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Recommendation for a

COUNCIL RECOMMENDATION

on the economic, social, employment, structural and budgetary policies of Poland

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Recommendation for a

COUNCIL RECOMMENDATION

on the economic, social, employment, structural and budgetary policies of Poland

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 121(2) and Article 148(4) thereof,

Having regard to Regulation (EU) 2024/1263 of the European Parliament and of the Council of 29 April 2024 on the effective coordination of economic policies and on multilateral budgetary surveillance and repealing Council Regulation (EC) No 1466/97 ([1]), and in particular Article 3(3) thereof,

Having regard to the recommendation of the European Commission,

Having regard to the resolutions of the European Parliament,

Having regard to the conclusions of the European Council,

Having regard to the opinion of the Employment Committee,

Having regard to the opinion of the Economic and Financial Committee,

Having regard to the opinion of the Social Protection Committee,

Having regard to the opinion of the Economic Policy Committee,

Whereas:

(1) Regulation (EU) 2024/1263 specifies the objectives of the economic governance framework, which aims at promoting sound and sustainable public finances, sustainable and inclusive growth and resilience through reforms and investments, as well as preventing excessive government deficits. The Regulation stipulates that the Council and the Commission conduct multilateral surveillance in the context of the European Semester in accordance with the objectives and requirements set out in the Treaty on Functioning of the European Union (TFEU). The European Semester includes, in particular, the formulation and the surveillance of the implementation, of country-specific recommendations.

(2) On 16 July 2025, the Commission adopted its proposal for a regulation establishing the European Fund for economic, social and territorial cohesion, agriculture and rural, fisheries and maritime, prosperity and security for the period 2028-2034 and amending Regulation (EU) 2023/955 and Regulation (EU, Euratom) 2024/2509 ([2]). The proposal

[1] Regulation (EU) 2024/1263 of the European Parliament and of the Council of 29 April 2024 on the effective coordination of economic policies and on multilateral budgetary surveillance and repealing Council Regulation (EC) No 1466/97 (OJ L, 2024/1263, 30 April 2024, ELI: http://data.europa.eu/eli/reg/2024/1263/oj).

[2] Proposal for a Regulation of the European Parliament and of the Council establishing the European Fund for economic, social and territorial cohesion, agriculture and rural, fisheries and maritime, prosperity and security for the period 2028-2034 and amending Regulation (EU) 2023/955 and

aims to increase the effectiveness of Union funding by reducing the fragmentation of the financial architecture and to support Member States in the coordination of their economic policy in line with Article 175 TFEU.

(3) On 25 November 2025, on the basis of Regulation (EU) No 1176/2011, the Commission adopted the 2026 Alert Mechanism Report, in which it did not identify Poland as one of the Member States for which an in-depth review would be needed. The Commission also adopted a recommendation for a Council recommendation on the economic policy of the euro area, a recommendation for a Council recommendation on human capital in the European Union, and a proposal for the 2026 Joint Employment Report, which analyses the implementation of the Employment Guidelines and the principles of the European Pillar of Social Rights. The Council adopted the Recommendation on the economic policy of the euro area ([3]) on 21 April 2026 and the Joint Employment Report and the Recommendation on human capital on 9 March 2026.

(4) On 29 January 2025, the Commission published the Competitiveness Compass, a strategic framework that aims to boost the Union's global competitiveness over the next five years. It identifies the three transformational imperatives of innovation, decarbonisation and competitiveness, and security as critical pillars for sustainable economic growth. The European Semester is aligned with the Competitiveness Compass, ensuring that EU Member States' economic policies are consistent with the Commission's strategic objectives, creating a unified approach to economic governance that fosters sustainable growth, innovation and resilience across the Union.

(5) In 2026, the European Semester for economic policy coordination continues to develop alongside the final stage of Recovery and Resilience Facility (RRF) implementation ([4]). Recovery and resilience plans (RRPs), along with cohesion policy funding, have been essential for delivering on the policy priorities under the European Semester, as the plans were required to effectively address all or a significant subset of challenges identified in the relevant country-specific recommendations issued in recent cycles, and programmes funded by the European cohesion policy were required to take country-specific recommendations into account. As the RRF approaches the end of its lifetime, it remains essential to sustain the reforms and investments supported and implemented under the RRF, in particular those that contribute to addressing challenges identified in the country-specific recommendations.

(6) On 3 June 2026, the Commission published the 2026 country report for Poland. It assessed Poland's progress in addressing the relevant country-specific recommendations and took stock of Poland's implementation of the RRP. On the basis of that analysis, the country report identified the most pressing challenges Poland is facing. It also assessed Poland's progress in implementing the European Pillar of Social Rights and in achieving the Union headline targets on employment, skills and poverty reduction, as well as progress in achieving the United Nations Sustainable Development Goals.

Regulation (EU, Euratom) 2024/2509 - COM(2025) 565 final. The proposed Regulation is currently the subject of negotiations with the co-legislators.

[3] OJ C, C/2026/2434, 28 April 2026, ELI: http://data.europa.eu/eli/C/2026/2434/oj.

[4] Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility (OJ L 57, 18.2.2021, p. 17, ELI: http://data.europa.eu/eli/reg/2021/241/oj).

(7) On 21 January 2025, the Council, upon the assessment and recommendation of the Commission, adopted a Recommendation endorsing the national medium-term fiscal-structural plan of Poland ([5]). The plan covers the period from 2025 until 2028 and presents a fiscal adjustment spread over four years. The Council recommended the following maximum growth rates of net expenditure: 6.3% in 2025, 4.4% in 2026, 4.0% in 2027 and 3.5% in 2028, which correspond to the maximum cumulative growth rates calculated by reference to the base year of 2023 of 19.6% in 2025, 24.9% in 2026, 29.9% in 2027 and 34.4% in 2028. For the years 2025-2028, these maximum growth rates of net expenditure coincide with the corrective path, as recommended by the Council under Article 126(7) TFEU on 21 January 2025, with a view to bringing an end to the situation of an excessive deficit ([6]). Based on the Commission's assessment on effective action of 3 June 2026 ([7]), the excessive deficit procedure for Poland is held in abeyance.

(8) Russia's war of aggression against Ukraine and its repercussions constitute an existential challenge for the European Union. The Commission has invited Member States to request the activation of the national escape clause of the Stability and Growth Pact in a coordinated manner to support the EU efforts to achieve a rapid and significant increase in defence spending ([8]) and this proposal was welcomed by the European Council of 6 March 2025. Following the request of Poland, on 8 July 2025 the Council, upon a recommendation from the Commission, adopted a Recommendation allowing Poland to deviate from the recommended maximum growth rates of net expenditure ([9]). The period when the national escape clause is activated (2025-2028) allows Poland to reprioritise government expenditure or increase government revenue so that lastingly higher defence expenditure would not endanger fiscal sustainability in the medium term.

(9) On 30 April 2026, Poland submitted its 2026 Annual Progress Report ([10]) on adherence to the recommended maximum growth rates of net expenditure and the implementation of reforms and investments responding to the main challenges identified in the European Semester country-specific recommendations. The Annual Progress Report also reflects Poland's biannual reporting on the progress made in implementing its recovery and resilience plan in accordance with Article 27 of Regulation (EU) 2021/241. The report on action taken under the excessive deficit procedure is integrated in the Annual Progress Report.

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5 Council Recommendation of 21 January 2025 endorsing the national medium-term fiscal-structural plan of Poland (OJ C, C/2025/642, 10 February 2025, ELI: http://data.europa.eu/eli/C/2025/642/oj.

6 Council Recommendation with a view to bringing an end to the situation of an excessive deficit in Poland, adopted on 21 January 2025. All documents related to the excessive deficit procedure of Poland can be found at: https://economy-finance.ec.europa.eu/economic-governance-framework/stability-and-growth-pact/corrective-arm-excessive-deficit-procedure/excessive-deficit-procedures-overview/Poland_en.

7 Communication from the Commission to the European Parliament, the Council, the European Central Bank, the European Economic and Social Committee, the Committee of Regions and the European Investment Bank, 2026 European Semester – Spring Package, COM(2026)200 final.

8 Communication from the Commission, 'Accommodating increased defence expenditure within the Stability and Growth Pact', Brussels, 19 March 2025, C(2025)2000 final.

9 Council Recommendation of 8 July 2025 allowing Poland to deviate from the maximum growth rate of net expenditure as set by the Council under Regulation (EU) 2024/1263 (Activation of the national escape clause), (OJ C, C/2025/3971, 20 August 2025, ELI: http://data.europa.eu/eli/C/2025/3971/oj.

10 The 2026 Annual Progress Reports are available on: https://economy-finance.ec.europa.eu/economic-and-fiscal-governance/stability-and-growth-pact/preventive-arm/annual-progress-reports_en.

(10) Real GDP growth in 2025 was 3.6% and HICP inflation stood at 3.3%. The Commission Spring 2026 Forecast projects real GDP to grow by 3.5% in 2026 and 2.8% in 2027, and HICP inflation to stand at 3.6% in 2026 and 2.9% in 2027.

(11) Based on data provided by Eurostat ([11]), Poland's general government deficit increased from 6.4% of GDP in 2024 to 7.3% of GDP in 2025. The increase in the deficit in 2025 mainly reflects higher expenditure on military equipment deliveries, public sector wages and social benefits. Based on policy measures known by the cut-off date of the forecast, the Commission Spring 2026 Forecast projects a deficit of 6.5% of GDP in 2026 and 6.3% of GDP in 2027. The decrease in 2026 mainly reflects restraints on nationally financed expenditure, in particular on compensation of employees and investment, and new discretionary revenue-increasing measures. The decrease of the deficit in 2027 mainly reflects the adopted discretionary revenue measures.

(12) Based on the Commission's estimates, the fiscal stance ([12]), which includes both nationally and EU financed expenditure, was expansionary, by 1.3% of GDP, in 2025. It is projected to be expansionary, by 0.3% of GDP in 2026, and contractionary, by 1.7% of GDP, in 2027.

(13) Based on data provided by Eurostat ([13]), Poland's general government debt increased from 54.8% of GDP at the end of 2024 to 59.7% of GDP at the end of 2025. The increase in the debt ratio in 2025 mainly reflects high deficits and debt-increasing stock-flow adjustments related to defence investments. Based on policy measures known at the cut-off date of the forecast, the Commission Spring 2026 Forecast projects the debt-to-GDP ratio to increase to 64.5% by the end of 2026 and to further increase to 68.3% by the end of 2027. The increase in 2026 and 2027 mainly reflects high deficits and debt-increasing stock-flow adjustments.

(14) Based on Eurostat data ([14]), total general government defence expenditure in Poland amounted to 3.4% of GDP in 2025. According to the Commission Spring 2026 Forecast, it is projected at the same level in 2026. This corresponds to an increase of 1.8 percentage points of GDP compared to the reference year 2021.

(15) The Union continues to face risks of energy supply disruptions and elevated price volatility, exacerbated by geopolitical tensions which affect global oil and gas markets. Experience from the 2022–2023 energy crisis has shown that broad and untargeted measures entail large fiscal costs and are socially and economically inefficient. Since the outbreak of the war in the Middle East in February 2026, Poland adopted fiscal policy measures to mitigate the impact of high energy prices on households and firms ([15]). These include untargeted reductions in excise duties and VAT on fuels in force until 15 May 2026. According to the Commission Spring 2026 forecast, the fiscal cost of these measures is projected to amount to approximately

[11] Eurostat-Euro Indicators, 22 April 2026.

[12] The fiscal stance is defined as a measure of the annual change in the underlying budgetary position of the general government. It aims to assess the economic impulse stemming from fiscal policies, both those that are nationally financed and those that are financed by the EU budget. The fiscal stance is measured as the difference between (i) the medium-term potential growth and (ii) the change in primary expenditure net of discretionary revenue measures and including expenditure financed by non-repayable support (grants) from the Recovery and Resilience Facility and other Union funds.

[13] Eurostat-Euro Indicators, 22 April 2026.

[14] Eurostat, government expenditure by classification of functions of government (COFOG).

[15] This reflects the situation at the cut-off date of the Commission's Spring 2026 Forecast (4 May 2026).

0.1% of GDP in 2026. According to Commission estimates, if these measures were to remain in force until end-2026, their fiscal cost would amount to 0.4% of GDP in 2026.

(16) Based on the Commission's calculations, net expenditure in Poland grew by 8.5% in 2025 and 22.9% cumulatively over 2024 and 2025. The net expenditure growth in 2025 is above the recommended maximum growth rate, corresponding to a deviation of 0.9% of GDP in annual terms. When considering 2024 and 2025 together, the cumulative growth rate of net expenditure is also above the recommended maximum growth rate, corresponding to a deviation of 1.2% of GDP in cumulative terms. However, the projected deviation is within the flexibility of the national escape clause, taking into account the increase in defence spending.

(17) Based on the Commission's calculations, net expenditure in Poland is projected to grow by 4.0% in 2026, and 27.9% cumulatively over 2024, 2025 and 2026. The projected net expenditure growth in 2026 is below the recommended maximum growth rate. When considering 2024, 2025 and 2026 together, the projected cumulative growth rate of net expenditure is above the recommended maximum growth rate, corresponding to a deviation of 1.0% of GDP in cumulative terms. However, the projected deviation is within the flexibility of the national escape clause based on current projections for defence spending.

(18) Public expenditure has grown rapidly in recent years, driven by multiple policy priorities, including increased spending on defence and social policy. In 2025, it reached 50.9% of GDP, above the EU average of 49.5% of GDP. The efficiency of public finances remains a challenge as social benefits are largely untargeted and are not means-tested at household level, resulting in a welfare system with limited redistributive power. Spending reviews carried out since 2024 had a limited impact in terms of spending reallocations.

(19) In addition to a rationalisation of expenditure, revenue sources are needed to rebalance public finances and to keep public debt sustainable. Tax revenues as a percentage of GDP remain considerably below the EU aggregate, despite a gradual increase observed in 2024 and 2025. Poland's tax mix is characterised by a relatively low reliance on labour taxation, with personal income tax revenues significantly below the EU average, while consumption and capital taxes account for a higher share of total revenue. The tax base could be broadened to include new sources without hindering economic growth. To mobilise additional revenues, stronger efforts are also needed to improve tax compliance. While the compliance gap in value added tax (VAT) has narrowed, it remains substantial. A high compliance gap is also estimated in corporate income tax.

(20) A declining trend is visible in the adequacy of pension benefits. The benefit ratio - the average pension to the average wage - decreased from 66% in 2005 to 55% in 2024. According to estimates in the 2024 Ageing Report, limiting the further decline in the benefit ratio projected at unchanged policy would involve 2.5 percentage points of GDP higher pension spending by 2045. This would put at risk the sustainability of the pension system. It is estimated that by 2040 half of the pensioners will receive a retirement benefit that equals the statutory minimum. This would be mostly true for women whose low labour market participation (48.3% versus 59.4% in the EU, aged 55-64) reflects their lower statutory retirement age. Furthermore, self-employed persons who pay the minimum pension contributions and those on civil law contracts who cover the pension premium under the minimal threshold are also at risk of

pension poverty. The pension system is also characterised by a high fragmentation with costly special regimes for selected professions. KRUS, the largest special pension system, is dedicated to farmers, who represent over 10% of all pensioners and retirees in Poland, and is heavily subsidised from the state budget (around 0.7% of GDP in 2025). The social contributions from large-scale farmers do not reflect their income levels, which affects the adequacy of pensions. In addition, the rules governing pension entitlements in KRUS and the calculation of transfers of pension capital to the general pension system do not incentivise farmers, particularly those with significant contributory periods in KRUS, to switch to the general scheme. Other professions, such as the uniformed services or judges and prosecutors, receive pensions without paying contributions, therefore fully relying on the state budget subsidies.

(21) The systematic, meaningful and timely involvement of local and regional authorities, social partners, civil society and other relevant stakeholders remains essential in order to ensure broad ownership for the successful implementation of the Union's funding instruments, as well as in the context of the European Semester.

(22) The implementation of cohesion policy programmes, which encompass support from the European Regional Development Fund (ERDF), the Just Transition Fund (JTF), the European Social Fund Plus (ESF+) and the Cohesion Fund (CF) in Poland, is above the average pace at EU level, both in terms of project selection and payments. It is important to keep current momentum, while maximising the impact of investments on the ground. Poland is already taking action under its cohesion policy programmes to boost competitiveness and growth. Nevertheless, some areas may require further strengthening in implementation, including those relating to fossil fuels decoupling and just transition. It is essential to ensure that the new investments identified by Poland in its mid-term review of the cohesion policy funds, notably those linked to the five priorities identified in the Mid-Term Review Regulation ([16]), are deployed rapidly and effectively.

(23) Poland faces several challenges related to simplification, research and innovation, energy, climate and water management, skills and education, the inclusion of disadvantaged groups and segmentation of the labour market, and housing.

(24) While having a generally pro-competitive regulatory framework, Poland still faces some challenges as regards legislative complexity and of ensuring an effective institutional framework. 71% of businesses consider business regulations to be a barrier for their company when investing in Poland ([17]) and the costs that companies, particularly SMEs, face in complying with labour and tax systems are comparatively high. According to the EIB Investment Survey, the share of firms in Poland that allocate more than 10% of their staff to dealing with regulatory requirements fell significantly (from 25% in 2024 to 19% in 2025) but remains well above the EU average of 11%. Moreover, the involvement of social partners in the legislative process remains limited, and stakeholders report ongoing shortcomings in the functioning of the Social Dialogue Council. The public procurement system continues to suffer from the low number of companies submitting tenders, as well as lengthy and complex procedures. Further strengthening the digitisation of the public procurement

[16] Regulation (EU) 2025/1914 of the European Parliament and of the Council of 18 September 2025 amending Regulations (EU) 2021/1058 and (EU) 2021/1056 as regards specific measures to address strategic challenges in the context of the mid-term review.

[17] EIB Investment Survey 2025: Poland overview

process and planning ahead, including communicating long-term procurement plans, could help address the challenges. Regulatory and administrative barriers affect intra-EEA trade in goods and services, with national packaging and waste rules creating compliance burdens.

(25) Despite years of robust economic growth and improved living standards, Poland continues to face significant developmental disparities both between and within its regions, including between urban and rural areas. Eastern Poland remains particularly disadvantaged, with GDP per capita at 61.3% of the EU average in 2024, ranking among the poorest regions in the Union. The situation of the regions on EU's external eastern border has been further exacerbated by Russia's war of aggression against Ukraine, heightening security concerns, economic uncertainty and reducing the appeal of these regions to both investors and residents. Many areas, particularly those outside major metropolitan centres suffer from insufficient administrative capacity and unequal access to essential public services, including education, healthcare, childcare, and transport, further diminishing their attractiveness. Innovation in eastern and north-western regions, including innovative investment, is limited, constraining their productivity growth and availability of high-quality jobs.

(26) Poland's economic growth and competitiveness increasingly rely on its ability to harness the potential of science and innovation. Despite steady increases in business R&D spending, Poland's innovation outcomes remain limited, with its R&D performance reaching only 65.9% of the EU average in 2025 – an improvement of 2.6 percentage points from 2024. Cooperation between science and business is limited, reducing Poland's ability to commercialise its research. This issue is amplified by insufficient incentives for researchers to work with the industry, such as inadequate valuation of commercialisation results in the evaluation of scientific activity. Making research careers more attractive and a further modernisation of scientific institutions will be essential. Efforts to boost innovation need to include the updating and streamlining of smart specialisation strategies. Further developing an environment that supports technology transfer, building and scaling of startups, ensuring their access to stable and reliable financing are among the key steps towards achieving a high-performing innovation ecosystem.

(27) Despite good progress, challenges still pertain in the digitalisation of public services and their availability for citizens and businesses, which remains below the EU average, in particular for citizens where Poland scores 71 compared to the EU average of 82. The limitations in interoperability, data-sharing between government systems and the once-only principle in data collection undermine the user experience and narrow the potential of the digitalisation of public services to reduce administrative burden, while sectors such as justice would benefit from further digitisation to improve efficiency and accessibility. Poland has not yet fully harnessed cross-border data exchange, missing opportunities to streamline administrative procedures, particularly through an increased use of structured data formats.

(28) Poland's digital uptake among SMEs remains below the EU average, limiting productivity and innovation. While the share has increased, only 59% of Polish SMEs reached a basic level of digital intensity in 2025 (compared to the EU average of 71.4%). The adoption of advanced technologies, such as AI, also lags behind, which could hamper future growth. Poland would benefit from further stimulation of investment and specialised knowledge support in digitalisation, promoting the adoption of advanced technologies and upskilling employees, as well as participation in EU-wide initiatives.

(29) Poland's housing market has in recent years been characterised by a low supply of housing and a decrease in affordability. House prices and rents have been rapidly increasing since 2015, particularly in cities. Investment in housing remains the lowest in the EU, while housing quality and conditions remain challenging, with high overcrowding rates. To address this, a wide range of measures is needed, with a focus on supply-side policies, including improving regulations of the housing market to increase the affordable housing supply, improve its quality, and slow down housing prices' inflation.

(30) Poland's housing policies are fragmented. Various programmes are spread across different ministries with competing priorities, and there is no body coordinating housing policy at the central level. There is no centralised analysis of housing needs and of the existing stock (including at the local level). To address this, Poland would need to introduce housing policy coordination at the central level and between the central and local administrations, and create a long-term housing strategy with a clear pathway for addressing the decreasing affordability and availability of housing, improving housing quality, and implementing monitoring tools (alongside a multilevel data collection mechanism focusing for empty properties) to better identify and target the specific local housing stock and needs.

(31) Access to social, municipal and affordable housing in Poland is low, and vulnerable groups face specific barriers (including discrimination and accessibility constraints). The large housing construction gap contributes to the housing shortage and limited access to housing for groups with specific needs. To increase housing supply, improve its quality and better target needs of specific groups, Poland would need to expand and modernise its social and affordable rental housing system and programmes, with a stable, long-term strategy and financing for municipal housing programmes, introduce programmes for renovation and rehabilitation of vacant buildings into housing, expand the Social Rental Agencies, and develop housing-led solutions for vulnerable groups such as older people, persons with disabilities and homeless persons.

(32) Poland's regulations related to the tenancy and construction laws and their application negatively impact housing supply and access to affordable housing. Legal protection and rights in the rental market are unbalanced, as the current legislation does not adequately and equally protect the rights of neither landlords nor tenants. Landlords face prolonged and costly eviction procedures even when tenants break their tenancy agreements, while tenants can be affected by long-term rental instability, as the law does not regulate rent increases in a clear way and notice periods are often not respected. A more balanced approach to landlords' rights and tenants' security and improving the enforcement of existing legislation would facilitate stable, long-term renting. Regulatory procedures in the construction sector could also be improved for a faster and less costly construction of housing.

(33) Poland remains one of the few Member States to base the property tax on a very low maximum flat rate set out centrally by law, rather than on the value of a property. This creates a regressive property tax regime and contributes to speculative investment demand, as properties are taxed significantly less than riskier financial assets such as stocks, which increases property price inflation. This could be addressed by amending the taxation regime towards value-based taxation of land or properties (via a land value tax or a cadastral property tax), which would improve its progressivity and address incentives contributing to rapidly rising housing prices and low supply due to empty or underutilised properties or land.

(34) Despite recent efforts, grid bottlenecks are still slowing the pace of the energy transition. In 2025, connection requests for approximately 42 GW of renewable capacity were declined. This is above the total capacity installed in renewable sources in Poland. To address these bottlenecks, the Transmission System Operator aims to prioritise investments in transmission networks, a north-south transmission as well as dedicated corridors to new capacities currently under development (both offshore and nuclear), integration of transmission and distribution networks and flexibility solutions. An additional effort is needed to improve the flexibility of the Polish energy system, including through cross-border electricity trading, to avoid curtailment of renewable energy sources and mitigate price spikes during peak hours. The current level of cross-border interconnection is low, with the Harmony Link with Lithuania being the only project underway. Capacity-allocation constraints have systematically decoupled Polish electricity prices from the EU market and are now contributing to higher prices. While the use of allocation constraints is seeing some decline, the frequency of allocation constraints activation is concerning as it ultimately leads to RES curtailment.

(35) Due to the reliance on expensive fossil fuels for electricity generation and a lack of non-fossil flexibility and interconnectivity, Poland's wholesale electricity prices averaged the ninth highest in the EU in 2025, limiting energy affordability. Further deployment of renewable energy sources faces also non-grid related constraints. In retail prices, the disproportionately high tax burden on electricity (compared with natural gas) is undermining electrification in Poland, both of industry sectors and households. Industrial consumers pay around three times more for electricity than for gas, and taxes and levies account for a third of their electricity bill. In the heating sector, the tax burden on electricity is impeding heat pump deployment. Poland's coal mining sector is heavily subsidised and consumes budgetary resources that could otherwise be used to, among other, accelerate the clean energy and industrial transition. Fossil-fuel subsidies that neither tackle energy poverty in a targeted way nor address genuine energy security concerns could be considered a phase-out priority.

(36) The industrial transformation lacks a coherent strategic and legislative framework that would align policy incentives, infrastructure planning and financial support with objectives to advance investments in priority sectors. Key decarbonisation interventions - electrification, deployment of onsite renewables, uptake of green hydrogen and deployment of carbon capture, utilisation and storage - are implemented incrementally rather than structurally. The phasing-out of coal poses major economic and social challenges for the regions still reliant on mining and emission-intensive industries. A coordinated approach to industrial transformation will be key to mitigate loss of competitiveness, while fostering innovation and growth in these regions.

(37) Both district and individual heating remain dependant on coal, facing structural decarbonisation challenges. Renewables supply only 21% of the energy used for heating and cooling across all sectors. A shift from coal to gas-based cogeneration is underway in the district heating sector, but integration of renewable energy sources is lagging. Coal still accounts for 60% of the district heating mix, while deployment of renewable and low emission-based systems is limited to demonstration projects and a few smaller cities. Decarbonisation progress hinges on accelerated heat source diversification and network modernisation as well as planning to tap into the potential of waste heat use. Around 15% of Polish households still use coal for individual heating - the highest absolute number in the EU, which is also reflected in one of the worst air quality levels in the EU. A comparable share of households is also estimated

to be at risk of energy poverty due to high energy costs and poor building efficiency. Further efforts to reduce reliance on coal and improve energy efficiency are key to bringing down emissions and air pollution. Heating and cooling account for 81% of residential energy consumption.

(38) The shift towards sustainable transport remains challenging in Poland, with emissions from road transport having nearly doubled in the last two decades. Uptake of electric vehicles in private and freight transport is growing slowly due to insufficient incentives, including fiscal, and charging infrastructure. Support and coordination of the development of zero-emission and intermodal public transport can further support decarbonisation efforts, while promoting better connectivity.

(39) Poland is vulnerable to high risks of drought, flood, heatwaves and extreme weather events, which threaten economic security and people's wellbeing. Poland is still lacking an updated national climate adaptation strategy, informed by the latest available risk assessment. Work to update the strategy adopted in 2013 is only expected to be finalised in 2027. This hinders planning of adaptation efforts and coordination between local, regional and national authorities when it comes to addressing the acute needs of strengthening climate resilience and preparedness. Climate change exacerbates environmental risks, and water resources and ecosystems are particularly vulnerable. Unabated water pollution from industrial activity combined with higher temperatures remains a critical challenge, threatening freshwater resources. Protection and restoration of ecosystems call for stronger incentives, including financial ones and in line with the 'polluter pays' principle, to limit pollution and promote sustainable use. Natural resources are also a factor in climate mitigation, but carbon removals in Poland are not ambitious enough to meet its 2030 target for land use, land-use change and forestry. Additional policies are needed to foster sustainable wetland and peatland agriculture and urban settlements management.

(40) In light of the crucial role of human capital in enhancing the Union's competitiveness and strategic autonomy, in 2026 the Council recommended that Member States take action to urgently address human capital related structural challenges in the areas of skills and education, which hamper competitiveness. The 2026 country-specific recommendations addressed to Poland can contribute to the implementation of the Council Recommendation on human capital in the Union.

(41) Declining basic skills and increasing inequalities in education remain a challenge. Since 2018, the underachievement among 15-year-olds in basic skills has increased more than the EU average. Regional disparities remain both in relation to educational outcomes and access to education. Inclusive education poses challenges, with a high proportion of students with special educational needs in segregated settings. To facilitate transition of students with disabilities to mainstream education, Poland would benefit from developing an inclusive education strategy, strengthened support services, and targeted teacher training. Developing a long-term strategic approach to inclusive education would facilitate stakeholder engagement, implementation of comprehensive measures as well as widening the access to inclusive education for all students. In addition, insufficient green and digital skills continue to act as bottlenecks for the twin transitions. For instance, only half of the Polish population aged 16-74 had at least basic digital skills in 2025, below the EU average. Poland could benefit from a more holistic approach to addressing skills shortages in the context of the twin transitions as well as, more broadly, from closer monitoring and evaluation of reforms and investments in skills at all levels.

(42) Poland still faces a persistently low enrolment and low share of graduates in science, technology, engineering and mathematics study programmes (STEM), which limits the country's innovation capacity. A more integrated approach towards STEM education (including better career awareness, mentoring, reaching out to disadvantaged groups) would also be beneficial in encouraging students (especially women) to pursue STEM careers.

(43) Equipping teachers with the necessary skills and improving the quality of their education remains a key challenge in addressing the basic skills decline. Teacher shortages remain and may deepen as the challenges in attracting and retaining new staff persist. Furthermore, the low share of lower-secondary school teachers under 30 highlights the need for more attractive career paths for teachers. To facilitate a successful implementation of the curricula reform and improve career prospects of teachers, Poland would need to ensure a sufficiently staffed teacher workforce, modernisation of initial teacher education and sustained investment in their professional development (including in the context of inclusive education).

(44) Concerns about the relatively low effectiveness of the vocational education and training (VET) system remain, despite high participation rates. The employment rate of recent VET graduates has declined and remains below EU average. The identification of the root causes of poorer employment outcomes of VET graduates, namely in terms of low basic skills, limited labour-market relevance of programmes and skills mismatches, and a dedicated, evidence-based action plan to address them could improve the situation of VET graduates. This could be complemented by measures to strengthen the quality of teaching (including addressing teacher shortages and training gaps), better align curricula with labour market needs, including for digital and green skills and to strengthen coordination with adult learning policies. Participation in adult learning is still significantly below EU average, especially in non-formal learning, with only limited progress achieved to date. Only a fifth of the adult population participated in learning in 2024, far below the EU average and the 2030 target. The adult learning system remains fragmented due to dispersed governance across ministries and regional actors, as well as a strong reliance on project-based funding. This contributes to limited system coherence. The system could therefore benefit from stronger national-level coordination and funding.

(45) The integration of disadvantaged groups into the labour market continues to pose challenges. Disability and illness remain a leading driver of inactivity: the disability employment gap further increased from 33.9 percentage points in 2023 to 35.6 percentage points in 2024. The labour force participation of persons with disabilities is just above 50%. Progress has been made on regulating and improving access to childcare services, in large part with the support of ESF+ and RRF funds, but the participation of women in the labour market remains low and affected by regional disparities. Non-EU workers skills remain underused in the labour market. In 2023, almost every second non-EU national worked below their qualification level, despite their high participation in the labour market. There is scope to continue the efforts on increasing the effectiveness of Public Employment Services to provide more targeted support to help integrate disadvantaged groups into the labour market.

(46) The proportion of civil-law contracts in total employment has been on the rise. Furthermore, self-employed individuals who do not hire staff account for a significant share of total employment, surpassing the EU average. Both groups are not fully covered by social protection, as sickness insurance is voluntary and there are legal provisions that allow for reduced social security premiums, which can have a negative

impact on future benefits, including pensions. This results in tax arbitration (taxes and social security contributions) across different contract types, with the tax wedge increasing with income. While the rate of collective bargaining is the lowest in the EU, it is more commonly used at the company level than at the sectoral level, which overall weakens the negotiating position of workers and self-employed.

(47) Long-term care services are not prepared to meet growing demographic challenges. Public expenditure on long-term care remains low and largely allocated to residential care (significantly above the EU average), whereas programmes aimed at developing homecare or community-based care remain underfunded or highly dependent on EU funding. This translates in high out-of-pocket costs for people in need and a high reliance on informal care for home-based services. Poland would benefit from improving the quality of and access to long-term care services, particularly of homecare and community-based care, including by increasing related financing and its sustainability.

HEREBY RECOMMENDS that Poland take action in 2026 and 2027 to:

1. Continue adhering to the maximum growth rates of net expenditure recommended by the Council on 21 January 2025, with a view to bringing an end to the situation of an excessive deficit, while making use of the flexibility under the national escape clause for higher defence expenditure. Reinforce defence spending and readiness while ensuring spending efficiency and gradually adapting the budget to sustain structurally higher defence spending. Ensure that any measures taken to mitigate the impact of the hike in energy prices are temporary, targeted at protecting vulnerable households or at addressing the needs of energy-intensive firms, preserve incentives for energy savings while ensuring that their fiscal cost is compatible with the commitments under the EU fiscal framework. Improve the efficiency of public spending, including through better targeting of social benefits and extending the coverage of spending reviews. Broaden general government revenue including by increasing the role of sources less detrimental to growth and improving tax compliance. Improve the adequacy of the pension system, while preserving the long-term sustainability through increasing the effective retirement age, addressing the pension poverty of women and self-employed and reforming the special pension schemes.

2. Ensure continuity of reforms and investments implemented under the Recovery and Resilience Facility. Sustain implementation momentum under cohesion policy programmes building, where appropriate, on the reallocation to strategic priorities and flexibilities in the mid-term review of the cohesion policy framework. Address the unique socio-economic, security and civil preparedness challenges particularly affecting regions on the EU's external eastern border.

3. Simplify regulation, improve regulatory tools and ensure the legal framework is stable and clear. Encourage competition in public procurement processes, making them more efficient and less cumbersome, and ensure long-term planning of public procurement. Strengthen science-business links by creating stronger incentives for commercialisation of research and building an efficient pipeline of investment-ready projects. Modernise the public research system, make research careers more attractive and ensure sustainable R&I funding. Make the business environment more innovation-friendly, including for start-ups and scale-ups. Reduce territorial disparities in particular through greater access to and quality of public services and infrastructure as well as in research and innovation. Build up administrative capacity

and improve efficiency by leveraging e-services interoperability and once-only data collection principle for digitalisation. Increase digital intensity of SMEs, while prioritising support for advanced technologies. Increase the supply and quality of affordable and social housing through efficient housing policy coordination and strategies, expanded affordable and social housing programmes, improved regulations, and revised property taxation.

4. Boost flexibility and grid capacity of the energy system, increase cross-border interconnections and electricity trading, and remove constraints on further deployment of renewable energy sources. Promote balanced electricity price signals to incentivise electrification and phase out fossil fuel subsidies, especially those related to coal mining. Enable clean industrial transformation and foster innovation-oriented transition strategies for coal-dependent regions. Reduce reliance on fossil fuels in the heating sector coupled with thermal modernisation of buildings. Promote decarbonisation of transport along with the enabling infrastructure. Build climate resilience through functional adaptation governance, ecosystem restoration and sustainable use of natural resources.

5. Foster quality and inclusive education and address labour and skills shortages. Step up participation in STEM fields in higher education and address teacher shortages and the quality of teacher education. Further strengthen the effectiveness of vocational education and training. Facilitate and increase adult participation in learning. Increase the participation of disadvantaged groups in the labour market, particularly of persons with disabilities, including by providing tailored labour market support. Reduce labour market segmentation in consultation with social partners by addressing tax arbitrage between types of contracts and improve access to social protection. Increase access and quality of long-term care services.

Done at Brussels,

For the Council
The President