



REPUBLIC OF POLAND



NATIONAL
REFORM
PROGRAMME

EUROPE 2020

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I. INTRODUCTION

In the light of the most serious crisis faced by global economy since almost eighty years caused by the financial markets crash, condition of the Polish economy shows favourable trends in comparison with the old EU-15 Member States and the Central and Eastern Europe countries. According to the preliminary estimates of the Central Statistical Office, in 2010 Poland was one of the fastest developing countries in Europe, with GDP growth by 3.8% in comparison to the previous year. In the critical situation, Polish economy demonstrated solid base, relatively high resistance to external imbalances, and confirmed its sustainable development.

Despite relatively good condition of its economy, Poland is facing many challenges in the near future. The coming years should be used for strengthening of the economy, sustainability of public finances while taking advantage of the development opportunities. This period of time should be also used for building of the base for future development.

To manage the challenges faced by Poland and to effectively respond to bottlenecks identified by both the European Commission and Poland, we should now focus on the implementation of reforms which, on one hand, are intended to catch-up and, on the other hand, to build new competitive advantages.

The National Reform Programme (NRP) is a document which presents the response of Poland to the challenges to be faced in the upcoming years. The NRP has been structured so as to correlate the Polish developmental targets with the priorities identified in the Europe 2020 Strategy, i.e.:

- *Smart growth*: developing an economy based on knowledge and innovation;
- *Sustainable growth*: promoting a more resource efficient, greener and more competitive economy;
- *Inclusive growth*: fostering a high-employment economy ensuring economic, social and territorial cohesion.

Achievement of smart, sustainable and inclusive growth will be tantamount to the implementation of the social vision of market economy for the 21st century outlined in the Europe 2020 Strategy. The Polish NRP also takes account of the conclusions of the European Council of 24 – 25 March, 2011, which related to the priorities of the Member States in the area of fiscal consolidation effort and structural reforms. However, it should be emphasized that the NRP is not only an instrument of the Europe 2020 Strategy implementation, but above all an instrument which takes into account Polish specific situation and challenges and tackles the national growth bottlenecks and at the same time contributes to the delivery of common, EU targets, including the strengthening of the global EU position .

The fact that Poland joined the *Euro Plus Pact* has been also taken into account when preparing the NRP. All four key targets of the Pact, namely, foster competitiveness, foster employment, contribute further to the sustainability of public finances and reinforce financial stability, are reflected both in the particular provisions of the NRP and in the Convergence Programme and given implementation deadline within the next 12 months.

At the same time, the NRP is a part of a broader initiative of the Polish Government aiming at the establishment of an effective system of national development policy making. The new integrated and cross-sectoral approach to social and economic issues requires coordinated action at the administration level. the Long-Term National Development Strategy 'Poland 2030. Third wave of modernity' and the National Spatial Development Concept as well as

National Spatial Development Plan provide the framework for the new national development management system. In the 2020 perspective the key strategic documents will be: the Medium-Term National Development Strategy, the National Reform Programme for the implementation of the “Europe 2020” Strategy and the nine integrated strategies:

1. Economy innovation and effectiveness strategy;
2. Human resources development strategy;
3. Transport development strategy by 2020;
4. Energy security and environment;
5. Efficient state;
6. Social capital development strategy;
7. National regional development strategy 2010-2020. Regions, cities and rural areas;
8. Strategy for development of national security system of the Republic of Poland;
9. Strategy for sustainable development of rural areas, agriculture and fishery.

Establishment of a link between the activities provided for in the NRP and the implementation of long- and medium-term national development strategies, nine integrated national strategies and the Multi-Year Financial Plan of the State will allow to focus on priority areas from the perspective of social and economic development of Poland, and will lead at the same time to the delivery of the Europe 2020 Strategy targets and of the Euro-Plus Pact in short perspective.

While identifying the actions to be taken by 2014, the National Reform Programme specifies those to be taken in the upcoming year. Annual update of the NRP will allow to identify the tasks to be delivered in the first place due to the existing social and economic situation, while keeping in mind the 2020 medium-term perspective.

The NRP concentrates on the actions which are aimed at catching-up and building new competitive advantages in three priority areas:

1. Infrastructure for sustainable growth;
2. Innovation for smart growth;
3. Activity for inclusive growth.

Catching-up will mainly consist in reducing the infrastructure gaps in areas such as transport, energy sector, telecommunications, social infrastructure, as well as in enhancing regulatory environment and in carrying out activities for improving the quality of lawmaking processes, while ensuring high quality of the public administration services.

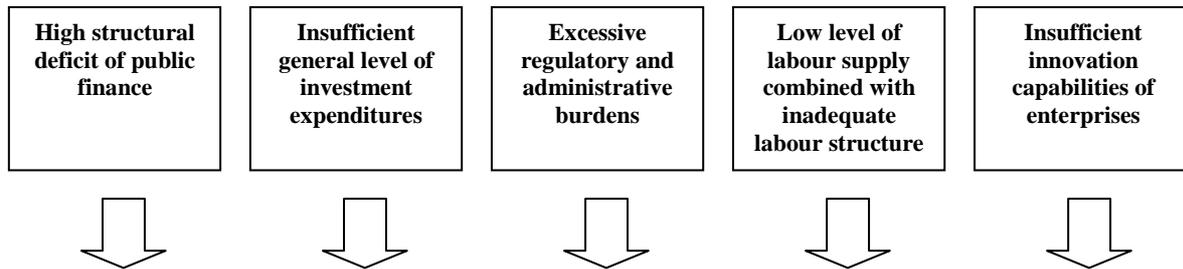
Building new competitive advantages above all requires activities related to improvement of innovation capabilities of the enterprises and the society. These actions should focus on strengthening the teaching staff capabilities in developing creativity and innovation-related competences in the area of teaching methods. Strengthening the links between higher education and science and economy is also of a great importance. Therefore, these activities should translate into a higher employment level, in particular among the groups whose potential has not been fully used so far. Such approach does not exclude promotion of generating high-quality jobs. It is also necessary to obtain digital impetus which will be one of the key levers needed to maintain high rate of economic development in the future. This applies particularly to the new competitive advantages which will be obtained on the basis of the advanced technologies. This will allow Poland to stimulate innovation of the economy and improve social adaptability in medium-term perspective.

The particular tasks designed in the parts of the NRP are intended to enhance the territorial and social cohesion. This applies to infrastructure investment as well as to the employment and social exclusion. In this context numerous tasks in the area of broadly understood innovation of the economy and society are planned.

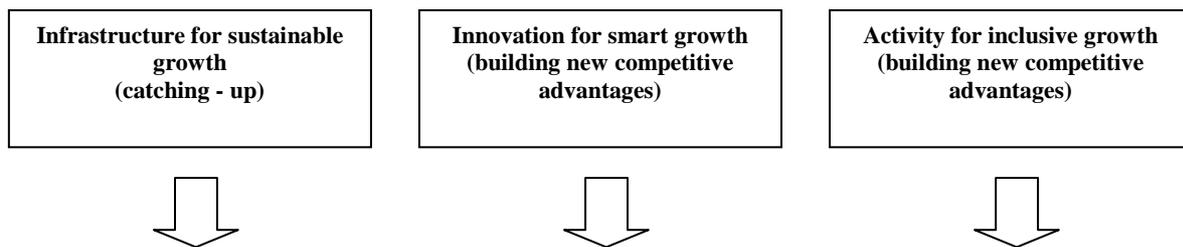
It is also important to face the challenges of globalization, ageing population or growing demand for efficient use of environmental resources and climate protection. To ensure continuous and sustainable economic growth based on modern and innovative economy based on knowledge and efficient use of the resources, the base building needed for social and economic development of the country need to be completed.

The Polish National Reform Programme has been designed so as to use to a maximum extent the funds allocated under the cohesion policy and Common Agricultural Policy of the European Union. These are an important source of financing for numerous projects which allow catching-up and building new competitive advantages, and contribute to greater cohesion within the European Union. This will also enable proper preparation of Poland for the continuation of an effective uptake of EU funds under the 2014 – 2020 financial perspective.

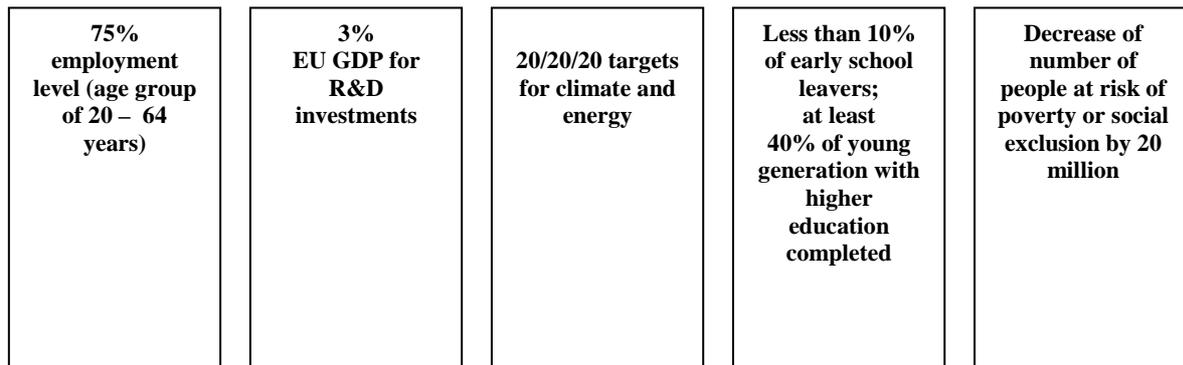
BOTTLENECKS TO GROWTH IDENTIFIED FOR POLAND



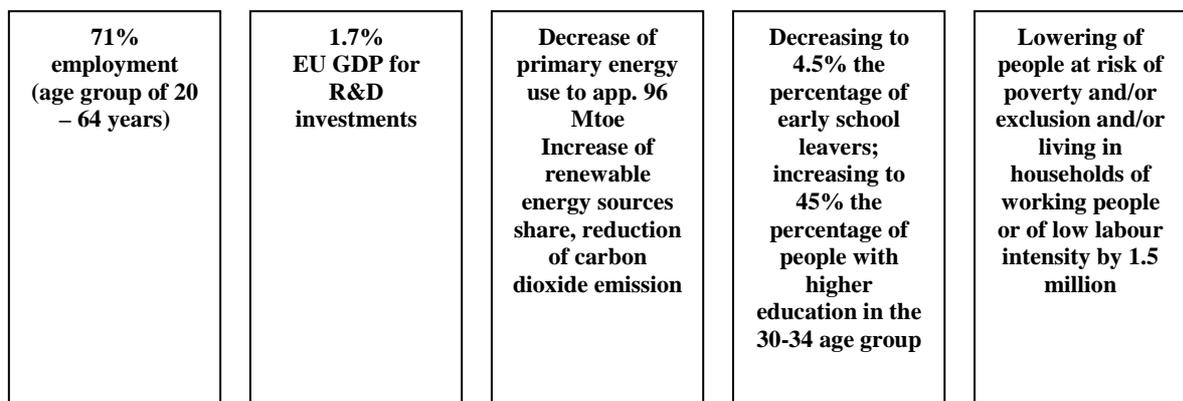
PRIORITY AREAS OF THE NATIONAL REFORM PROGRAMME



EUROPE 2020 STRATEGY TARGETS



NATIONAL TARGETS ADOPTED BY POLAND



II. MACROECONOMIC SCENARIO

The recent financial crisis has showed that the Polish economy is relatively resistant to the effects of external shocks on one hand, though it is not unresponsive to the global economy conditions on the other hand. In 2010, the year-to-year GDP growth in Poland reached 3.8% along with revival of world trade and economic recovery of our key commercial partners. The key factor which contributed to the growth was domestic demand, including household consumption and an increase in inventories. The increasing employment level and incomes from employment contributed to a relatively high rate of consumption growth.

The most important factors behind the economic growth in Poland in the NRP long-term perspective include global conditions, economic developments in the EU MS which are the most important trading partner, the scale and structure of fiscal consolidation as well as demographic trends and related drop in working age population. All of them will be of key significance for DGP growth rate and structure, inflation processes and labour market developments .

As far as the development scenario for the first years of the projected period is concerned, a significant uncertainty related to the general global macroeconomic situation should be emphasized. Basic sources of such uncertainty lie behind the results of the economic policy. The scale of measures applied in the context of crisis, as well as the challenges created by the condition of public finance in numerous countries compound uncertainty as regards the response of economic operators, including households and companies, to the measures undertaken by the policy-makers. This uncertainty may lead to the delays in response to the economic recovery, or undermine the conviction of the permanent nature of the current recovery. External risks affecting the Polish economy have key role to play here. At present, the economic recovery is more sustainable, however weak – this is also the opinion of international institutions (WEO IMF, April 2011). On the basis of this premise in our long-term perspective we assume continuation of the existing Polish economy trends and the absence of negative unexpected world economy developments (such as further problems of financial institutions, disturbances in world trade).

According to the current projections related to the world economic performance the year 2011 will be a period of lower global GDP growth rate compared to the good results achieved in the previous year, and this will be reflected in Polish export performance and will translate into the performance of the economic operators. At the same time the good financial results of the enterprises and a decreasing proportion of enterprises reporting insufficient domestic and foreign demand allow to expect that after two years of decline in private investments they will record growth. This will be mainly connected with the assumed stabilization of the world economic situation and exhausting of the existing production capacity. The dynamics of public investments will be determined by the restrictions resulting from consolidation activities on the one hand and by the uptake of the EU funds for infrastructural expenditures on the other hand. It is assumed that the greatest increase in investments co-financed from the EU funds will take place this year, which will allow to achieve a record share (app. 6.6%) of the public investments in GDP. In the following years, the share of public investments in GDP will decrease.

In the consecutive years of projection, a real increase in the households' incomes will be observed, which will translate into real increase in household consumption (by app. 3% in average) with a decreased savings rate.

In consequence, by 2015 we expect an average GDP growth rate of 4% followed by a slightly lower one – app. 3.3%. This means that the average real growth rate within the cycle will

gradually approach the long-term GDP growth rate of our key trading partner (EU) in the long-term perspective.

The current inflation trends in the sectors of fuels and food determine the domestic price indexes. Therefore, in 2011 the price index of consumer goods and services may be higher than the estimated 3.5%. In the following years of the projection period a gradual adjustments of price index to the level of 2.5% in 2014 and further slow decrease towards long-term average. As for the Consumer Price Index (CPI) the upper inflation limit of the European Central Bank's target will be a long-term target.

The economic recovery, including the growing investment demand, will have a positive impact on labour demand increase. However, demographic decline will constitute a significant supply limitation.

Taking into account the estimated decrease in the working age population number, we may expect that the labour supply in Poland will decrease, even if we assume an increased employment rate in the labour market (among other things, due to wage rises and changes in working age population structure – dropping out of the post-war baby boomers and entry in employment of 1970 – 1980' baby boomers in the prime-age), . Changes in the structure of working age population combined with the projected increase in the number of employees will allow to gradually reduce the unemployment rate¹: from 9.7% in 2010 to app. r. 8% in 2015 and below 7% in 2020. In addition improvement of the labour market situation and additional pressure related to the projected decrease in labour supply, greater wage rise rate in the private sector is expected. Freezing of wage fund in the national budgetary area for 2011 – 2012 will reduce wage rise growth rate at entire economy level.

Recovery of final demand will be a basic determinant for growing import in Poland. The structure of this demand with a relatively high share of imported input exports along with the investments will result in a negative contribution of net export to GDP growth in 2011 – 2012. In the following years, with a gradual stabilization of the GDP demand components the contribution of the net exports to economic growth should be neutral.

The increasing domestic demand growth rate will be accompanied by a current account deficit. However, the level of external imbalance increase will remain moderate, since greater deficit of trade in goods should be partially compensated by a higher surplus of current transfers resulting primarily from a greater inflow of the EU funds. In the log-term projection the deficit will oscillate around 3% GDP.

¹ Harmonized unemployment rate, compliant with Eurostat definition

Expected trends of basic macroeconomic values in the upcoming years					
Description	2010	2011	2012	2013	2014
GDP in real terms, % growth	3.8	4.0	4.0	3.7	3.9
Export	10.2	8.5	8.5	8.0	7.1
Import	10.7	9.5	8.5	7.4	6.7
Individual consumption	3.2	3.2	3.9	3.6	3.8
Government consumption	3.2	2.2	0.2	1.8	1.9
Gross fixed capital formation, % growth	-2.0	9.9	7.1	4.5	5.1
GDP in current prices, PLN billion	1412.8	1517.4	1619.1	1719.9	1830.1
Average annual increase in prices of consumption goods and services, %	2.6	3.5	2.8	2.5	2.5
Employment ² , % growth	0.6	1.6	1.2	0.7	0.4
Unemployment rate ³ , %	9.7	9.4	8.8	8.5	8.4
Labour costs per one employed, % growth %	5.6	6.8	5.8	5.7	6.1
Current account balance to GDP, %	-3.3	-3.4	-3.6	-3.4	-3.4

² LFS, 15 years and more.

³ Harmonized unemployment rate, compliant with Eurostat definition

III. MACROECONOMIC SURVEILLANCE

Guarantee of a **stable macroeconomic environment** is of key importance for determining other social and economic targets. It also constitutes a factor which is indispensable for successful reforms in the other areas. Therefore, macroeconomic conditions should be treated as a background for the reforms / interventions undertaken. Currency stability, clear and transparent fiscal and monetary policy rules, or a low and predictable inflation provide a framework for the businesses. The condition of public finances is crucial for the government to participate in the investment and development undertakings, particularly including such areas as permanent education, human capital, research and development (R&D), innovations, gaining digital impetus, energy and transport infrastructure or resource efficiency. At the same time it is of key importance to ensure reduction of the deficit in the public budget while maintaining development conditions. The sustainable balance of public budget constitutes a basis for stable economic growth. The role of macroeconomic policy consists in such creation of the fiscal and monetary environment of economy as to ensure the most favourable conditions for saving, investing and labour as possible .

This part presents actions, both undertaken and planned, in the area of macroeconomic policy to respond to the bottlenecks identified by the European Commission in respect of the sustainable economic growth. In particular, Poland agrees with the assessment of the Commission⁴ concerning the need to **reduce high structural deficit** and to **ensure reallocation of public expenditures towards growth enhancing items, including infrastructure**, as the framework conditions for growth at the macroeconomic level.

The activities identified below are consistent with the broad guidelines of the economic policies of the Member States and of the Union which are a part of the Integrated Guidelines⁵. In the case of Poland the first of these guidelines - *Ensuring the quality and the sustainability of public finances* is of the greatest importance. The second guideline addresses the reduction of macroeconomic imbalances, but in Poland, and this is also the opinion of European Commission, there is no serious risks of external or internal macroeconomic imbalances apart from the abovementioned public finance imbalance. The third guideline tackles the reduction of imbalances in the euro area, therefore, it has not been referred to in this document.

As well as the huge majority of the EU Member States, Poland is subject to the excessive deficit procedure . According to the Ecofin Council recommendation of 7 July 2009, Poland should reduce excessive deficit of the general government⁶ in a credible and sustainable manner by 2012. At the same time it should be borne in mind that a vast majority of state budget expenditure in Poland is fixed, therefore, in the short term the budget situation may be improved mainly by applying a more restrictive fiscal policy or by a reduction in discretionary spending, including investment. Furthermore, since 2008 a significant increase in the deficit of local government subsector has been observed, which under the current legal framework requires reducing the central government subsector.

⁴ European Commission, *Macro structural bottlenecks to growth in EU Member States, European Economy. Occasional Papers. 65. July 2010;*

http://ec.europa.eu/economy_finance/publications/occasional_paper/2010/pdf/ocp65_en.pdf

⁵ Council Recommendation of 13 July 2010 on broad guidelines for the economic policies of the Member States and of the Union (2010/410/EU) and Council Decision of 21 October 2010 on guidelines for the employment policies of the Member States (2010/707/EU), constituting jointly the integrated guidelines for Europe 2020 Strategy.

⁶ General government definition according to the ESA95 rules.

In 2010, work on institutional strengthening of public finances was commenced. As a first step, a temporary expenditure rule – setting a ceiling of CPI + 1% on the growth of discretionary and new legally mandated spending – was applied to the 2011 budget.

The **2011 budget act** includes fiscal measures such as: a reduction in funeral benefits (effective from March 2011 onwards); a freeze of the nominal wage fund in most of the general government; lower spending on some less effective active labour market programmes; an increase of the standard VAT rate to 23% (previously 22%), and of the reduced rate to 8% (previously 7%). The tax increases are planned for a three-year period as part of the deficit reduction plan. Several measures to strengthen the revenue side have also been introduced.

The amended Public Finance Act stipulates a further rise in VAT rates – by up to 2 percentage points – should the public debt-to-GDP ratio exceed 55%, something which we do not foresee. Moreover, new requirements introduced in the act will **limit public sector units as regards their expenditure over a 10-year horizon**: to ensure control of new legally mandated expenditure, all such outlays must be subject to legally binding cash limits for every year for 10 years after entry into force of the act mandating them. This requirement will apply also after Poland exits the excessive deficit procedure.

As for the local government subsector, the new Public Finance Act requires local governments to have balanced current budgets from 2011 onwards, and from 2014 a system of individual debt limits will become binding. The debt limits will depend on the debt repayment capacity of each local government and will be calculated on the basis of the average of the current surplus (increased by the revenue from sale of assets) over the previous 3 years.

In April 2011 the President of the Republic of Poland signed an act amending the current retirement system. The basic objective of the act is to reduce public expenditure without any negative effect on the value of future pensions. Starting from 1 May 2011, the share of the pension contribution transferred from the Social Insurance Institution (ZUS) to the Open Pension Funds (OFE) will be reduced from the current 7.3% to initially 2.3%, and since 2017 - to 3.5% of the pension contribution base. The remaining part of the contribution will be transferred to a separate fund managed by ZUS. Individual accounts are bequeathed according to the same rules as the existing OFE accounts. The modification to the retirement system will allow for a lower increase in the public debt; reimbursement of the contribution transferred to OFE will decrease in 2011 by 0.6% GDP and by additional 0.5% of GDP in 2012 (that is in total - 1.1% GDP).

Work is in progress on a **new deficit rule for local governments**. Under the proposed rule, the deficits of local governments will be limited to a fixed percentage of their total revenues (with the initial level yet to be determined). As a consequence of ongoing work aimed at an overhaul of the Polish budgetary framework, a **draft law defining a permanent expenditure rule will be prepared**. The actions intended for institutional strengthening of public finances will, at the same time, contribute to the delivery of the Euro Plus Pact objectives. The permanent expenditure rule will aim at stabilising the structural deficit at the level of the medium-term budgetary objective (-1% of GDP). As the effective implementation of the expenditure rule requires numerous preliminary conditions to be met, a number of legislative proposals making budgetary process more efficient and contributing to better quality of reporting in the public finance sector will be proposed. Furthermore, an annual spending review will be instituted, initially limited to state budget expenditures, but later to be expanded to other general government units. The permanent expenditure rule will contribute to achieving and maintaining the medium-term budgetary objectives, and together with other activities aimed at the institutional strengthening of public finances it will keep public

finances on a sustainable path in the long term. The still relatively high projected deficit in 2011 is a consequence of, inter alia, a **peak in public investment**, supportive of potential GDP growth. This peak is due to the schedule of absorption of EU funds, spending on infrastructure (National Road Construction Programme, National Programme for local roads) as well as investments related to the preparation and organisation of the European Championship in football (EURO 2012). It is expected that the share of public sector investment in GDP will reach the record level of app. 6.6% in 2011. In the years 2012-2014 the share of public investment in GDP will decrease to app. 4.6%, though it will remain above the 2001-2006 average (3.5% GDP) and app. 2 percentage points above the EU average.

The consolidation process will strengthen the reliability of the Polish fiscal policy and foundations of its economy, which translates into lower costs of development and debt service financing. The multi-annual budget planning will be an additional element influencing greater predictability of the budget policy.

The Convergence Programme update, to be submitted to the European Commission and the Ecofin Council by the end of April 2011 under the so-called European semester, presents more detailed and quantified information on implementing the Council recommendation and reducing the excessive deficit, including forecasts of the general government deficit and debt for 2011-2014.

IV. THEMATIC COORDINATION

According to the methodology adopted for preparation of the Draft for the National Reform Programme, the actions proposed therein are focused on catching-up (in the part 'Infrastructure for sustainable growth') and building new competitive advantages of the Polish economy (the parts 'Innovation for smart growth' and 'Activity for inclusive growth').

1. Infrastructure for sustainable growth

1.1. Strategic management

The priority of the national strategic programming consists in moving on from the sectoral policy and adoption of a coherent development concept based on a set of new-generation documents which will meet the needs of complex development policy. The key element of this process consists in putting order to the strategic documents in force, which will provide a greater transparency, more effective expenditures from the state budget and, finally, more effective delivery of the national development targets while ensuring budgetary discipline at the same time. The basis for the new national development policy management system is a structured set of documents, with long-term national development strategy as the flagship presenting the vision of social and economic modernization of the country.

Implementation of performance budget and application of the Multi-Year Financial Plan of the State will also contribute to an increased efficiency of public funds management and spending as well as to a reliability and transparency of fiscal policy by combining the expenditures with medium- and long-term governmental priorities.

Actions under the NRP:

- 1.1.1 Completion of the strategic planning system structuring (Chancellery of Prime Minister/Ministry of Regional Development/all ministries);
- 1.1.2 Increasing the effectiveness of public funds use, including implementation of contract-based development management between the governmental administration and local authorities (Ministry of Regional Development);
- 1.1.3 Structuring of spatial planning and management system, including the economy development needs (Ministry of Regional Development);
- 1.1.4 Completion of performance budget implementation process (Ministry of Finance).

Tasks to be delivered in 2011:

1. Adoption of long-term and medium-term National Development Strategy by the Council of Ministers (Chancellery of Prime Minister/Ministry of Regional Development);
2. Adoption of 9 integrated strategies by the Council of Ministers (Chancellery of Prime Minister/ministries competent for their preparation);
3. Adoption of the 2030 National Spatial Development Concept (Ministry of Regional Development);
4. Act amending the act on revealing property right of the State Treasury and local authority real-estates in the mortgage registers (Ministry of the Interior and Administration).

1.2. Development and modernization of environmental protection infrastructure

The effective use of natural resources or the necessity to maintain biodiversity and adjustment to climate changes are the important issues in the area of environmental protection, spatial management and high-quality public space.

Bearing in mind that an excessively high resource consumption may be a bottleneck in development of a modern, competitive and low-emission economy, it is necessary to launch infrastructural investments which will enable more effective extraction and use of natural resources, in particular raw materials indispensable for industrial development. The need to develop specific technologies in this area was described in Part 2 of the National Reform Programme – ‘Innovation for smart growth’.

The investments in environmental protection infrastructure, in particular in the area of water and sewage, flood control and waste management, should be considered indispensable in context of sustainable development of the country, safety and quality of life of its citizens.

An effective and rational water resources management as well as actions focused on changes in waste management method, including reduction of landfill disposal or recovery increase, are also of particular importance.

Actions under the National Reform Programme – linked with the ‘Resource efficient Europe’ flagship initiative:

- 1.2.1. Actions in the area of adjustment to climate changes (Ministry of Environment);
- 1.2.2. Actions for sustainable management of agricultural resources (Ministry of Agriculture and Rural Development);
- 1.2.3. Better efficiency in the use of natural resources, in particular raw materials (Ministry of Environment);
- 1.2.4. Water management system reform (Ministry of Environment);
- 1.2.5. Waste management system reform (Ministry of Environment).

Actions to be delivered in 2011:

1. Analysis of the demand for raw materials in industrial development (Ministry of Economy);
2. Act amending the act on keeping the Gminas clean and orderly and other acts (Ministry of Environment);
3. Act on wastes, which is the transposition of the Directive of European Parliament and of the Council 2008/98/EC on 19 November, 2008 on waste (Ministry of Environment);
4. Preparation of the Preliminary Flood Risk Assessment as a preliminary study for the flood risk management plans (Ministry of Environment).

1.3 Development and modernization of transport infrastructure

A suitable level of individual components of the **transport infrastructure** (roads, railway, airports, maritime and inland harbours, transport terminals and inland water routes) contributes to capital inflow (including foreign capital) and trade (including international trade), increasing the investment attractiveness of economy and thus also the global competitiveness. Moreover, well-developed infrastructure exerts an impact on the conditions of business activities and improves accessibility to labour markets.

At the same time, infrastructure investment is focused on improvement of territorial cohesion and hence on an extension of the labour market impact, which will translate into greater social cohesion. To this end, it is necessary to develop the transport and communication infrastructure which affects accessibility of agglomerations to ensure commuting opportunities from the rural areas.

Transport planning and traffic management should also focus on mitigating the adverse environmental impact of transport and at the same time it should be citizen-friendly by improving the quality of services. This means i.a. better transport accessibility for physically disabled persons, better transport information and access to the so-called green zones. Optimization of mobility in the cities by means of enhancing goods transport and intelligent transport systems (ITS) as well as promoting environment-friendly vehicles is still of equal importance.

Actions under the National Reform Programme – related to the ‘Resource efficient Europe’ flagship initiative:

- 1.3.1 2006 – 2025 National Transport Policy (Ministry of Infrastructure);
- 1.3.2 2011 – 2015 National Roads Construction Programme (Ministry of Infrastructure);
- 1.3.3 ‘2008 – 2011 National Local Road Reconstruction Programme’ multiannual programme (Ministry of the Interior and Administration);
- 1.3.4 Programme for Development of a Network of Airports and Ground-Based Air Traffic Facilities, including analytic studies related to preparation of the decision on the construction of new central airport for Poland (Ministry of Infrastructure);
- 1.3.5 Development of infrastructure for modernization of railway transport (Ministry of Infrastructure);
- 1.3.6 Development of infrastructure for modernization of maritime transport (i.e. harbour infrastructure, access infrastructure to maritime harbours and harbourages from the sea and land, including maintenance of approach fairways to harbours and maritime safety systems and navigational signage, etc.) (Ministry of Infrastructure).

Tasks to be delivered in 2011:

1. Implementation of the provisions of the Directive 2010/40/EU on the Intelligent Transport Systems and active participation in the traffic management system programmes to gain interoperability in key transport corridors running across Poland (Ministry of Infrastructure);

2. 2011 – 2015 Implementation of the National Roads Construction Programme adopted by the Council of Ministers (Ministry of Infrastructure);
3. Co-financing of reconstruction, construction and renovation of the Gmina and Powiat roads implemented under the 2008 – 2011 National Local Road Reconstruction Programme' multiannual programme (Ministry of the Interior and Administration);
4. Preparation of proposals for continuation of the 2008 – 2011 National Local Road Reconstruction Programme' multiannual programme beyond 2011 (Ministry of the Interior and Administration);
5. Launching the long-term railway infrastructure modernization plan, executed i.a. under the Operational Programme Infrastructure and Environment – Railway Investment Multiannual Programme till 2013 (Ministry of Infrastructure);
6. Assumptions for Revision of the Programme for Development of a Network of Airports and Ground-Based Air Traffic Facilities till 2020 Update (Ministry of Infrastructure);
7. Multiannual program for reinstatement of exploitation parameters on inland water routes in Poland, specified in the classification in force' (Ministry of Infrastructure);
8. 'Construction of protective breakwater for the external harbour in Świnoujście' multiannual programme for 2008-2013 (Ministry of Infrastructure).

1.4. Development and modernization of energy infrastructure

Modernization and reconstruction of energy infrastructure, primarily the medium-voltage power lines and low-voltage circuits, in which small section cables are installed and those lines, at the end of which voltage drops exceed permissible limits is the key issue for the social and economic development of the country. Converting transmission networks into decentralized intelligent networks, which will improve transmission of energy in cases of temporary increased demand in regions, is also an important element. Low level of infrastructure development in rural areas resulting in the lack of energy security at the local level obstructs business activities in these areas. Therefore modernization of the power distribution network into a more advanced and effective one and a change in the structure (typology) of distribution and transmission networks, including i.a. by development of dispersed transmission network, which will allow, in particular, effective connection of renewable energy sources, is indispensable in rural areas. Intelligent transmission networks supported by the implementation of smart measurement are one of the mechanisms supporting reduction of air pollution emissions, enabling, on the one hand, meeting the demand for power and electric energy as forecast till 2025 and minimization of transmission losses and reserve power on the other hand. Development of infrastructure for power generation, i.e. by launching the programme for nuclear power and hydropower plant construction, will contribute to diversification of power sources – and in consequence to enhance the national energy security.

At the same time, development and modernization of building infrastructure, including thermal modernization, should lead to greater energy efficiency of the buildings. Effective implementation of sustainable development principles in the construction sector (building materials, technologies and facilities) requires support in form of a system of standards and technical specifications. Legal regulations implemented in Poland provide a more restrictive policy in the area of sustainable energy consumption in the construction resources sector. It will be indispensable to support the development of low energy consumption construction as well as development and implementation of innovative technologies, in particular solar collectors, PV cells, high efficiency cogeneration systems and recuperation systems using heat pumps which increase the energy efficiency of the buildings. Therefore it is necessary to work-out coherent governmental policy for sustainable development of the construction sector.

Actions under the National Reform Programme – related to ‘Resource efficient Europe’ flagship initiative:

- 1.4.1 Energy network development (Ministry of Economy);
- 1.4.2. Development of intelligent energy networks (Ministry of Economy);
- 1.4.3. Enhancement of energy efficiency (Ministry of Economy);
- 1.4.4. Diversification of energy sources (Ministry of Economy);
- 1.4.5. Investments in renewable energy sources (Ministry of Economy/Ministry of Finance/Ministry of Environment);
- 1.4.6. Local energy security enhancement (Ministry of Economy);
- 1.4.7. Application of power technologies which reduce the dust and NO_x and SO₂ emissions (Ministry of Economy/Ministry of Environment).

Tasks to be delivered in 2011:

1. Act on transmission corridors (Ministry of Economy);
2. Preparation of analysis of possibilities and scope of implementation of intelligent electricity and power networks in Poland, with particular focus on intelligent measurement systems (Ministry of Economy);
3. Preparation of the assumptions for legal acts implementing intelligent network system (Ministry of Economy);
4. Polish nuclear power programme (Ministry of Economy);
5. Nuclear Law Act (Ministry of Economy);
6. Promotion of the use of renewable energy sources (hydropower, wind, solar and biomass power) (Ministry of Economy);
7. Supporting the investments in the scope of energy efficiency with the use of preferential loans and subsidies from national and European funds, also under the Act on supporting thermal modernization and renovation (Ministry of Economy);
8. Act on amending the Construction Law Act or the Act on energy assessment system for residential buildings and premises and monitoring certain facilities in terms of energy efficiency (Ministry of Infrastructure / Ministry of Economy);
9. Preparation of the assumptions for the Programme for the Development of Hydropower (Ministry of Economy).

1.5. Development and modernization of ICT infrastructure

Investments in **ICT technologies** are one of the main engines of growth in the advanced economies. Activities projected in this respect should guarantee the digital impetus, which will contribute to enhancement of competitiveness of the Polish economy and have a positive impact on the level of human capital. Broadband access is also a basis for innovation and increases the efficiency of several economic sectors by providing the opportunity to apply outsourcing and offshoring. Moreover, it allows presentation of digitalized cultural heritage to the users – collections of libraries, museums and archives. It is necessary to ensure general access to telecommunications, with particular focus on broadband access to the Internet, in particular with the use of valid legislative measures, including the Act of 7 May, 2010 on supporting the development of telecommunications services and networks. Development of mobile access to the Internet technologies and of new generation networks should also be taken into focus. As a result of the performed digitalization process, additional frequency resources will be available and assigned to mobile access to the Internet services. At the same time, the use of ICT infrastructure to improve accessibility to certain public services will become an important factor of enhancement of opportunities of propagation of flexible work arrangements as well as improvement of social and territorial cohesion.

In certain areas of the country (the so-called *terra incognita* for telecommunications network coverage) the infrastructure investment in telecommunications should be supported with public funds due to the low profitability of these investments, and the subsequent low interest of private sector in their delivery. It is therefore necessary to encourage the local authorities to actively participate in the actions for the development of infrastructure to enable providing broadband access to the Internet services, and in the case of commercial operators to increase investments in the new generation networks.

It will also be necessary to secure investments on the supply side, i.e. on the one hand, introduction of cultural or educational resources into the network and easier access to governmental and local administration services via the Internet on the other.

Actions under the National Reform Programme – related to ‘A digital agenda for Europe’ flagship initiative:

- 1.5.1. Development of ICT infrastructure by public investment (governmental and local) and public-private investments resulting in reduction of costs of access to the Internet and digital radio and television (Ministry of Infrastructure);
- 1.5.2. Development of IT network, including providing access to the broadband Internet, in particular in rural areas (Ministry of Infrastructure);
- 1.5.3. Supporting the media digitalization process in Poland, including conversion of TV and radio broadcasting signal from analogue into digital (Ministry of Infrastructure);
- 1.5.4. Digitalization of resources, i.a. the national output (Ministry of Culture and National Heritage) or education (Ministry of National Education) / Ministry of Science and Higher Education).

Tasks to be delivered in 2011:

1. Monitoring the effects of the Act of 7 May 2010 on supporting the development of telecommunications services and networks (Journal of Laws No. 106, item 675) and undertaking actions for promotion of application of statutory solutions (Ministry of Infrastructure);
2. Act on implementation of terrestrial digital television (Ministry of Infrastructure);
3. Implementation of Directive 2007/2/EC of the European Parliament and of the Council of 14 March, 2007 establishing an Infrastructure for Spatial Information in the European Community INSPIRE (Ministry of Infrastructure);
4. Act on access to public information (Ministry of the Interior and Administration);
5. Act on open educational resources (Chancellery of the Prime Minister);
6. National Broadband Plan to deliver the objectives in the scope of access and speed of the Internet (Ministry of Infrastructure);
7. Review of the current procedures in cooperation with the telecommunications industry and preparation and presentation of the position on bottlenecks to be overcome to the Committee of the Council of Ministers for Informatization and Communications (Ministry of Infrastructure);
8. Launching intensive actions focused on full uptake of the EU structural funds allocated to investment in infrastructure and broadband services (Ministry of Regional Development).

1.6. Development and modernization of R&D infrastructure

Development of infrastructure of scientific units in the centres with high research potential to enable high-quality research performance remains the key issue. The straight majority of Polish scientific centres carry out R&D studies with the use of obsolete research equipment, dispersed in small laboratories. The degree of wear of research equipment amounted to 77.8% in 2009 and is definitely too high, posing a barrier to scientific research development and preparation of innovative solutions. Their dispersion and repeatability do not positively affect effective use. At the same time, the lack of access to modern research infrastructure at national level by centres with highly skilled staff obstructs their performance in projects implemented in international cooperation and achievement of recognizable scientific and research specialization. .

Improvement of the quality and modernity of the research infrastructure shall allow enhancement of the opportunities to obtain the indispensable element of improved competitiveness of the Polish economy, i.e. commercialization of the research outputs through their implementation in enterprises.

It should be noted, however, that along with modernization of the research infrastructure it will be necessary to create conditions for its efficient and effective use. Therefore the subsequent step will consist in development of mechanisms warranting employment of the best researchers in the Polish scientific centres and ensuring their stable financing in the consecutive years. This is the only way for the established high-quality infrastructure to generate value added to the Polish economy.

Actions under the National Reform Programme – related to ‘Innovation Union’ flagship initiative:

- 1.6.1. Greater investments in the modernization and development of the scientific laboratories base along with maintaining the concentration of funding, i.a. from the EU structural funds, on the best scientific centres and increasing the share of budgetary expenditure on research equipment (distribution of funds in the competition mode) (Ministry of Science and Higher Education);
- 1.6.2. Monitoring the progress in the area of commercialization of research outputs in economy (Ministry of Science and Higher Education);
- 1.6.3. Financing the investments in research infrastructure from the funds of the Polish Science and Technology Fund and structural funds – Operational Programme Innovative Economy, Priority 2 – R&D Infrastructure (Ministry of Science and Higher Education).

Tasks to be delivered in 2011:

1. Preparation of a comprehensive vision for financing of the development and maintenance of such infrastructure of national and regional importance and participation in the international projects for development and operation of complex research infrastructure based on the Polish Roadmap for Research Infrastructure (Ministry of Science and Higher Education);
2. Preparation of mechanisms for periodic evaluation of projects included in the roadmap and its periodic revision (Ministry of Science and Higher Education);
3. Elaboration and implementation of a management model for complex research infrastructure with the use of respective European models, with particular care to

adopt the 'open access' and 'scientific excellence' principles (Ministry of Science and Higher Education);

4. Development of the principles of financing the construction and maintenance of national and regional infrastructure and participation in the international projects for development and operation of complex research infrastructure (Ministry of Science and Higher Education).

1.7. Development and modernization of social infrastructure

Investments in social infrastructure, i.a. in the field of education, health care, culture, tourism and sport enable unleashing the regional potential and prevent further growth of inequalities as well as contribute to social inclusion. They also translate directly to enhancement of social cohesion by providing equal access to high quality services. Therefore it is of crucial importance to ensure general accessibility of high quality public services and hence allow benefiting from the potential of individual social groups and individuals as well as limitation of the scale of professional inactivity, counteracting exclusion from the labour market and accelerating the comeback to professional activity.

Housing is one of the areas to be tackled with particular focus. Activities in this area will aim at elimination of the current deficiencies in housing resources in the segment of premises accessible to people whose income is insufficient to meet their housing demands on their own. A step towards this target consists in the assumptions for development of residential housing for lease by the Council of Ministers. At the same time sustainable management of public housing resources will be implemented.

With regard to modernization of the education sector, it is necessary to modernize and develop the infrastructure. At the moment and in the coming years, modernization of general education will be featured by focusing the education system, including preschools, on even younger age groups. The basic target of formal education for younger children consists in mitigation of social inequalities, providing equality of educational opportunity to children, particularly to children from communities threatened by social exclusion, and therefore improvement of future educational results. Providing institutional childcare and formal education for the largest possible number of children, allows the parents to re-enter the labour market, and thus counteract the negative effects of ageing of the Polish society. Inclusion of younger children into the educational system requires adjustments in the learning space and equipment arrangements.

Improvement of the health care system as the area of key importance to the quality of life of the citizens is a yet another issue. Actions in this field will be focused on improvement of accessibility and institutional capability as well as enhanced functioning of the health care system by way of changing the principles of organization and management in the health care system and the operation of entities involved in health care services and through investments improving the quality and competitiveness of health care services (i.a. modernization of health care institutions, purchase of state-of-the-art diagnostic and rehabilitation equipment). It will be necessary to take more comprehensive actions in respect to prevention and rehabilitation and long-term care, in particular in the society ageing context, and in this respect, also broader use of ICT technologies for older and disabled persons to enable them to run an independent life and social activity. This shall contribute to the achievement of the strategic target i.e. improvement of the health condition of the society and will foster longer activity of employees on the labour market. It will be indispensable to support the standard systems, interoperability standards and certification of e-health services and systems. Implementation of IT products safety control in health care in a way applied for medical devices safety is worth considering. At the same time education of medical staff should be ensured in specializations indispensable to guarantee suitable level of the society health.

Improvement of access to culture and cultural services (financing of development and modernization of cultural infrastructure and protection of the national heritage) will be of significance for the development of the social capital, social and economic cohesion and will foster social inclusion.

An advanced, innovative and effective system of tourist information will contribute to enhancement of tourism competitiveness. Tourism is one of the fields, in which application of ICT technologies is of priority. Development of an integrated tourist information system is planned to increase the share of tourism in the national economy, .

Sports infrastructure projects (financing of: construction, renovation, modernization and maintenance of sports facilities) and related programmes for sports development, should contribute to the promotion of healthy lifestyle among the Poles (greater physical activity and fitness) and provide equality of opportunity and social integration through participation in sports activities.

Actions under the National Reform Programme – related to ‘An agenda for new skills and jobs’, ‘Youth on the move’ and ‘European platform against poverty’ flagship initiatives:

- 1.7.1. Greater number of affordable residential premises on the rental market, including more flexible legal housing regulations (Ministry of Infrastructure);
- 1.7.2. Ensuring more sustainable development of social services in regional scale (Chancellery of Prime Minister/Ministry of Health/Ministry of Labour and Social Policy/Ministry of National Education);
- 1.7.3. Development of the social infrastructure, in particular of infrastructure for education, health care, culture, sports and tourism (Ministry of National Education/Ministry of Health/Ministry of Culture and National Heritage/Ministry of Sport and Tourism);
- 1.7.4. Modernization and development of the integrated tourist information system (Ministry of Sport and Tourism);
- 1.7.5. Implementation of IT management and service providing systems in health care (Ministry of Health).

Tasks to be delivered in 2011:

1. Act on amending the act on protection of tenant rights, housing resources of the Gmina and on amending the Civil Code and amending the act on housing allowances (Ministry of Infrastructure);
2. Continuation of the housing for the poorest support programme under the Act of 8 December, 2006 on financial support for establishment of social housing, protected flats, night shelters and housing for the homeless (Ministry of Infrastructure);
3. Modification of the operating principles of social housing for lease (Ministry of Infrastructure);
4. Act on medical activity (Ministry of Health);
5. Continuation of the ‘Happy School’ programme (Ministry of National Education).

2. Innovation for smart growth

2.1. Legal and institutional environment

Establishment and development of the enterprises, as well as their innovation and competitive position depend to a considerable degree on the **legal and institutional environment**.

At the same time, new approach to economic regulations focused on switching from ‘better’ to ‘**smart regulations**’, primarily consisting in supplementation of the legislative process with ex post monitoring and possible adjustment of regulations as well as cycle completion by emphasising the execution of legal provisions, should foster growth in productivity and quality of life of the citizens, enabling the reconstruction of social confidence in public administration.

Better regulation

Correctly operating Regulatory Impact Assessment (RIA) system enables identification of key threats and opportunities posed by the new regulations. The RIA should be identified with the analytic process, commencing works on the public intervention project and simultaneously, based on objective premises, it should also indicate to the most suitable form of intervention. At the same time, the actions should consider the **evidence based policy**.

Within the regulation system reform in Poland, work is undertaken for improvement of transparency of the legislative process by means of effective supporting of the draft legal act review procedure. Implementation of clear principles of requesting reviews and organization of respective legislation will contribute to **improvement of the quality of the process of social consultations**.

Standardized verification of regulation (*ex-post* analysis) is also a key instrument, implementation of which enables better regulation.

Simplification of legislation and reduction of administrative burdens

Within the Regulation Reform currently under way, the economic law is simplified in two ways. Firstly, the actions aiming at ‘simplification of the provisions in force’ are conducted. Simplification activities for small and medium enterprises cover such areas as: access to capital, commercialization of technologies, research and development and establishment of technological companies. Secondly, administrative burdens for the entrepreneurs are being reduced, under this project the Government undertook reduction by 25% in six selected legal areas (environment, planning and spatial planning, business activity law, hallmarking law, tourist services and labour law). The so-called first reduction stage is accompanied by reduction plans for the remaining economic law areas (the so-called second reduction stage).

The actions described above aim at simplification in undertaking business activity, in particular for small and medium enterprises, contributing to establishment of a citizen and entrepreneur-friendly regulatory environment.

Efficient administration

An **administrative system** which takes into consideration the interests of all entities operating in the sector of economy is one of the most important elements ensuring high quality of business environment. To this end it must be based on actual customer needs, coordination of activities and effective communication. It is necessary to consider the partner aspect of the public administration operation, including development of procedures and practices of social consultations and such mechanisms as a public hearing.

It is crucial to shorten the duration of administrative proceedings to eliminate bottlenecks for the investment processes and greater confidence of the citizens in public authorities. It is necessary to create conditions for more effective and faster adjudication, for the basic purpose to accelerate the administrative proceedings, enable significant reduction in public administration functioning costs.

The fundamental management instrument in this field consists in introduction of negative impulse, discouraging the officers to extend the proceedings and apply burdensome misinterpretations of legal provisions in an unjustified manner. Implementation of efficient instruments for penalizing the offices for common infringement of the statutory deadlines for issuing decisions (also under the pretence of claim supplementation requirement) is an essential area of change.

Better administration in the economic area will not be possible unless more comprehensive use of ICT technologies is made in contacts with the citizens, entrepreneurs and units outside the public sector. In the first implementation period of the NRP, the National Informatization Plan for 2011 – 2014, established under the Act on informatization of entities implementing public tasks (Articles 5 and 6) will be the key document for the application of ICT technologies in public administration. The National Informatization Plan will specify target priorities for the development of IT systems and services provided via the Internet in the entire public administration sector, also in the scope of support for running business. Elimination of administrative burdens in the key areas for economic development and better communication between the offices and entrepreneurs remains an important incentive for informatization of public administration. In the scope of cross border e-administration services it is necessary to ensure interoperability and safe mechanisms of e-identification/authentication. Implementation of guidelines provided in the European Interoperability Framework is of crucial importance in this area.

An important task in this area requiring urgent implementation will consist in development and administration of an e-portal for the entrepreneurs – a single site where any information on valid instruments for supporting business activities in Poland will be published.

One of the actions for improvement of the institutional environment will be an assessment of operation of individual institutions to eliminate overlapping competences and at the same time step-up operational effectiveness.

Actions under the National Reform Programme – related to ‘An industrial policy for globalization era’ flagship initiative:

- 2.1.1 Regulation Reform (Ministry of Economy);
- 2.1.2 Simplification of judicial procedures – including the bankruptcy and recovery law, non-judicial dispute settlement, arbitration (Ministry of Justice);
- 2.1.3 Informatization of administration – actions focused on ensuring complete interoperability of e-administration services at national level and providing key transborder services in European scale, enabling the entrepreneurs to run businesses and citizens to learn, work, live and retire at any location within the European Union, regardless of their original location (Ministry of the Interior and Administration);
- 2.1.4 Modern executive agencies operating on behalf of businesses established in Poland (Ministry of Economy).

Tasks to be delivered in 2011:

1. Continuation of training delivery for the employees and managerial staff of government administration in the field of Regulatory Impact Assessment RIA (Ministry of Economy);
2. Improvement and extension of RIA e-platform onto new RIA (Ministry of Economy);
3. Package for entrepreneurship (Ministry of Economy);
4. Works on enforcement and monitoring the Act on reduction of administrative barriers for the citizens and entrepreneurs (Ministry of Economy);
5. Horizontal deregulation act executing the demands of the entrepreneurs and NGOs (Ministry of Economy);
6. Launching analytical activities for assessment of the reform act package assessment (*Code of administrative proceedings, Law on administrative courts system, Law on proceeding before administrative courts, etc.*) (Ministry of the Interior and Administration);
7. Proposals of judicial procedure simplifications in the area of counteracting bankruptcy (Ministry of Economy);
8. Coordination of actions within e-administration resulting from the execution of the National Informatization Plan for 2011-2014 (Ministry of the Interior and Administration);
9. Analytic and preparatory works to identify the opportunities for more efficient operation of executive agencies for enterprises (Ministry of Economy).

2.2. Access to finance

It is necessary to develop competent institutions of high quality, including venture capital funds based on public-private capital, that would support commercialization of results from R+D sector. It is also important to make use of public funds, through a system of government procurement, to encourage demand for investment.

At the same time, the actions to be taken should aim to improve further the access, in particular of micro and small enterprises, to external sources of financing. To this end an identifiable system of **loan and guarantee funds** should be established, operating in line with applicable and commonly accepted standards. Such financial institutions and their services should, first of all, be systemically adjusted to the changing and diversified (also territorially) needs of entrepreneurs.

Venture capital

There exists a need to support the development of the market of venture capital funds, both through financial incentives (the activity of National Capital Fund, including with the use of EU structural funds) and through changing the existing regulations with a view to establish more advantageous investment income tax rates, to ensure greater supply of funds by permitting Open Pension Funds (OFE) to invest in venture capital, and to take joint actions at the EU level for reducing barriers to cross-border investments of venture capital funds. An important factor, determining the allocation of public support to a given fund, is an active financial policy of such fund, supporting innovative ventures at the earliest possible stages (*start-up, spin –off*) of development.

A sufficient demand for such investments should, moreover, be ensured, through strengthening the measures aimed at building awareness of potential beneficiaries (SME) as to the benefits resulting from such ways of acquiring capital. At the same time, the market of innovative companies should be developed.

Public – Private Partnership (PPP)

If PPP is to become a new, effective path to obtain investment capital, it is necessary to effectively continue actions promoting it. It seems that the PPP mechanism, which creates an opportunity to obtain additional investment funds and to accelerate their implementation is currently insufficiently used. Making use of PPP, in particular when public funds are limited, is a way of responding to the growing social expectations as to the quantity and standard of public services.

It should be pointed out here that PPP is less expensive compared to traditional investment delivery; even though the price of acquiring capital by private entities is higher, PPP allows for 15-17% savings, compared to the traditional model (better management, economic efficiency criterion calculated for the entire life-cycle of a project, rather than for its individual stages).

Actions under the National Reform Programme – related to a flagship initiative entitled ‘An Integrated Industrial Policy for the Globalisation Era’:

- 2.2.1 Enterprises Development Programme (Ministry of Economy);
- 2.2.2 Promotion of Public-Private Partnership (Ministry of Economy).

Tasks to be delivered in 2011:

1. Works on the Enterprises Development Programme, which will implement the provisions of the Economy innovation and effectiveness strategy by re-defining the system (and its individual instruments) for supporting SMEs operating in Poland, including in particular an assessment of the existing support instruments (Ministry of Economy);
2. Defining the structural conditions of the functioning of PPP in Poland, promoting PPP, delivering trainings and informational materials, propagating Best PPP Practices competition, keeping PPP projects database (Ministry of Economy);
3. Delivery of PPP training and advisory project (Ministry of Economy).

2.3. New directions in the development of innovation

In the upcoming years, Polish society and Polish economy will face a challenge resulting from depleting current competitive advantages. It will thus be necessary to gradually transform the economy towards delivering more innovative goods and services that would satisfy the changing demand of consumers, which imply that it would be necessary to create incentives that would allow for identifying and then for implementing the creative ideas. Public authorities have only a limited number of direct instruments at their disposal in this area. However, modifying educational programmes to promote creativeness, cooperation and pro-innovative attitudes, as well as introducing schemes of governmental support for such ideas may become a basic driving force for positive changes.

A current, **new approach to innovation policy** emphasizes the importance of the new forms of innovation, including innovative ways to manufacture new products using new methods and high cooperation level (*open innovation, user driven innovation*). At the same time, the fact that creativeness is increasingly frequently becoming a crucial determinant of competitive advantage, leads to a situation where **cultural and creative industries** are gaining importance, both as the areas of creation and use of innovation.

At the same time, the latest scientific output clearly indicates that investment in human capital is one of the most effective tools in creating new competitive advantages. The above refers in particular to educational system and system of lifelong learning and training that would be prepared to face the future challenges, and that would easily adjust to the upcoming changes.

Technological foresight

In order to identify technologies that would be of key importance for economic development in Poland, some actions were taken with a view to project trends in technological development (technological foresight). Draft foresight for the industry is being prepared for the entire country, and it presents an opportunity to verify the developmental potential of selected industrial sectors and areas, as well as to identify competitive industrial areas and key technologies of the future. In addition, efforts will be made to implement the output of foresight project.

In a longer perspective, it would also be necessary to specify the so called *smart specialization* plans for the country and for the regions.

Developing low carbon economy – ‘green innovation’ and ‘green technologies’

In developing low carbon economy it is of key importance to create conditions conducive for the market of green technologies and products (eco-innovations). Efforts should be made to change public perception of eco-innovations - they should be seen not just as “trendy” but rather should be considered in terms of added value resulting from the use of this kind of solutions. Actions will be pursued along two paths: on the one hand R&D in the area of green growth will be supported, and on the other hand companies will be encouraged to invest in green technologies.

Development and implementation of environmental technologies should be given priority, mainly because such technologies affect the way in which Poland complies with the obligations resulting from the EU regulations (energy and climate package); they also have an impact on energy security and public health, as well as on transformation towards low carbon economy and addressing global challenges of sustainable development.

Taking into account of limited access to natural resources, it is of importance for sustainable development to implement the principles of effective use of resources, including closed loop

management, streamlining waste recovery operations, recycling of secondary raw materials, and energy recovery, along with supplementary measures reducing material and energy consumption in production processes. In addition to measures described in sub-chapter 1.2 'Development and modernization of environmental protection infrastructure', efforts will be taken to continuously monitor how well the customers' needs are addressed, and to create new customers' needs. In this context, it is crucial to create conditions conducive for sustainable development of both production and consumption, as well as for sustainable industrial policy. This can be achieved, among others, through development and implementation of innovations as well as through the use of new economic instruments.

Expansion of environmental technologies and of the sector of environmental services provides an opportunity to increase **export** dynamics of widely understood environmental goods and services.

Cooperation for growth

Current models of innovative processes perceive **innovations as an effect of cooperation and interactions** between people and organizations, and their environment. The efforts taken in this area should be focused on strengthening cooperation between market players who shape both the supply and demand side of economy. To this end the following actions, among others, should be taken: promotion of self-regulation, and joint intra- and cross-sectoral initiatives within networks of partnership agreements for streamlining the functioning of the market. In this context, it becomes crucial to **promote good cooperation practices** between business and administration, among others by establishing appropriate mechanisms and by improving the existing ones (such as public-private partnership – PPP), and between business and scientific and research centres - to encourage research that would respond to the actual needs of economic development.

Interaction and cooperation are most visible at a regional level (e.g. within **clusters** and networks), and between industries and sectors in the environment characterised by a relatively high level of trust and social capital. A growing importance and popularity of the concept of cluster, and the impact of clustering on economic development, result in a **cluster-based economic development policy**, which should focus on working-out a mechanism (competition and quality analysis) **for selecting the most competitive clusters**, including technological ones with greatest innovation potential. Public funds (including EU funds) should be allocated to such clusters. The selected cluster initiatives should have priority within the existing system of structural funds allocation. Clusters should be developed based on regional innovative systems, supported by local authorities of individual Voivodeships and by central authorities. Such clusters should aim towards building a high-tech sector, and towards improving the competitiveness of Polish economy. This aim could be achieved on the one hand through an attractive offer for foreign direct investments (FDI) that would create dynamic and innovative scientific and research background, and on the other hand through industrial clusters networks of high innovative potential, capable to compete independently on the global market. At the same time, non-tech innovations should be supported, relating among others to such areas as creativeness, management or services.

Increase of the absorption potential for innovation among enterprises

Implementation of new technological solutions results in several changes to the institution concerned. The employees are not only forced to gain new knowledge and skills closely related to a given technology, but also to adjust to changes brought by this technology to their organization. The entrepreneurs, on the other hand, must plan and supervise the entire process to ensure that the implemented technology brings the expected effects.

Therefore, the entrepreneurs should be given an opportunity to use advisory services in drafting innovation implementation plans, while the enterprises should get support in their ‘soft’ actions (e.g. training and advisory) resulting from the implementation of the plan.

Industrial property

Supporting the protection of industrial property rights, including the establishment of a more effective legal and institutional system for industrial property protection, and – most importantly - increasing the knowledge and raising awareness of entrepreneurs on state-of-the-art methods to protect IP should be perceived as necessary elements, supplementing the actions focused on developing technologies.

Actions under the National Reform Programme – related to ‘Innovation Union’, ‘An integrated industrial policy for the globalisation era’ and ‘A resource efficient Europe’ flagship initiatives:

- 2.3.1 Identification of areas and technologies with greatest development potential (Ministry of Economy);
- 2.3.2 Supporting better use of R&D results (Ministry of Science and Higher Education);
- 2.3.3 Further efforts to develop information society (Ministry of Interior and Administration);
- 2.3.4 Supporting cultural and creative industries as innovation areas (Ministry of Culture and National Heritage);
- 2.3.5 Improving the procedures for getting industrial property protection in Poland (Ministry of Economy);
- 2.3.6 Effective use of resources, including recycling of secondary raw materials, and energy recovery, including measures reducing material and energy consumption in the production processes (Ministry of Economy);
- 2.3.7 Development of cluster initiatives and their monitoring, as well as extension of instruments supporting the establishment and internationalisation of activities of clusters and networks (Ministry of Economy);
- 2.3.8 Use of special economic zones to initiate and develop connections between enterprises, research institutes, scientific units, technological parks, entrepreneurial incubators, technology transfer centres and Investors and Exporters Service Centres (Ministry of Economy);
- 2.3.9 Promoting creativity of the society and of the economy by changing the model of education at each education level, including basing education on learning outcomes, and supporting innovative solutions in the economy (Ministry of National Education);
- 2.3.10 Developing activity of trade associations, associations of entrepreneurs, and NGOs acting for the development of trade and business, including support and development of self-regulation and grass-root trade initiatives (Ministry of Economy);
- 2.3.11 Stimulating innovation in environmental protection and in energy sector (Ministry of Economy);
- 2.3.12 Development of clean coal technologies (Ministry of Economy).

Tasks to be delivered in 2011:

1. Completion of the technological foresight project for industry, and starting the implementation of foresights results in Poland (Ministry of Economy);
2. Review of the regulations in force to identify possible legal barriers to industrial property protection (Ministry of Economy);
3. Industrial Property Law Act (Ministry of Economy);
4. Elaborating the assumptions for a systemic project to build regional cooperation networks for Corporate Social Responsibility (CSR) (Ministry of Economy);
5. Training of regional Investors and Exporters' Service Centres on strengthening regional enterprises network, and on fostering involvement for CSR under Swiss-Polish-Cooperation Programme (the so called Swiss Fund) (Ministry of Economy);
6. Preparing the ground for implementation of Environmental Technology Verification - ETV scheme (Ministry of Environment);
7. Training and advisory project addressed to representatives of clusters, and aiming to raise their knowledge and skills as regards functioning and management of corporate links (Ministry of Economy);
8. Continuing the implementation of a reform of general teaching curriculum in order to change the model of education (Ministry of National Education).

2.4. Intellectual capital for innovation

Human capital is the key strength of Polish economy in terms of innovation potential, which results mostly from successful education of young generation. The above diagnosis leads to a conclusion that there is a possibility and a need to switch focus from building potential (which is done naturally) to making good use of this potential and orienting it properly.

Modernization of general and vocational education, including adult education

The goal of envisaged changes in the education system is to further increase the quality of education in difficult demographic conditions expected in the coming years. The process of intellectual capital building starts at early stages of care and education system. Therefore, the envisaged measures will promote early care and education, and will focus on preschool education in kindergartens as well as in other preschool education centres. It is planned that all the 4 year olds will have a right to preschool education. This involves subsidising of relevant tasks of the communities, and increasing the flexibility of the small child care system, by providing an opportunity to cover children with preschool education at the age of 2, where needed.

It is planned that in general education system schools will be grouped to allow for more effective management of resources - to respond to the needs and targets of development of intellectual capital of a local society in a given area. To ensure that school more effectively responds to the needs of its students, it is planned to employ special persons in groups of schools who would be responsible for coordinating special educational needs, and for vocational consulting services. A system of complex support for schools will also be established, based on education development centres operating at the Poviast level and combining the tasks of psychological and pedagogical counselling centres, teacher training centres and pedagogical libraries. The proposed changes will also comprise the establishment of regional education quality centres, which will carry out external examinations and will be responsible for the pedagogic supervision of schools.

The modernization of vocational education will also involve granting an opportunity for vocational schools to deliver courses preparing for exams confirming professional competence. Vocational schools will get a possibility to be grouped in vocational and permanent education centres. Co-financing the non-public vocational education offer for adults, including qualification courses and post-secondary schools, will depend on positive results of exams confirming professional competence.

The implemented reform of **higher education and of scientific career path** has created a modern education model, has strengthened the programme autonomy of universities, permitting them to develop own programmes and create new faculties, integrating knowledge from different fields. The new mechanisms are implemented on the basis of the so called Qualifications Framework that is used all over Europe. The essence of changes is to concentrate on the results, rather than on the process of education itself. Therefore, what is going to be vital, is obtaining the results of education in three areas simultaneously i.e. knowledge, social and personal skills and competences, aiming at equipping students with key competences, desirable on both the national, and the European labour market.

Moreover, the financing of higher education will depend to a greater degree on the **quality of education** and of scientific research. Legal changes will involve the implementation of competition procedures for all the vacancies at universities, and greater openness to foreign scientists. Another important task would be to mainstream eLearning in national policy for the modernisation of education and training, including in curricula, assessment of learning outcomes and the professional development of teachers.

The changes introduced will **increase integration of universities with their social and economic environment**. The universities will be obliged to develop and implement the intellectual property rules and regulations, and to adopt the rules for commercialisation of R&D results. Universities will also gain an opportunity to educate students with contribution from the employers, or on employers order. Representatives of social, economic and public organizations will participate in developing the teaching curricula of vocational studies.

Promotion of innovation

Today, effective and efficient intervention of public authorities is needed, first of all in two respects, namely in encouraging **pro-innovation and entrepreneurial attitudes** in the society, in particular in scientific and economic environment, and in stimulating cross-sector flow of human capital. It is necessary to launch a comprehensive public campaign to promote pro-innovation attitudes and creativeness. Development of knowledge-based economy will only be feasible when it will becomes public knowledge that innovation and creativeness are among key stimuli for economic growth.

At the same time, **educational programmes** raising awareness of entrepreneurship, innovation and creativeness should be strengthened with instruments aiming to overcome the negative attitude towards risk in business (such programmes should be the addressed in particular to technical universities students, as they have significant potential to deliver innovative initiatives), and to encourage academic entrepreneurship (spin-off and spin-out companies). Promotional and educational activities should also focus on the use and management of intellectual property as a factor in gaining competitive advantage.

It is of major importance to systematically **raise the awareness of R & D staff** as to the needs and benefits of implementation of R&D results. Efforts in this area should be focused on raising the potential of R&D staff as regards marketing skills, R&D management as well as management of commercialisation of R&D results (including promotion of project-oriented approach).

One of the most effective ways of direct transfer of knowledge and of spreading new technologies is **cross-sectoral mobility of scientists**. The major need in this context is to create legal instruments that would encourage scientists to gain professional experience in business, and that would be conducive to entrepreneurs employing scientists.

Actions under the National Reform Programme – related to ‘Innovation Union’, ‘Youth on the move’ and ‘New skills for new jobs’ flagship initiatives:

- 2.4.1. Delivery of a systemic project entitled ‘Development of human resources by promoting knowledge, as well as by transferring and promoting innovation’ and ‘Improving the image of entrepreneurs and promoting of entrepreneurial attitudes’ (Ministry of Economy);
- 2.4.2. Higher Education Development Programme (Ministry of Science and Higher Education);
- 2.4.3. Modernization of higher education by increasing the role and quality of research, and by increasing cooperation with social and economic environment (Ministry of Science and Higher Education);
- 2.4.4. Implementing of National Qualifications Framework into education system (Ministry of Science and Higher Education);

- 2.4.5. Delivery of the universities development programmes (Ministry of Science and Higher Education);
- 2.4.6. Modernization of educational and vocational education and adult education (Ministry of National Education, Ministry of Labour and Social Policy, Ministry of Science and Higher Education);
- 2.4.7. Change of educational principles and better access to preschool and primary education (Ministry of National Education).

Tasks to be delivered in 2011:

- 1. Implementation of a system of obligatory evaluation of the quality of higher education, with publishing of its complete results (rankings) (Ministry of Science and Higher Education);
- 2. Implementation of the principle of equality between higher education institutions of public and private sector in their access to public subsidies (Ministry of Science and Higher Education);
- 3. Completion of works on the Higher Education Development Programme (Ministry of Science and Higher Education);
- 4. Supporting the establishment of the National Qualifications Framework (Ministry of Science and Higher Education);
- 5. Higher Education Law Act, acts on scientific degrees and titles, and on degrees and titles in the field of art, and amending certain other acts (Ministry of Science and Higher Education);
- 6. Act on amending the Act on education system (Ministry of National Education);
- 7. Continuing the programme reform of general and vocational, including in particular the module vocational education programmes (Ministry of National Education);
- 8. Starting to create effective incentives for the employees to gain new skills within the framework of lifelong learning policy (Ministry of National Education).

2.5. Bringing science closer to economy

Pro-quality financing of scientific institutions, more effective use of research funds and better cooperation between science and economy – these are the pillars of the packet of six acts reforming the science system ‘Building upon knowledge: Science reform for Poland's development’ . The acts entered into force on 1 October 2010.

In the coming years, the efforts in this area will focus on an effective implementation of changes introduced by the abovementioned packet of six acts.

Bringing science closer to economy will be fostered in particular by the actions resulting from the amended act on the National Centre for Research and Development (NCRD), which make it possible to respond faster to the needs of enterprises, and to create instruments better adjusted to such needs, and which promote mutual cooperation between enterprises, as well as cooperation between enterprises and public scientific units.

A dialogue will be conducted with enterprises, with participation of technological platforms first of all, concerning the strategic research areas that will be taken account of in drafting and implementation of the National Research Programme.

Actions contributing to internationalization of Polish science will be taken, in particular by searching for synergy between financing from the national funds, structural funds and the EU Research and Innovation Framework Programmes (EU RIFP). Greater participation of the Polish entities in these Framework Programmes should be pursued.

Actions under the National Reform Programme – related to ‘Innovation Union’, ‘An industrial policy for globalisation era’ flagship initiatives:

- 2.5.1. Implementation of science reform, which entered into force in October 2010 (Ministry of Science and Higher Education);
- 2.5.2. Launching of new instruments, addressed to entrepreneurs, under the amended act on the National Centre for Research and Development (Ministry of Science and Higher Education);
- 2.5.3. Reform and strengthening of the system supporting participation in the EU Research and Innovation Framework Programmes (Ministry of Science and Higher Education);
- 2.5.4. Enterprises Development Programme (Ministry of Economy);
- 2.5.5. Science Development Programme (Ministry of Science and Higher Education).

Tasks to be delivered in 2011:

1. Preparation and publishing of the National Research Programme (Ministry of Science and Higher Education);
2. Announcing by the National Science Centre of the first round of research works competitions, addressed to science institutes, research teams, and natural persons (Ministry of Science and Higher Education);
3. Carrying out competitions under the instruments supporting participation of Polish entities in the EU Framework Programmes (Ministry of Science and Higher Education);

4. Specifying the principles for evaluation of scientific units by the Commission for Scientific Units Evaluation (Ministry of Science and Higher Education);
5. Promoting openness in access to scientific publications and databases, developed in result of research works financed from the public funds, using ICT technologies (Ministry of Science and Higher Education);
6. Drafting an act introducing tax reliefs for entrepreneurs conducting R&D, based on the results of evaluation of existing support instruments (Ministry of Economy).

2.6. Conscious management as a driving force of innovation

Innovation may not be accidental. Therefore, enterprises, in particular those representing the sector of micro-, small and medium enterprises (MSME), **must increase their capacity to adjust to the changes that take place.** This involves, first of all, a capability for strategic management, as well as for the management of changes, and for human resources management. Such capabilities will permit the entrepreneurs **to switch from a strategy to stay/survive on the market** (unfortunately, adopted by the majority) **to a strategy of development**, as well as to use effectively the human resources at their disposal. The above two elements are the key in developing innovation in the enterprise, both technological and social. The entrepreneurs who think about their future in terms of development rather than survival will be willing and able to pursue pro-innovation activities, whose nature will not be sporadic or accidental.

Moreover, **equipping the managerial staff of MSME with skills and knowledge from the HR management area** is one of the most important tools to stimulate human capital development and make use of its potential, which is indispensable in creating innovation.

Actions under the National Reform Programme – related to ‘An industrial policy for globalisation era’, ‘Innovation Union’ and ‘New skills for new jobs’ flagship initiatives:

- 2.6.1. Launching a HR portal addressed to MSME (Ministry of Economy);
- 2.6.2. Promotion and dissemination of state-of-the-art/innovative HR tools, and improving the skills of employees (Ministry of Economy);
- 2.6.3. Promoting age management standards in the enterprises, as well as making use of the potential of the older employees (Ministry of Economy);
- 2.6.4. Support in developing HR management systems (Ministry of Economy);
- 2.6.5. Support in developing strategic management (Ministry of Economy);
- 2.6.6. Launching of a centre for support of enterprises adjustment (Ministry of Economy).

Tasks to be delivered in 2011:

1. Delivery of competition for innovative HR projects (Ministry of Economy);
2. Launching of an innovative project in HR measurement in enterprises (Ministry of Economy);
3. Preparation of a design of HR portal for MSME (Ministry of Economy);
4. Delivery of a training and advisory project in the scope of strategic management in the MSME (Ministry of Economy);
5. Delivery of a training and advisory project supporting implementation of the age management systems in companies (Ministry of Economy);
6. Delivery of a training and advisory project supporting the implementation of HR management system in MSME (Ministry of Economy).

3. Activity for inclusive growth

3.1. Modern labour market

Building a modern labour market, that would stimulate economic growth, must account for strengthening all the components of *flexicurity* model.

Responding to all challenges of demographic changes to come within the several upcoming years by means of the activities aiming at increasing the employment, should be the key priority. Therefore the launched actions must result in activation of these social groups who are not sufficiently present on the labour market. These cover in particular the youth, women, 50+ people, disabled persons and other professionally inactive groups.

Young people completing their education face difficulties with finding stable and satisfying job, suitable for their education, whereas share of unemployed persons up to 25 years of age exceeds the average total unemployment level twice. The older persons, who are unable to follow technological progress and more demanding labour conditions often decide on premature retirement. Therefore, to obtain the projected employment rate growth, changes in pension systems combined with the activities on the labour market and in the field of education - aiming at creating incentives and motivation to stay longer on the labour market and making work and labour conditions more attractive, - are necessary.

Coherent policy for life-long learning must consist in facilitating access to high-quality education in different forms, places and life periods to all concerned and evaluating and recognizing the effects of such education in coherent and transparent qualifications systems. Adjustment of education systems to qualitative changes on the labour market related to dynamically increasing demand for ICT specialists and growing importance of basic ICT competences in other professions and specializations is of particular significance.

In the case of youth, on one hand the actions will focus on earlier employment (working during studies, internships, tax incentives) and on the other on implementation of programme changes in the area of vocational education so that to promote these faculties and specializations which provide the opportunity of getting employment shortly.

In labour market context, we should also mention positive effects in medium and long-term perspective resulting from less restrictive schooling obligation (lower age) which will cause earlier entering the labour market.

Increasing effective age of withdrawal from the labour market in 2015 perspective is also of importance.

Due to the fact that the actual pension age depends on several factors: statutory pension age, opportunity of earlier withdrawal from the labour market and employment rate among the people in pre-retirement and retirement age, only **suitable policy-mix** within these three areas may guarantee higher age of withdrawal from the labour market

It is also necessary to make changes in functioning of the labour market policy institutional environment - in particular labour market institutions, including public employment service - by means of increasing competitiveness in the area of providing services for the unemployed and job seekers. In this context it is also important to strengthen cooperation between public and non-public institutions operating in the employment sector as well as in the area of social assistance and social integration.

Effective combining of the activities from the abovementioned areas with the objectives of family policy leading to birth rate increase in Poland constitutes an important element for counteracting negative demographic trends. Improvement of life prospects of the young

families ensuring proper care of motherhood, supporting the opportunity of combining professional work with parenthood and benefiting from flexible employment forms as well as greater availability of cost-accessible forms of children care, is indispensable here.

Meeting the demographic challenges should be supported by flexible, based on labour market needs, immigration policy.

Development of the modern labour market requires also increasing employment profitability. To this end, it is necessary to develop comprehensive and effective social allowances and benefits system combined with tax system, which would limit the risk of long-term social exclusion and stimulate gaining economic independence by re-entering the labour market.

The upcoming years will bring changes in the field of the employment of the disabled people so that to increase their share in the open labour market.

It should be remembered that low professional activity level in Poland results also from low level of transport, ICT and social infrastructure (vide: activities listed in Part I) causing insufficient mobility of labour resources.

In addition, greater flexibility of the provisions regulating working time, better use of non-standard employment contracts making use of IT tools (e.g. telework) shall increase employment opportunities of those, who are currently unable to work in traditional manner. At the same time flexible employment forms should be used in such a way so that not to lead to long-term delay in gaining stability on the labour market. This could have a negative effect, in particular on the youth, for whom safety on the labour market constitutes a basic condition of gaining independence and starting a family.

Actions within the National Reform Programme – related to ‘An agenda for new skills and jobs’ and ‘Youth on the move’ flagship initiatives:

- 3.1.1 Implementation of long-life learning policy (Ministry of National Education);
- 3.1.2 Implementation of the National Qualification Framework coherent with the assumptions of the European Qualification Framework (Ministry of Science and Higher Education/Ministry of National Education);
- 3.1.3 Facilitating transitions from education to the first job (Ministry of National Education);
- 3.1.4 Better employment profitability (Ministry of Labour and Social Policy);
- 3.1.5 Continuation of further actions for increasing professional activity of women (Ministry of Labour and Social Policy);
- 3.1.6 Preparations to increase average age of withdrawal from the market (Ministry of Labour and Social Policy);
- 3.1.7 Improving active labour market policies (Ministry of Labour and Social Policy);
- 3.1.8 Introducing changes in the system of employment of the disabled persons (Ministry of Labour and Social Policy);
- 3.1.9 Introducing changes in the vocational education system for better meeting labour market needs (Ministry of National Education);
- 3.1.10 Limiting labour market rigidity and segmentation (Ministry of Labour and Social Policy);

- 3.1.11 Increasing competitiveness in the scope of providing the services addressed both to the unemployed and job seekers (Ministry of Labour and Social Policy);
- 3.1.12 Facilitation of reconciling career and family life – development of child care institutions for children at the age up to 3 years (Ministry of Labour and Social Policy);
- 3.1.13 Migration policy ensuring inflow of the foreigners meeting the labour market needs (Ministry of Labour and Social Policy);
- 3.1.14 Creating new jobs in the new industries less susceptible to crisis (e.g. creating green jobs) (Ministry of Environment);
- 3.1.15 Supporting business & biodiversity entrepreneurship development (Ministry of Environment);
- 3.1.16 Implementing of prophylactic and rehabilitation actions in the scope of health care supporting longer staying of individuals on the labour market (Ministry of Health).

Tasks to be delivered in 2011:

1. Supporting activeness, innovation and creativity in formal education (Ministry of National Education);
2. ‘Long-life learning perspective’ strategic document (Ministry of National Education);
3. National Qualification Framework, including the national qualification register in vocational and higher education (Ministry of Science and Higher Education/Ministry of National Education);
4. Activation of the employers for participation in organizing formal and nonformal education at all levels (Ministry of Economy);
5. Monitoring of the execution of the Act of 20 April, 2004 on employment promotion and labour market institutions and taking the actions promoting application of statutory solutions (Ministry of Labour and Social Policy);
6. Performing the analysis of the active labour market policies effectiveness in Poland and preparing the methodology for regular monitoring of basic active labour market policies effectiveness in Poland (Ministry of Labour and Social Policy);
7. Preparing and updating of training offer for public employment services staff (within Human Capital Operational Programme) (Ministry of Labour and Social Policy);
8. Improving of labour market services and other forms of support provided by the labour offices (Ministry of Labour and Social Policy);
9. Funding of special programmes from the reserve Labour Fund being at the disposal of the Minister of Labour and Social Policy (Ministry of Labour and Social Policy);
10. Updating and extending module vocational training programmes offer for the public employment services staff (Ministry of Labour and Social Policy);
11. Preparing of training offer in e-learning technology for the public employment services staff (Ministry of Labour and Social Policy);
12. Implementation of the statutory tasks of the Voluntary Labour Corps in the scope of youth employment supporting, according to the 2011 plan and providing the labour

market services by the Voluntary Labour Corps (within Human Capital Operational Programme) (Ministry of Labour and Social Policy);

13. Implementation of the tasks within the 'Voluntary Labour Corps as the labour market services provider' project (Ministry of Labour and Social Policy);
14. Implementation of the Act of 4 February, 2011 on care of children up to 3 years of age and commencement of the 'Toddler' programme (Ministry of Labour and Social Policy).

3.2. Counteracting social exclusion

Actions for reducing poverty and social exclusion will focus mostly on increasing the opportunities for employing the persons disadvantaged on the labour market (young persons, poorly educated, the disabled, immigrants). Unemployed and professionally inactive individuals and families are more susceptible to risk of poverty and social exclusion, which results from the belief that counteracting and combating poverty may be effective mostly through the labour market. States have no instruments e.g. in the area of social security which could effectively solve social exclusion problems in long-term perspective.

To improve the situation of the individuals socially excluded due to poverty, it is also necessary to increase the scope of active forms of counteracting social exclusion and strengthen social integration of the excluded. It is indispensable to continuing the actions for higher social employment and development of social economy sector which will enable extension of the instruments providing the excluded with access to social services and thus help them return to the labour market..

The key element of social inclusion is development of social services system allowing for gaining skills to cope with different challenges and aspects of social exclusion. This refers to both the health care issues (rehabilitation and prevention) and competences (e.g. counteracting digital exclusion). Also the scope and quality of services offered by the social assistance system requires modernization. They should aim at enabling the excluded to take a job in certain time perspective resulting in their overcoming social exclusion. Development of a system for effective support of families with children is a separate issue. This will require on one hand ensuring public and affordable access to institutional care to prevent long-term exclusion from the labour market due to child care (Action 3.1.6) and developing support system for families facing difficulties in effecting care and parental functions. Legislative work on the act on providing support for the families and substitute parental care is almost completed (scheduled date of entry into force: 1 January, 2012). Both active prevention – work with family at risk of exclusion at the early stage as well as putting pressure on process of gaining independence by the children receiving substitute parental care stipulated in the act should result in decrease in the number of persons at risk of social exclusion.

Counteracting poverty and social exclusion of the disadvantaged groups and individuals by means of the initiatives aiming at strengthening social cohesion, forming civic awareness, stimulating activity and raising cultural skills is of key importance here.

ICT technologies should constitute an important tool facilitating social integration and improving quality of life in less favoured areas. Digital environment provides many tools supporting professional activity, including for older and disabled persons. However it should be remembered that unequal access to information society services may increase differences among the individual social groups. Therefore it is necessary to strengthen IT skills of the groups at risk of digital exclusion.

An increase in a number of persons facing energy poverty is nowadays one of the important reasons of social exclusion. The necessity of presenting and implementing systemic solutions, resulting also from energy directives, is to serve as the solution for protection of recipients against power supply suspension.

Particular focus on cities is also of key importance. High-poverty districts, degraded areas and sites requiring immediate integrated revitalization actions to counteract social exclusion can be found even in the best-developed and the greatest agglomerations..

Attention should be also paid to the necessity to take actions preventing social exclusion in rural areas. This is justified due to significant social and economic differentiation in these

areas and the fact that 45% of persons registered at the beginning of 2009 in labour offices as the unemployed lived in rural areas.

Actions within the National Reform Programme – related to ‘European platform against poverty’ flagship initiative:

- 3.2.1 Counteracting social exclusion, including among youth at the age of 15 – 24 years (Ministry of Labour and Social Policy);
- 3.2.2 Social and professional rehabilitation of disabled persons (Ministry of Labour and Social Policy);
- 3.2.3 Social integration of the immigrants (Ministry of Labour and Social Policy);
- 3.2.4 Development of social economy sector (Ministry of Labour and Social Policy);
- 3.2.5 Development of social services system responding the new challenges of social exclusion (Ministry of Labour and Social Policy);
- 3.2.6 Development of coherent system for supporting families and child care (Ministry of Labour and Social Policy).

Tasks to be delivered in 2011:

- 1. Delivery of the ‘Active forms of counteracting social exclusion’ ministerial programme (Ministry of Labour and Social Policy);
- 2. Delivery of Voluntary Labour Corps projects and programmes for decreasing social exclusion phenomenon among youth (Ministry of Labour and Social Policy);
- 3. Delivery of projects for social economy sector development (Ministry of Labour and Social Policy);
- 4. Preparation of strategic document on Polish foreigners integration strategy (Ministry of Labour and Social Policy);
- 5. Preparation of the ‘Employment in Poland’ report dedicated to diagnosis of poverty and social exclusion in Poland (Ministry of Labour and Social Policy);
- 6. Implementation of support system for socially susceptible energy recipients (Ministry of Economy);
- 7. Preparation of the National Urban Policy (Ministry of Regional Development).

V. TIME SCHEDULE FOR DELIVERY OF NATIONAL TARGETS

1. Employment - Ministry of Labour and Social Policy

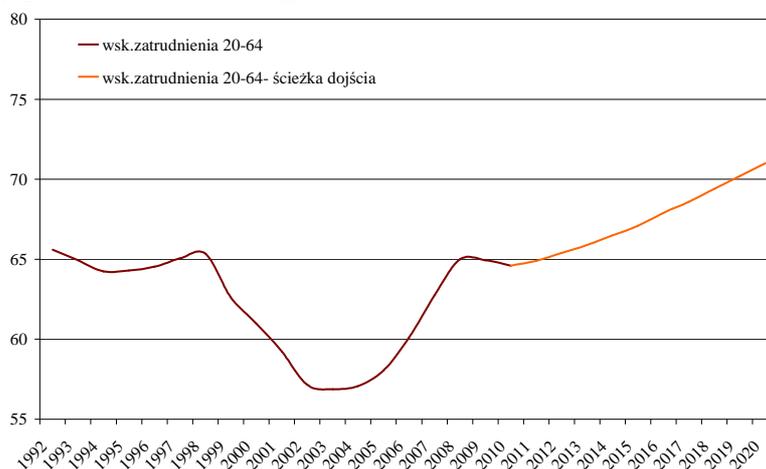
An ambitious target in the area of employment to be delivered by 2020 is 71%, which means bridging the gap between Poland and the target specified in Europe 2020 Strategy by 6.2 percentage points.

Table 1 : Delivery path for the target employment rate in Poland (in %) in 2010-2020

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
total	64.5	64.9	65.4	65.9	66.5	67.1	67.9	68.6	69.4	70.2	71.0

Source: Calculations of the Economic Analyses Department of the Ministry of Labour and Social Policy on the basis of LFS, CSO.

Graph 1: Forming of employment rate for 20-64 age group in Poland (in %) in the years 1992-2010, and delivery path for national target in 2020



Source: Calculations of the Economic Analyses Department of the Ministry of Labour and Social Policy on the basis of LFS, CSO.

wsk. zatrudnień 20-64	employment rate for 20-64 age group
wsk. zatrudnień 20-64 – ścieżka dojścia	employment rate for 20-64 age group – delivery path

2. Expenditures for research and development - Ministry of Science and Higher Education

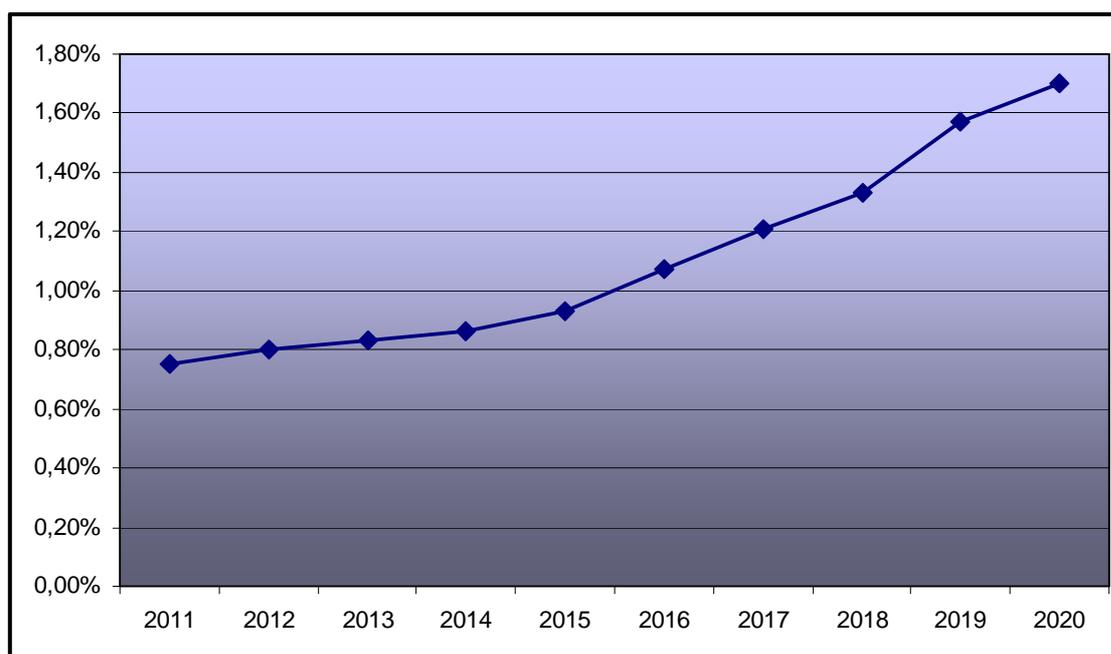
Increasing value of R&D expenditures ratio will result from a growing role of such expenditures in the economic policy of the government, as well as from the expected change in the cohesion policy paradigm, allowing for greater investments in research and innovation, and from a growing importance of research and innovation in enterprises as a source of competitive advantages. The governmental policy, encouraging an increase of private expenditure for R&D should result in 50% share of such expenditures by 2020.

Table 2: Projected national expenditures for R&D in 2011-2020 (%GDP)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
% share	0.75	0.80	0.83	0.86	0.93	1.07	1.21	1.33	1.57	1.70

Source: Ministry of Science and Higher Education

Graph 2: Expenditure for R&D in Poland (% GDP) in 2011-2020



Source: Ministry of Science and Higher Education

3. Energy efficiency – Ministry of Economy

The projected primary energy consumption level of 96 Mtoe in 2020 will present a great challenge for Poland, involving a need to take numerous ambitious measures, thus being difficult to deliver.

Milestones:

30 June 2011 – Second National Action Plan concerning energy efficiency;

30 June 2014 – Third National Action Plan concerning energy efficiency;

31 December 2016 – delivery of 9% target energy savings (Directive 2006/32/EC);

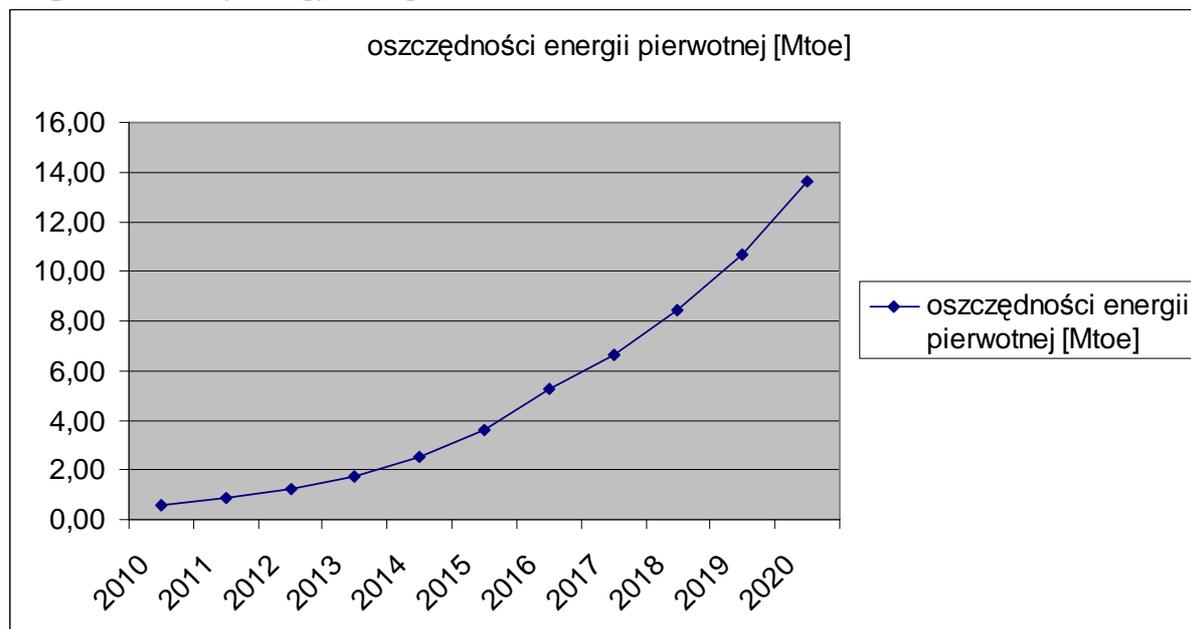
31 December 2020 – delivery of the EU target to increase energy efficiency by 20%.

Table 3: Cumulative primary energy savings (Mtoe) in 2010-2020

	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

Graph 3: Primary energy savings (Mtoe) in 2010-2020



Source: Ministry of Economy

oszczędności energii pierwotnej [Mtoe]	Primary energy savings [Mtoe]
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4. Education – Ministry of National Education/Ministry of Science and Higher Education

i) Decreasing to 4.5% the percentage of early school leavers

Preventive activities: promoting preschool education, implementing the reform of general education programme base, focused on greater flexibility of the education process, promoting higher secondary education (in post-secondary schools or vocational schools), modernizing education and vocational training, promoting and supporting involvement of employers in learning at work.

Is of a great importance to strengthen media, cultural and civic education in the learning process with a view to develop attitudes conducive to creativity, cooperation and flexibility in using the acquired knowledge and skills on a variable labour market..

Intervention activities: individualised teaching at schools, consolidation of school support system, including teacher training system, developing a system of early intervention, extending the offer of after-school and after-classes activities (financed among others from the European Funds), strengthening and developing mechanisms of cooperation between schools and organizations and institutions implementing educational tasks (e.g. cultural and media education), developing educational advisory and vocational advisory systems in life-long perspective.

Compensation activities: vocational training, activity of labour market institutions, development of a validation system.

ii) Increasing to 45% the percentage of people with higher education in the 30-34 age group

Actions in the first period will be focused on implementation of the reforms of higher education system, aiming, among others, to increase the access to higher education, and to improve the quality of Polish higher education system. These actions will contribute to delivering the targets provided for in the Europe 2020 Strategy. In particular, the following actions will contribute to deliver the discussed target ratio of the Europe 2020 Strategy:

- increasing access to higher education – among others by making loans for persons in difficult financial situation more accessible, and by increasing the effectiveness of the system of non-returnable financial aid for students;
- promoting 1. degree studies;
- promoting Polish higher education abroad, among others by developing a programme promoting Polish higher education;
- promoting simultaneous higher education and professional activity – by means of better cooperation between academic and business environment;
- increasing the attractiveness of higher education system by extending the number of faculties/educational offer;
- increasing the freedom of universities in selecting the content of their curricula;
- extending educational offer of universities for persons from different age groups;
- promoting *life-long learning* among students.;

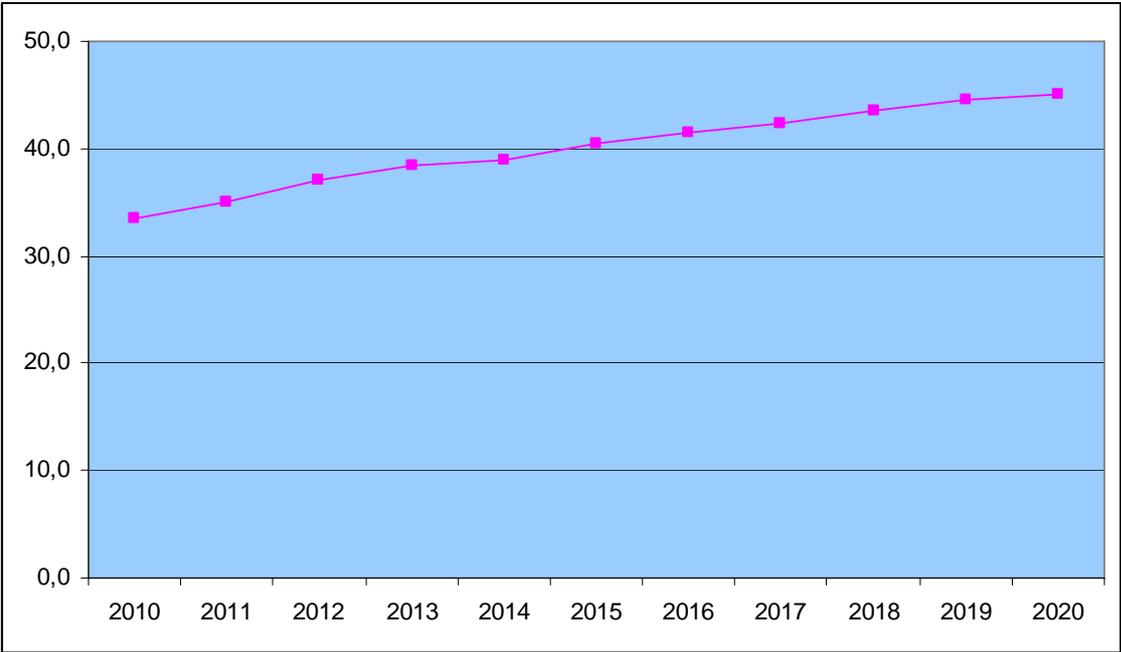
The actual and foreseen percentage of persons in 30-34 age group with higher education is presented in table 4 and graph 4

Table 4: Percentage of persons in 30-34 age group with higher education in 2010-2020 (%)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
% share	33.5	35.0	37.0	38.5	39.0	40.5	41.5	42.3	43.6	44.5	45.0

Source: Ministry of Science and Higher Education

Graph 4: Percentage of persons in 30-34 age group with higher education in 2010-2020 (%)



Source: Ministry of Science and Higher Education

5. Counteracting poverty – Ministry of Labour and Social Policy

The scale of risk of poverty/social exclusion depends on external factors – often independent from the social policy of the state. Major factors, which are not directly dependent on the social policy, include: the level of economic development and related perspectives, different development levels of regions, as well as social and cultural aspects. Cohesion policy is of a great importance for effective reduction of the risk of poverty/social exclusion. Providing ample infrastructure (communicational and institutional) is one of key elements for development of regions at risk of poverty. However, a key factor in counteracting social exclusion, from both individual and households perspective, is the employment opportunity. A priority compliant with the “Europe 2020” Strategy should be adopted, namely: the best method to deal with various forms of social exclusion is employment.

The process of decreasing poverty requires long-term actions, taken both at a central and self-governmental level. Such actions require an active involvement of people at risk of poverty and social exclusion, and should be reinforced with apt empowerment and bottom up processes; they also require involvement of the institutions of the third sector and of business. At the same time, we must not neglect other factors which, next to poverty, influence the risk of, or even lead to social exclusion e.g. financial deprivation, limited access to health, educational, cultural, financial and other services, and we should undertake appropriate preventive and corrective measures.

Consequently, the actions taken to deliver the targets “growth in employment rate” and “poverty rate reduction”, provided for in the Europe 2020 Strategy, will supplement each other and from time to time they will overlap.

VI. HORIZONTAL AND METHODOLOGICAL ISSUES

Political involvement and coordination of the process of implementing the “Europe 2020” strategy

The implementation of NRP must be coordinated effectively at all levels - from national to regional and local, same as communication between public authorities.

The former national Lisbon coordinator, i.e. the minister responsible for economy, is also responsible for implementing the “Europe 2020” strategy at the national level. The competences of the coordinator cover, among others: elaboration of the NRP and related documents, monitoring and evaluation of implementation of structural reforms, presenting to the EC the position of Polish government on issues concerning the NRP delivery, cross-ministerial arrangements concerning the evaluation of conformity of draft strategic documents, prepared by government administration authorities, with the “Europe 2020” strategy and with the NRP, as well as elaborating draft positions of the Government on the EU documents concerning a new economic strategy.

At the same time, in line with the strategic management system currently in force, the NRP provisions are compliant with the long-term and medium-term national development strategy and with other sectoral strategies.

The responsibility for delivery of each of the actions under NRP is vested in one or several cooperating ministries - the one listed first plays a leading role.

An important role of the minister of economy consists in increasing the ownership (co-responsibility) of all the stakeholders in delivery of structural reforms, among others by adopting a participation-based governance model, carrying out public consultations on the process of drafting and implementing NRP, increasing social acceptance for implementation of reforms, informing on the NRP implementation status, and taking actions at the EU level.

An important role in the process coordination is played by the Inter-Ministerial Team for “Europe 2020” Strategy. One of the tasks of the Team is to create the conditions for better communication and dialogue between the government, social and economic partners, regions as well as the other stakeholders in the issues related to implementing the “Europe 2020” Strategy in Poland. The Inter-Ministerial Team issues its opinions on the way each action is performed. The Team also monitors the undertaken actions on the on-going basis to check their cohesion.

Also the Coordination Committee for Development Policy performs an important role in integration of the national development policy with the European policy (in the scope of “Europe 2020” Strategy and the NRP). The Committee is responsible, among others, for coordinating the programme initiatives taken at the EU level with the strategies and other strategic documents in force at the national level.

Participation of partners in preparing and implementing the NRP

The voice of the regions, NGOs, employers and employees organizations, academic environment and of citizens should be more audible. Greater involvement of the Parliament and comprehensive wider debate on structural reforms will expedite social and economic reforms, and will facilitate informing the public on their positive effects, thus encouraging the society to take active part in economic life.

It is also important to make use of potential of the existing cooperation fora, such as National Strategic Reference Framework Coordination Committee for 2007 – 2013, Commission for

Social and Economic Affairs, Public Benefit Activity Council, and trilateral industrial teams and various partner networks.

At the regional level, proper coordination of the implemented development policy remains of the key importance. To this end, the potential of Regional Operational Programme Monitoring Committees, of Voivodeship Social Dialogue Commissions, and of newly established National Territorial Forum should be better used, as those bodies may become a forum for dialogue on the key issues related to the NRP at a level lower than national one.

Communication strategy

To assure that the NRP is successful, it is necessary to strengthen cooperation and involvement in elaborating and delivering the reforms. It is also necessary to increase awareness of public administration, partners and general public that such reforms are inevitable. We should strive to create a positive atmosphere, conducive for the actions taken under the NRP, and to overcome negative connotations related to insufficient progress in delivery of the Lisbon Strategy. The communication efforts should focus on informing, and on raising awareness of both general public and individual stakeholders as to economic life, which should translate into a greater co-responsibility for the delivered reforms. Communication actions include the following:

- visual identification of the NRP, including new logo design to make identification of the NRP clear and consistent;
- updating and making more attractive the website dedicated to the Europe 2020 Strategy, publishing information on the actions taken at the national level (among others actions taken by Inter-Ministerial Team for Europe 2020 Strategy) and at the EU level;
- organising meetings, conferences and seminars dedicated to executed and planned activities – addressed to general public or to selected partners depending on their thematic scope.

Monitoring tools

To ensure co-responsibility (ownership) for the actions undertaken, it is of major importance to specify in detail the competencies and responsibilities for execution of individual tasks. The effect of monitoring will consist in an annual assessment of the NRP execution, demonstrating the implementation status of the planned activities and the status of implementation of national targets defined in Europe 2020 Strategy. Such assessment, next to EC recommendations, will be used for annual NRP update in the European Semester.