The bill will now return to the Sejm. The independence of the judiciary is an area of dispute between the Polish government in one side and the opposition and the European Union in second .

Under the Reconstruction Fund from the 2021-2027 cohesion policy budget, Poland has about €76 billion at its disposal. In the NIP for the coming years, which is supposed to help the economy after the pandemic, Poland applies for 23.9 billion euros in grants and 11.5 billion euros from the loan part.

Other "milestones" in Poland's National Reconstruction Plan

The European Commission's approval of Poland's National Reconstruction Plan does not mean that money will flow to Poland in a wide stream. In order to receive further tranches of EU funds, Poland must meet certain requirements called "milestones". The tasks set for Poland

are very demanding and do not only concern the justice system. They are related, among others, to environmental and economic transformation. The document that describes all the requirements for Poland is about 200 pages long and there are 238 "milestones". The European Commission stresses that the necessary condition for any payments from the Reconstruction Fund is their realization by the end of the second quarter of 2022.

Among the milestones are the reform of the tax system and the social security contribution of works contracts, the introduction of new rules for the functioning of the "Public Finance Act and the development of a new budget management model", which aims to "increase transparency and efficiency of public spending in the first quarter of 2025". Moreover, the so-called "Legal Shield" is to be adopted - a package of deregulatory solutions consisting in speeding up the issuance of decisions through, among others, the popularization of the silent procedure of settling cases and simplified proceedings, relieving the work of offices, abandoning the two-instance procedure, simple official forms, or introducing online applications - by the end of the fourth quarter of 2021.

The Poland's National Reconstruction Plan calls for ensuring an increase in the use of alternative fuels, particularly in the generation, storage, distribution and use of renewable and low-carbon hydrogen.

As part of the reform, Poland's National Reconstruction Plan provides for an increase in the minimum level of participation of low- and zero-emission vehicles in the procurement of public entities. The minimum levels will be increased in stages, so that after 2025 a level of 22 percent. - for zero-emission passenger cars, 9 percent for alternative-fuel cars, and 10 percent for low- and zero-emission vehicles. - for alternative-fuel trucks and 46% for alternative-fuel buses. - for alternative fuel buses (at least half of which must be zero-emission buses).

In cities with populations over 100,000, where levels of harmful substances are exceeded, new statutory solutions will be introduced with respect to mandatory clean transport zones. The amended act on electromobility and alternative fuels will also make it possible to introduce such zones in all urban areas, regardless of the number of inhabitants. This will result in limiting the movement of high-emission vehicles in such zones. The zones, according to the provisions of the act, will be accessible only to electric, hydrogen and natural gas-powered passenger vehicles. In accordance with Poland's Energy Policy until 2040, in cities with populations exceeding 100,000, each tender for the purchase of buses intended for public transport purposes from 2025 should concern only zero- and low-emission buses (electric and hydrogen).

The Poland's National Reconstruction Plan reforms are to lead to an increase in the percentage of households within reach of Internet access of at least 100 Mb/s from 61.3% in

2019 to 100% in 2025, the reform will also result in an increase in the percentage of people using the Internet for contacts with public administration from 42% in 2020 to at least 60% in 2026. Barriers blocking the implementation of 5G networks are to be eliminated.

Other requirements include "raising the effective retirement age" to encourage Poles to work longer, or introducing a car tax based on the emission level of exhaust fumes, as well as adopting legislation to unblock investments in renewable energy sources. Action is also required to modernize district heating.

Conclusion

The acceptance of the Poland's National Reconstruction Plan by the European Commission after more than a year of "tug-of-war" is a success for the Polish government. It opens the possibility of releasing huge funds for energy transformation and modernisation of the economy. It can also help to reduce inflation and increase economic growth. However, the approval of Poland's National Reconstruction Plan does not mean the disbursement of EU funds. It depends on the implementation of the European Commission's requirements included in the NRP. The Polish government is talking about the possibility of paying out the first funds in September, but this date is not certain. Everything depends on the Commission's assessment of how well the Polish government fulfills the requirements included in the Poland's National Reconstruction Plan.