Council of the European Union

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NOTE

From:	General Secretariat of the Council
To:	Permanent Representatives Committee/Council
No. prev. doc.:	9889/25
Subject:	COUNCIL RECOMMENDATION on the economic, social, employment, structural and budgetary policies of Poland

Delegations will find attached the above-mentioned draft Council Recommendation, as revised and agreed by the Employment Committee and the Social Protection Committee, based on the Commission Proposal COM(2025) 221 final.

<u>ANNEX</u>

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,

[1] OJ L, 2024/1263, 30.4.2024, ELI: http://data.europa.eu/eli/reg/2024/1263/oj.

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:

General considerations

(1) Regulation (EU) 2024/1263, which entered into force on 30 April 2024, specifies the objectives of the economic governance framework, which aims at promoting sound and sustainable public finances and sustainable and inclusive growth and resilience through reforms and investments, and 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 TFEU. The European Semester includes, in particular, the formulation, and the surveillance of the implementation of country-specific recommendations. The Regulation also promotes national ownership of fiscal policy and emphasises its medium-term focus, combined with more effective and coherent enforcement. Each Member State must submit to the Council and the Commission a national medium-term fiscal-structural plan, containing its fiscal, reform and investment commitments, over 4 or 5 years, depending on the length of the national legislative term. The net expenditure[2] path in these plans has to comply with the Regulation's requirements, including the requirements to put or keep general government debt on a plausibly downward path by the end of the adjustment period, or for it to remain at prudent levels below 60% of gross domestic product (GDP), and to bring and/or maintain the general government deficit below the 3%-of-GDP Treaty reference value over the medium term. Where a Member State commits to a relevant set of reforms and investments in accordance with the criteria set out in the Regulation, the adjustment period may be extended by up to three years.

[2] Net expenditure as defined in Article 2, point (2), of Regulation (EU) 2024/1263: 'net expenditure' means government expenditure net of (i) interest expenditure; (ii) discretionary revenue measures; (iii) expenditure on programmes of the Union fully matched by revenue from Union funds; (iv) national expenditure on co-financing of programmes funded by the Union; (v) cyclical elements of unemployment benefit expenditure; and (vi) one-offs and other temporary measures.

(2) Regulation (EU) 2021/241 of the European Parliament and of the Council[3], which established the Recovery and Resilience Facility (the 'RRF'), entered into force on 19 February 2021. The RRF provides financial support to Member States for implementing reforms and investments, delivering a fiscal impulse financed by the Union. In line with the priorities of the European Semester for economic policy coordination, the RRF fosters economic and social recovery while driving sustainable reforms and investments, in particular promoting the green and digital transitions and making Member States' economies more resilient. It also helps strengthen public finances and boost growth and job creation in the medium and long term, improve territorial cohesion within the Union and support the continued implementation of the European Pillar of Social Rights.

(3) Regulation (EU) 2023/435 of the European Parliament and of the Council[4] (the 'REPowerEU Regulation'), which was adopted on 27 February 2023, aims to phase out the Union's dependence on Russian fossil-fuel imports. This helps achieve energy security and diversify the Union's energy supply, while increasing the uptake of renewables, energy storage capacities and energy efficiency. Poland added a new REPowerEU chapter to its national recovery and resilience plan in order to finance key reforms and investments that will help achieve the REPowerEU objectives.

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[3] 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).

[4] Regulation (EU) 2023/435 of the European Parliament and of the Council of 27 February 2023 amending Regulation (EU) 2021/241 as regards REPowerEU chapters in recovery and resilience plans and amending Regulations (EU) No 1303/2013, (EU) 2021/1060 and (EU) 2021/1755, and Directive 2003/87/EC (OJ L 63, 28.2.2023, p. 1, ELI: http://data.europa.eu/eli/reg/2023/435/oj).

(4) On 3 May 2021, Poland submitted its national recovery and resilience plan to the Commission, in accordance with Article 18(1) of Regulation (EU) 2021/241. Pursuant to Article 19 of that Regulation, the Commission assessed the relevance, effectiveness, efficiency and coherence of the recovery and resilience plan, in accordance with the assessment guidelines set out in Annex V. On 17 June 2022, the Council adopted its Implementing Decision approving the assessment of the recovery and resilience plan for Poland[5], which was amended under Article 18(2) on 8 December 2023 to update the maximum financial contribution for non-repayable financial support, as well as to include the REPowerEU chapter[6]. The release of instalments is conditional on the adoption of a decision by the Commission, in accordance with Article 24(5), stating that Poland has satisfactorily achieved the relevant milestones and targets set out in the Council Implementing Decision. Satisfactory achievement requires that the achievement of preceding milestones and targets for the same reform or investment has not been reversed.

(5) On 21 January 2025, the Council, upon the recommendation of the Commission, adopted a recommendation endorsing the national medium-term fiscal-structural plan of Poland[7]. The plan was submitted in accordance with Articles 11 and 36(1), point (a) of Regulation (EU) 2024/1263, covers the period from 2025 until 2028 and presents a fiscal adjustment spread over four years.

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5 Council Implementing Decision of 17 June 2022 on the approval of the assessment of the recovery and resilience plan for Poland (11805/2022).

6 Council Implementing Decision of 7 December 2023 amending the Implementing Decision of 17 June 2022 on the approval of the assessment of the recovery and resilience plan for Poland (15835/2023).

7 Council Recommendation of 21 January 2025 endorsing the medium-term fiscal-structural plan of Poland, OJ C/2025/642, 10.2.2025.

(6) On 26 November 2024, on the basis of Regulation (EU) No 1176/2011, the Commission adopted the 2025 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 and a proposal for the 2025 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 on 13 May 2025 and the Joint Employment Report on 10 March 2025.

(7) On 29 January 2025, the Commission published the Competitiveness Compass, a strategic framework that aims to boost the EU's global competitiveness over the next five years. It identifies the three transformative imperatives of sustainable economic growth: (i) innovation; (ii) decarbonisation and competitiveness; and (iii) security. To close the innovation gap, the EU aims to foster industrial innovation, support the growth of start-ups through initiatives like the EU Start-up and Scale-up Strategy, and promote the adoption of advanced technologies like artificial intelligence and quantum computing. In pursuit of a greener economy, the Commission has outlined a comprehensive Affordable Energy Action Plan and a Clean Industrial Deal, ensuring that the shift to clean energy remains cost-effective, competitiveness-friendly, particularly for energy-intensive sectors, and is a driver for growth. To reduce excessive dependencies and increase security, the Union is committed to strengthening global trade partnerships, diversifying supply chains and securing access to critical raw materials and clean energy sources. These priorities are underpinned by horizontal enablers, namely regulatory simplification, deepening of the single market, financing competitiveness and a Savings and Investments Union, promotion of skills and quality jobs, and better coordination of EU policies. The Competitiveness Compass is aligned with the European Semester, ensuring that 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.

(8) In 2025, the European Semester for economic policy coordination continues to develop alongside the implementation of the RRF. The full implementation of the recovery and resilience plans remains essential for delivering on the policy priorities under the European Semester, as the plans help effectively address all or a significant subset of challenges identified in the relevant country-specific recommendations issued in recent years. These country-specific remain equally relevant for the assessment of amended recovery and resilience plans in accordance with Article 21 of Regulation (EU) 2021/241.

(9) The 2025 country-specific recommendations cover the key economic policy challenges that are not sufficiently addressed by measures included in the recovery and resilience plans, taking into account the relevant challenges identified in the 2019-2024 country-specific recommendations.

(10) On 4 June 2025, the Commission published the 2025 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 recovery and resilience plan. Based on this 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's 2030 headline targets on employment, skills and poverty and social exclusion reduction, as well as progress in achieving the United Nations Sustainable Development Goals.

Assessment of the Annual Progress Report

(11) On 21 January 2025, the Council recommended the following maximum growth rates of net expenditure for Poland: 6.3% in 2025, 4.4% in 2026, 4.0% in 2027, and 3.5% in 2028, which correspond to the cumulative growth rates calculated by reference to 2023 of 19.6% in 2025, 24.9% in 2026, 29.9% in 2027, and 34.4% in 2028. In 2025-2028, these maximum growth rates of net expenditure coincide with the corrective path in accordance with Article 3(4) of Regulation 1467/97, as recommended by the Council on 21 January 2025 with a view to bringing an end to the situation of an excessive deficit[8]. On 30 April 2025, Poland submitted its Annual Progress Report[9], on action taken in response to the Council recommendation of 21 January 2025 with a view to bringing an end to the situation of an excessive deficit, 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 achieving its recovery and resilience plan in accordance with Article 27 of Regulation (EU) 2021/241.

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[8] Council Recommendation with a view to bringing an end to the situation of an excessive deficit in Poland, C/2025/5037.

[9] The 2025 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

(12) Russia's war of aggression against Ukraine and its repercussions constitute an existential challenge for the European Union. The Commission recommended to activate 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 and this proposal was welcomed by the European Council of 6 March 2025. Following the request of Poland on 30 April 2025, on [date] the Council, upon the recommendation of the Commission, adopted a recommendation allowing Poland to deviate from, and exceed, the maximum growth rates of net expenditure[10].

(13) Based on data validated by Eurostat[11], Poland's general government deficit increased from 5.3% of GDP in 2023 to 6.6% in 2024, while the general government debt rose from 49.5% of GDP at the end of 2023 to 55.3% at the end of 2024. According to the Commission's calculations, these developments correspond to a net expenditure growth rate of 12.7% in 2024. In the 2025 Annual Progress Report, Poland estimates the net expenditure growth in 2024 also at 12.7%. Based on the Commission's estimates, the fiscal stance[12], which includes both nationally and EU financed expenditure, was expansionary, by 1.8% of GDP, in 2024.

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10 Council recommendation allowing Poland to deviate from, and exceed, the recommended net expenditure path (Activation of the national escape clause), OJ C/2025/xxx, x.x.2025.

11 Eurostat-Euro Indicators, 22.4.2025.

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.

(14) According to the Annual Progress Report, the macroeconomic scenario underpinning the budgetary projections by Poland expects real GDP growth at 3.7% in 2025, while HICP inflation is projected at 4.5% in 2025. The Commission Spring 2025 Forecast projects real GDP to grow by 3.3% in 2025 and 3.0% in 2026, and HICP inflation to stand at 3.6% in 2025 and 2.8% in 2026.

(15) In the Annual Progress Report, the general government deficit is expected to decrease to 6.3% of GDP in 2025, while the general government debt-to-GDP ratio is set to increase to 57.8% by the end of 2025. These developments correspond to net expenditure growth of 5.8% in 2025. The Commission Spring 2025 Forecast projects a general government deficit of 6.4% of GDP in 2025. The decrease of the deficit in 2025 mainly reflects the impact of discretionary revenue measures including excise duty increases and the non-indexation of personal income tax brackets. According to the Commission's calculations, these developments correspond to net expenditure growth of 6.2% in 2025. Based on the Commission's estimates, the fiscal stance, which includes both nationally and EU financed expenditure, is projected to be expansionary by 0.3% of GDP, in 2025. The general government debt-to-GDP ratio is set to increase to 58.0% by the end of 2025. The increase of the debt-to-GDP ratio in 2025 mainly reflects the high projected government deficit and stock-flow adjustments related to defence investments.

(16) General government expenditure amounting to 1.2% of GDP is expected to be financed by non-repayable support (“grants”) from the Recovery and Resilience Facility in 2025, compared to 0.3% of GDP in 2024, according to the Commission Spring 2025 Forecast. Expenditure financed by Recovery and Resilience Facility non-repayable support enables high-quality investment and productivity-enhancing reforms without a direct impact on the general government balance and debt of Poland.

(17) General government defence expenditure in Poland amounted to 1.6% of GDP in 2021, 1.6% of GDP in 2022 and 2.0% of GDP in 2023[13]. According to the Commission Spring 2025 Forecast, expenditure on defence is projected at 2.7% of GDP in 2024 and 2.8% of GDP in 2025. This corresponds to an increase of 1.2 percentage points of GDP compared to 2021. 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.

(18) According to the Commission Spring 2025 Forecast, net expenditure in Poland is projected to grow by 6.2% in 2025 and 19.7% cumulatively in 2024 and 2025. Based on the Commission Spring 2025 Forecast, the net expenditure growth of Poland in 2025 is projected to be below the recommended maximum growth rate established by the corrective path. When considering 2024 and 2025 together, the cumulative growth rate of net expenditure is projected to be above the recommended maximum growth rate, corresponding to a deviation[14] of less than 0.1% of GDP. The projected deviation is within the flexibility of the national escape clause based on current projections for defence spending. Therefore, the excessive deficit procedure for Poland is held in abeyance.

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

[14] From 2026 these figures will appear in the control account that is established in Article 22 of the Regulation (EU) 2024/1263.

(19) The 2025 Annual Progress Report does not include budgetary projections beyond 2025. Based on policy measures known at the cut-off date of the forecast, the Commission Spring 2025 Forecast projects a general government deficit of 6.1% of GDP in 2026. The decrease of the deficit in 2026 mainly reflects the impact of discretionary revenue measures, including excise duty increases and the non-indexation of personal income tax brackets. These developments correspond to net expenditure growth of 5.4% in 2026. Based on the Commission's estimates, the fiscal stance, which includes both nationally and EU financed expenditure, is projected to be broadly neutral in 2026. The general government debt-to-GDP ratio is projected by the Commission to increase to 65.3% by the end of 2026. The increase of the debt-to-GDP ratio in 2026 mainly reflects the high projected government deficit and stock-flow adjustments related to defence investments and one-off transfers related to investments financed by Recovery and Resilience Facility loans in 2026.

Key policy challenges

(20) Social benefits in Poland are largely untargeted and are not means tested at household level. This results in a welfare system with limited redistributive power. In budgetary documents, transparency regarding ongoing and planned investments could be improved. There is currently no integrated and comprehensive overview of ongoing investments and their sources of financing, including with regards to extra-budgetary funds and state-owned enterprises. While available to varying degrees, such information is scattered across documents, such as multiannual investment programmes and financial plans of state-owned enterprises or of extra-budgetary funds. Procedures for assessing and selecting public investment projects and carrying out *ex post* reviews are weak. Standardised project-assessment methodologies are only in place for EU-financed investments, but these could be applied to all major government-funded investments. Project selection procedures vary across ministries and are based on the type of project and source of financing. There are no standard criteria for selecting or prioritising projects at central government level.

(21) Poland is one of the fastest ageing countries in the EU and the long-term demographic trends will affect its pension system. The statutory retirement age allows women to retire at the age of 60, which has an impact on the number of women working or looking for work compared to men whose statutory retirement age is 65. To raise the effective retirement age, Poland implemented one targeted measure in its recovery and resilience plan to promote working beyond the statutory retirement age, but further efforts would be needed to address the challenge related to ensuring that future pensions are adequate and to safeguard the sustainability of the pension system. Special pension benefits exist for various groups in Poland that are not always linked to the profession risks and warrant a thorough review to ensure system fairness.

(22) In accordance with Article 19(3), point (b), of Regulation (EU) 2021/241 and criterion 2.2 of Annex V to that Regulation, the recovery and resilience plan includes an extensive set of mutually reinforcing reforms and investments to be implemented by 2026. These are expected to help effectively address all or a significant subset of challenges identified in the relevant country-specific recommendations. Within this tight timeframe, finalising the effective implementation of the recovery and resilience plan including the REPowerEU chapter, is essential to boost Poland's long-term competitiveness through the green and digital transitions, while ensuring social fairness. To deliver on the commitments of the recovery and resilience plan by August 2026, it is essential for Poland to accelerate the implementation of reforms and investments by addressing relevant challenges. In particular, there needs to be close coordination between public bodies, including regional and local administration, that are responsible for implementing measures under the recovery and resilience plan. The systematic 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 recovery and resilience plan.

(23) 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), has accelerated in Poland. It is important to continue efforts to ensure the swift implementation of these programmes, while maximising their impact on the ground. Poland is already taking action under its cohesion policy programmes to boost competitiveness and growth while enhancing social cohesion. At the same time, Poland continues to face challenges, including those relating to the need to boost the competitiveness of eastern regions bordering Russia and Belarus, accelerate the energy transition in the south-western regions reliant on coal and heavy industries and the industrialised centre, tackle skills shortages and mismatches and address the high housing demand. In accordance with Article 18 of Regulation (EU) 2021/1060, Poland is required – as part of the mid-term review of the cohesion policy funds – to review each programme taking into account, among other things, the challenges identified in the 2024 country-specific recommendations. The Commission proposals adopted on 1 April 2025[15] extend the deadline for submitting an assessment – for each programme – of the outcome of the mid-term review beyond 31 March 2025. They also provide flexibilities to help speed up programme implementation and incentives for Member States to allocate cohesion policy resources to five strategic priority areas of the Union, namely competitiveness in strategic technologies, defence, housing, water resilience and energy transition, and to investments in skills in priority sectors while maintaining the focus on persons in most vulnerable situations in ESF+ programmes.

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[15] Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL 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 - COM(2025) 123 final.

(24) The Strategic Technologies for Europe Platform (STEP) provides the opportunity to invest in a key EU strategic priority by strengthening the EU's competitiveness. STEP is channelled through 11 existing EU funds. Member States can also contribute to the InvestEU programme supporting investments in priority areas. Poland could use these initiatives to support the development or manufacturing of critical technologies, including clean and resource-efficient technologies.

(25) Beyond the economic and social challenges addressed by the recovery and resilience plan and other EU funds, Poland faces several additional challenges related to simplification, research and innovation, energy, water management, skills and education, and the inclusion of disadvantaged groups in the labour market.

(26) As set in the Competitiveness Compass, all the EU, national, and local institutions must make a major effort to produce simpler rules and to accelerate the speed of administrative procedures. The Commission has set ambitious goals for reducing administrative burden: by at least 25% and by at least 35% for SMEs; and has created new tools to achieve these goals, including systematic stress test of the stock of EU legislation and enhanced stakeholders' dialogue. To match this ambition, Poland also needs to take action. 66% of businesses consider the complexity of administrative procedures to be a problem for their company when doing business in Poland[16]. While having a generally pro-competitive regulatory framework, Poland still faces some challenges on legislative complexity and ensuring an effective institutional framework. These are related to the growing volatility of the law and reduced time available for companies to prepare for legislative changes. As a result, the administrative burden on firms is high, for example, in relation to tax laws, and the costs that companies, particularly SMEs, face in complying with labour and tax systems are comparatively high. According to the EIB Investment Survey, 25% of firms in Poland allocate more than 10% of their staff to regulatory requirements. Despite the recent increase, the rate of new businesses starting up remains low, particularly for firms with employees. 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 process and developing the training offer for SMEs can help address these challenges.

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[16] 'Businesses' attitudes towards corruption in the EU' Flash Report, Eurobarometer Report (April 2024) EIB Investment Survey 2024 Country Overview: Poland.

(27) Poland's future economic growth and competitiveness increasingly relies on its ability to harness the power 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 2024 – an improvement of 3.3 percentage points from 2023. Cooperation between science and business is limited, reducing Poland's ability to commercialise its research. This issue is further amplified by an underdeveloped research base and insufficiently targeted programmes that promote applied research and academic-private partnerships. Strengthening science-business links and making research careers more attractive will be essential. Reviewing and improving current support instruments and creating incentives for researchers to work with industry are among the key steps towards achieving a high-performing innovation and science ecosystem. Further progress also depends on sustained increases in public R&D expenditure and reforms to improve the competitiveness and internationalisation of scientific institutions.

(28) High energy costs weigh on the competitiveness of businesses in Poland. The country should promote price signals for electricity that support investment in clean electricity generation and contribute to affordable energy prices. This can be done, for instance, by encouraging dynamic pricing and adjusting taxes and levies on electricity for both households and industry through shifting of the tax burden from electricity to fossil fuels. Increased grid flexibility and cross-border interconnections could also help reduce electricity prices. A decarbonisation pathway needs to be outlined that prioritises energy efficiency, sustainable renewable heat sources and the use of waste heat. Poland records sizeable fossil fuel subsidies without a planned phase-out before 2030. In particular, fossil fuel subsidies that address neither energy poverty in a targeted way nor genuine energy security concerns, hinder electrification and are not crucial for industrial competitiveness could be considered a phase-out priority. In Poland, fossil-fuel subsidies such as ongoing subsidies given to the coal mining industry and tax exemptions for coal and fuel oil are economically inefficient and prolong reliance on fossil fuels, particularly coal. Poland has rolled out a set of national policies to promote renovations of residential buildings, including major subsidy schemes financed under the recovery and resilience plan. These policies need to be further strengthened and aligned with the EU's 2030 climate objectives. Therefore, targeted action is needed to reduce carbon emissions from buildings, with a particular focus on improving energy efficiency and decarbonising district heating.

(29) Poland faces challenges related to climate change adaptation, for instance, risks of drought and flooding. The recovery and resilience plan includes measures to improve water retention in rural areas. The country could achieve better policy coherence through closer coordination between the different institutions in charge of relevant policies. This could help implement sustainable solutions such as nature-based adaptation solutions to increase water supplies and adapt to climate change while benefiting the long-term sustainability of agriculture and other sectors that rely on ecosystem services.

(30) Persistent skills shortages, including those for the green and digital transition, weigh on the Polish competitiveness and hinder investment activity. In particular, Poland faces a persistently low enrolment in science, technology, engineering and mathematics study programmes (STEM) and lags behind in the share of graduates in those fields, which limits the country's innovation capacity. To address this issue, it is essential to improve the way STEM subjects are taught in schools, provide better career guidance to students, and encourage underrepresented groups to pursue STEM studies, particularly women. Relevant policies to boost green competences and skills through education and training need to be stepped up. The low participation rate in adult learning also exacerbates shortages of skilled staff. Based on the most recent adult education survey (AES) published in 2024, the rate of adult participation in learning was 20.3%, far below the EU average of 39.5% and the 2030 target of 51.7%. More support from employers is also needed to increase participation in adult learning. Addressing the decline in basic skill levels is crucial for providing people with learning, upskilling and employment opportunities in later life. Poland's vocational education and training system lacks effectiveness, significantly undermining the supply of skills that are in demand, reducing the employability of graduates and putting them at greater risk of unemployment and social exclusion.

(31) There continue to be concerns as regards integrating disadvantaged groups into the labour market, including women, people with disabilities or people who attained a lower level of education. While the gender employment gap (age 20-64) decreased from 14.8 pps in 2020 to 11.6 pps in 2024, it remains above the EU average of 10 pps. The disability employment gap stood at 33.9 pps in 2023, much above the EU average of 21.5 pps. This suggests scope to increase the effectiveness of activation policies, particularly by: i) better targeting measures to help integrate disadvantaged groups into the labour market; ii) improving the efficiency of public employment services; and iii) continuing to improve the quality of and access to formal home- and community-based long-term care and early childhood education and care. While these areas are covered in reforms and investment under the Polish recovery and resilience plan, more efforts will be needed in future. Together with upskilling and reskilling policies, increasing participation groups with the lowest employment rates, including people with disabilities, could have a positive effect on the Polish competitiveness in the long term. The education gap of people with disabilities is also a concern. Their rate of post-secondary educational attainment was 32% in 2021/2022, and the mean post-secondary education gap in those years stood at 18.4 pps (EU 11.3 pps). In addition, the proportion of young people with disabilities not in education, employment or training (NEETs) (40%) is one of the highest in the EU. To improve the inclusiveness of the education and training system, a comprehensive strategic approach is needed, that includes improving the skills of and the support provided to teachers.

HEREBY RECOMMENDS that Poland take action in 2025 and 2026 to:

1. Reinforce overall defence spending and readiness in line with the European Council conclusions of 6 March 2025. Adhere 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 allowance under the national escape clause for higher defence expenditure. Improve the efficiency of public spending, including through better targeting of social benefits, improving the budgetary process, providing more transparency in investment planning and using standardised procedures for project assessment and selection more extensively. Front-load mature public investment projects and promote private investment to further the economic recovery. Ensure the adequacy of future pension benefits and strengthen the sustainability of the pension system, including by taking measures on the effective retirement age and reforming preferential pension schemes.

2. In view of the applicable deadlines for the timely completion of reforms and investments under Regulation (EU) 2021/241, accelerate the implementation of the recovery and resilience plan, including the REPowerEU chapter. Accelerate the implementation of cohesion policy programmes (ERDF, JTF, ESF+, CF), building, where appropriate, on the opportunities offered by the mid-term review. Make optimal use of EU instruments, including the scope provided by the InvestEU and the Strategic Technologies for Europe Platform, to improve competitiveness.

3. Simplify regulation, improve regulatory tools and ensure the legal framework is stable and clear for the business sector. Introduce measures to reduce the administrative burden placed on companies. Encourage competition in public procurement processes, making them more efficient and less cumbersome, especially for SMEs. Strengthen science-business links by improving support structures, implementing targeted funding schemes, and creating incentives for researchers to engage with the private sector. Improve and modernise the public research system by making research careers more attractive, raising public R&I investment, and supporting research institutions. Focus investment-related economic policy on innovation.

4. Promote balanced electricity price signals that support investments in clean electricity generation by adjusting taxes and levies on electricity for households and industry relative to those on fossil fuels. Boost grid capacity and flexibility, increase cross-border electricity trading, and limit restrictions to cases justified under EU energy market rules, particularly in cases involving constraints in allocating national capacity. Reduce the reliance on fossil fuels by accelerating the phasing-out of coal in the heating sector by transitioning to decarbonised systems that integrate renewable energy, improve energy efficiency, and phase out fossil-fuel subsidies, especially those related to coal mining. Improve climate adaptation governance, particularly policies focused on the management, protection, and sustainable use of water resources, incorporating current assessments of climate change impacts to ensure the long-term sustainability of sectors and activities dependent on water ecosystem services.

5. Foster quality and inclusive education and skills relevant to the labour market, including green and digital skills, step up participation in STEM fields in higher education, and improve the quality of teacher education and further strengthen the efficiency of vocational education and training. Facilitate and increase adult participation in learning, including in non-formal learning and in areas key for Poland's competitiveness. Take steps to increase the participation of disadvantaged groups in the labour market, including through effective education to employment transitions.

Done at Brussels,

For the Council
The President