

European Semester

2012/2677(RSP) - 30/05/2012 - Follow-up document

PURPOSE: draft Recommendation for a COUNCIL RECOMMENDATION on Poland's 2012 national reform programme and delivering a Council Opinion on Poland's convergence programme for 2012-2015.

BACKGROUND: the European Commission has adopted a **package of recommendations for budgetary measures and economic reforms** to enhance financial stability, boost growth and create employment across the EU.

The recommendations are **country-specific**, taking account of the individual situation of each Member State. The Commission has also issued recommendations for the euro area as a whole. The country-specific recommendations put forward by the Commission give operational guidance for Member States while preparing their budgetary policies and for economic reforms that should be enacted over the coming twelve months to boost competitiveness and facilitate job creation.

The adoption of the recommendations marks the **concluding of the second phase of the European Semester** of economic policy coordination, which was launched with the Commission's [Annual Growth Survey](#) on 23 November 2011.

The basis for these recommendations is a thorough assessment of the implementation of those adopted in 2011, combined with a detailed analysis of the national reform programmes and stability or convergence programmes that Member States submitted by 30 April 2012. The analysis underpinning the recommendations is presented in 28 Commission staff working documents.

CONTENT: on 25 April 2012, **Poland** submitted its convergence programme covering the period 2012-2015 and, on 27 April 2012, its 2012 national reform programme. In order to take account of their interlinkages, the two programmes have been assessed at the same time.

Based on the assessment of the 2012 convergence programme, the Council is of the opinion that the **macroeconomic scenario** underpinning the budgetary projections in the programme **is plausible and is in line with the Commission's 2012 spring forecast**.

The objective of the budgetary strategy outlined in the programme is to correct the excessive deficit by 2012 and reach medium-term budgetary objective (MTO) by 2015. The growth rate of government expenditure, taking into account discretionary revenue measures, is in line with the benchmark of the Stability and Growth Pact over entire programme period, but exceeds the expenditure benchmark by a small margin in 2013, according to the Commission's 2012 spring forecast. Sufficient progress towards the MTO may require additional efforts.

General government debt is projected to remain below 60% of GDP in Poland over the programme period. The national authorities forecast it to decrease gradually from 56.3% of GDP in 2011 to 49.7% of GDP in 2015, whereas the Commission, taking account of possible risks to the consolidation plans, expects the improvement to be slower.

According to the Commission, the **main policy challenges** for the country are as follows:

- The Polish government has not yet taken action to implement a permanent expenditure rule by 2013. There has also been no progress on adjusting the classification of national accounts to the European system of accounts (ESA95 standards).
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- Youth unemployment is above the EU average. Measures are planned to facilitate the entry of young people into the labour market. The partial abuse of self-employment and civil law contracts which are not governed by Labour Law appear to be a cause of labour market segmentation and in-work poverty, which is among the highest in the EU.
- Poland started implementing an ambitious higher education reform in the second half of 2011. The reform aims to make courses more flexible and more responsive to changing labour market needs. It also promotes self-employment. Nevertheless, there is still a need to improve the relevance and quality of teaching provision.
- The participation of women in the labour market needs to be raised by improving the childcare system.
- Poland has adopted a general pension reform. The statutory retirement age will be raised gradually from 2013 onwards to reach 67 for men in 2020 and for women in 2040. Poland has continued its efforts to limit favourable retirement conditions for uniformed services. In 2011, Poland introduced some changes to the farmers' social security fund (KRUS). However, the reform is temporary and not sufficient from the labour market perspective. Miners still benefit from a special pension scheme.
- Recent reforms aim to improve the research environment. The National Research Programme, adopted in August 2011, is an important step in this direction. However, it remains unclear how priorities in the programme are linked and taken forward in innovation and industrial policy.
- Unjustified restrictions on providing professional services are a major obstacle to further growth, in particular in construction, transport and health.
- Judicial proceedings and other legal actions are lengthy and there are a relatively high number of cases pending.
- Growth and competition in the energy sector is held back by lagging implementation of EU legislation. The need for investment in the rail network is even more pressing, given the very poor state of the infrastructure. Poland is not fully using Cohesion Fund resources available for this purpose. There are still obstacles to efficient functioning of the railway market.

Recommendations proposed for Poland for the period 2012-2013:

Budgetary measures:

- ensure planned progress towards the correction of the excessive deficit. To this end, fully implement the budget for the year 2012 and achieve the structural adjustment effort specified in the Council recommendations under the Excessive Deficit Procedure;
- thereafter, specify the measures necessary to ensure implementation of the budgetary strategy for the year 2013 and beyond as envisaged, ensuring an adequate structural adjustment effort to make sufficient progress towards the medium-term objective, including meeting the expenditure benchmark;
- minimise cuts in growth-enhancing expenditure in the future and improve tax compliance;
- speed up the reform of the fiscal framework by enacting legislation with a view to introducing a permanent expenditure rule by 2013. This rule should be consistent with the European system of accounts;
- take measures to strengthen the mechanisms of coordination among the different levels of government in the medium-term and annual budgetary processes.

Labour market and employment:

- reduce youth unemployment, increase the availability of apprenticeships and work-based learning, improve the quality of vocational training and adopt the proposed lifelong learning strategy;
- better match education outcomes with the needs of the labour market and improve the quality of teaching;

- combat labour market segmentation and in-work poverty, limit excessive use of civil law contracts and extend the probationary period for permanent contracts;
- reinforce efforts to increase the labour market participation of women and raise enrolment rates of children in both early childcare and pre-school education.

Pension systems:

- by ensuring stable funding and investment in public infrastructure, provision of qualified staff and affordable access;
- tackle entrenched practices of early retirement to increase exit ages from the labour market;
- phase out the special pension scheme for miners with a view to fully integrating them into the general scheme;
- take more ambitious, permanent steps to reform the social security fund for farmers (KRUS) to better reflect individual incomes.

Research and innovation:

- take additional measures to ensure an innovation-friendly business environment, by ensuring better links between research, innovation and industry, and by establishing common priority areas and instruments supporting the whole innovation cycle;
- improve access to finance for research and innovation activities through guarantees and bridge financing.

Growth, competition and services:

- step up efforts to improve incentives for investment in energy generation capacity and efficiency, speed up the development of cross-border electricity grid interconnections and strengthen competition in the gas sector by phasing out regulated prices and by creating a gas trading platform;
- strengthen the role and resources of the railway market regulator and ensure effective and swift implementation of railway investment projects;
- reduce restrictions on professional services and simplify contract enforcement and requirements for construction permits.

These recommendations should be endorsed by the European Council on 28-29 June 2012 and formally adopted by the Council in July 2012.