

## Yearbook of the Institute of East-Central Europe (Rocznik Instytutu Europy Środkowo-Wschodniej)

Publication details, including instructions for authors:  
<http://www.iesw.lublin.pl/rocznik/index.php>

### The making of the OECD Economic Survey of Poland 2016

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Published online: 01 Oct 2016

To cite this article: Goujard, A. (2016) 'The making of the OECD Economic Survey of Poland 2016', *Yearbook of the Institute of East-Central Europe* (Special Issue: *Visvizi, A. (ed.) Re-thinking the OECD's role in global governance: members, policies, influence*), 14(4): 21-32.

Yearbook of the Institute of East-Central Europe (Rocznik Instytutu Europy Środkowo-Wschodniej) is a quarterly, published in Polish and in English, listed in the IC Journal Master List (Index Copernicus International). In the most recent Ministry of Science and Higher Education ranking of journals published on the Polish market the Yearbook of the Institute of East-Central Europe received one of the highest scores, i.e. 14 points.



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## The making of the OECD Economic Survey of Poland 2016

**Abstract:** The Organization for Economic Co-operation and Development (OECD) is a forum in which governments can work together to share experiences and seek solutions to common problems. Over the 20 years of Poland's membership in the OECD, twelve OECD Economic Surveys and their associated peer-review processes were conducted. Surveys provided Poland with regular recommendations on labour market and competition policies, innovation, human capital and skills, financial markets, sustainable and inclusive growth, social security, taxation, health care and public spending. The article presents the specificity and centrality of the OECD peer-review mechanisms that support these recommendations. First, it explains the process of the making of the 2016 Economic Survey of Poland and the work of the Economic and Development Review Committee (EDRC) that is made up of representatives of all OECD governments and the European Commission. It describes the making of the Economic Survey from the fact-finding mission and meetings with government officials, academics, social partners and other experts, to the initial drafts, the examination by the EDRC Committee and the publication. Second, it builds on the 2016 Economic Survey of Poland to illustrate some key elements of the OECD assessments, in particular the underlying data collection efforts and policy analyses.

**Keywords:** OECD, OECD peer-review mechanism, Poland, methodology, economic survey

### Introduction

Over the 20 years of Poland's membership in the Organization for Economic Co-operation and Development (OECD), twelve OECD Economic Surveys assessing the state of the Polish economy were conducted. The mission of the OECD is to promote policies that have the potential to improve the economic and social well-being of people around the world. It provides a forum in which governments can work together to share experiences and seek solutions to common problems (OECD, 2016a). Economic Surveys are now published every two years for each of the 35 OECD member countries. The Surveys aim at pro-

moting a better understanding of a country's economic situation and its key economic challenges, and at pointing towards ways of improving that country's overall economic performance (OECD, 2016a, 2016b).

The OECD Economic Surveys are central to the peer review process that provides policy recommendations to each examined country. One of the key elements of the peer review process is to examine a country's performance in the light of the experiences and lessons learnt in other countries. The peer review takes place in the Economic and Development Review Committee (EDRC) that groups representatives of all the OECD member countries. It is based on an initial report worked out by a wide range of participants from the OECD country experts in the Economics Department as well as by OECD staff specialized in issues such as education or local governance. The analysis thus builds on the experience of a large number of national experts of the countries being evaluated and the other member countries. The final report also reflects discussions of the draft discussed in the EDRC. This long-standing process, which lasts around a year, ensures that the final Survey reflects the up-to-date economic situation and reforms, and the OECD countries' joint conclusions, being published under the responsibility of the whole committee.

Each Economic Survey assesses the macroeconomic and structural policy stance of the examined countries and progress compared to previous assessments. They consist of three main chapters. The first general chapter synthesizes the main assessments and recommendations on macroeconomic, financial and structural policies, while two special chapters investigate further specific structural policy issues. These chapters vary from Survey to Survey. The chapters are based on the identification of the main challenges for growth and equity in the short and medium term, and the analysis of the current policies. They thus cover a wide range of policy areas. This includes, for example, labour markets, competition, innovation, human capital, financial markets, sustainable development, social security, taxation, health care and public spending. The 2016 Survey of Poland discussed in-depth skills and migration issues and infrastructure investment, while the 2014 Economic Survey reviewed labour market policies and the general competition framework (OECD, 2014, 2016c). This article describes the process of the Economic Review of Poland. The first part outlines the Economic Survey peer-review mechanism and draws on OECD data

(2016a, 2016b). The second part presents the content of the Survey. It builds on the most recent Economic Survey of Poland (OECD, 2016c) to explain the process leading to some of the key recommendations.

## 1. The OECD peer-review examination

### 1.1. *Fact finding and initial drafting by the OECD Secretariat*

The Economic Surveys and their associated peer-review processes take place every two years according to a fixed calendar (OECD, 2016d). The draft Economic Survey is prepared by the OECD secretariat. The Committee uses the draft survey as the basis for their examination. The work of the OECD secretariat is carried out by a team consisting of two economists in charge of the follow-up of two countries, France and Poland, sometimes in co-operation with additional specialists, and supervised by a head of division. In the OECD Economic Department, the same team is responsible for preparing the semi-annual Economic Outlook for the countries they follow (OECD, 2016e). The team also contributes to regular review policies to promote long-term growth, and to their implementations – the “Going for Growth” reports (OECD, 2015a), and intervenes with local officials through additional initiatives, for example the OECD Global Productivity Forum launched in 2016 (Mann and Wyckoff, 2016).

The work of the OECD secretariat starts about one year before the final Survey is published (Table 1). At an early stage, the team interacts with experts from other Directorates in the OECD, e.g. experts on education, migration, or environmental policies, and approaches specialists of cross-country studies in the OECD Economics Department. This ensures that the Economic Surveys take into account up-to-date OECD data and analyses. In order to build on specific country knowledge, the team then prepares a first visit in the examined country. During five days, it meets with a wide range of government officials, academics, social partners and other experts to collect information. Approximately five to six months later, the same team, headed by a director of the OECD Economics Department, goes back to the examined country to discuss the secretariat’s tentative conclusions with top policy makers. These include, Secretaries and Under-secretaries of State, political advisors, the central bank, members of

the National Bank's Monetary Policy Council, the Presidents of the main institutions concerned in the in-depth chapters, and labour unions and business confederations.

**Table 1. Key dates of the Poland 2016 Economic Survey**

November 2014:	Initial discussion of the topics.
November-May 2015:	OECD internal discussion process.
Mid-June 2015:	One-week fact-finding mission to Poland.
June-November 2015:	OECD internal drafting of the initial version of the Survey's chapters.
Early December 2015:	Two-day mission to Poland presenting early versions of the main chapter and key recommendations.
Early February 2016:	Economic and Development Review Committee (EDRC) meeting.
Early February 2016:	Redrafting to take into account the EDRC conclusions.
Mid-February 2016:	Final approval of the Survey by the EDRC members.
End March 2016:	Launch of the Economic Survey in Poland.

Source: Author's elaboration based on OECD internal documents.

## **1.2. The Committee review and the Survey publication**

Once the draft Economic Survey is prepared by the OECD secretariat, the peer review is carried out by the EDRC committee. Member countries' permanent delegates to the OECD, assisted by experts from their governments, participate in the review. In 2016, the committee for the review of Poland had one member from each of the 34 OECD countries plus the European Commission, as Latvia was not an OECD member at the time of the preparation. To make the process manageable and efficient, the committee designates two of its members as lead examiners for each review. In the case of Poland in 2016, the Netherlands and Turkey led the examination. Poland, as other countries under review, was represented by a delegation of high-level government officials from across government departments. The discussions during the examination aim at creating common ownership for the policy recommendations. The value and integrity of Economic Surveys rests on their assessment of the examined country's economic challenges and recommendations how to address them, which often introduce new perspectives to the national policy debates (OECD, 2016a, 2016b).

The committee's conclusions are summarized by the chairman at the end of the one-day EDRC meeting. After this meeting, the OECD Secretariat revises the draft survey in consultation with the country

under review, to take into account comments and recommendations made by the Committee. The Committee then approves a final version for publication under its responsibility. A key element in this process is that all 34 members agree on the final report. It is not solely the responsibility of the Secretariat, although obviously its initial draft is an important input, and it accommodates the views of the country under review only to the extent that there is consensus about this in the Committee. This process means there is a government 'buy-in' to the economic policy advice offered and hence a common ownership of the product (OECD, 2016b). The final version of the 2016 Survey of Poland was approved for publication by the EDRC members in February 2016.

The 2016 Economic Survey of Poland was launched in March 2016. The OECD's Chief Economist Catherine Mann visited Warsaw, Poland, on March 22, 2016 to present the Survey. She met with Deputy Prime Minister and Minister for Development Mateusz Morawiecki. Together with him she presented the Survey to the press. The OECD team stayed in Poland until March 24 to present the Survey to a wide variety of audiences. The key findings of the report were presented in a panel discussion with high-level policy makers and economists; the Institute of Structural Research and the Institute of Education Research. In addition, on March 23, 2016, the OECD Economic Survey of Poland was presented during an expert seminar examining the 20<sup>th</sup> anniversary of Poland's membership in the OECD. That seminar, organized by the Institute of East-Central Europe (IEŚW), was held at the John Paul II Catholic University of Lublin.

## **2. The 2016 Economic Survey of Poland**

### ***2.1. The Structure of the Survey***

The 2016 Survey of Poland had three main messages (OECD, 2016c): (1) the economy has been resilient, with robust growth, falling unemployment and a stable financial sector; (2) investment in low-emissions infrastructure and skills is essential to sustain a continued improvement in living standards, environmental quality and well-being; (3) employment rates need to increase further to head off extreme demographic pressures, and making Poland more attractive for work-

ers would be beneficial. Table 2 provides more details about the main recommendations of the Survey.

To continue catching up with living standards in other OECD countries, Poland needs to invest in higher skills and improve its infrastructure, the Survey argues. Remarkably resilient to the 2009 world economic and financial crisis, Poland has continued to grow strongly (Figure 1, Panel A) and catch up with other OECD countries in terms of GDP per capita (Panel B). Productivity has risen quickly, and this needs to continue to sustain convergence with other OECD economies, since its level is still relatively low as is the technology content of Poland's exports (Panel C and D). Moreover, Poland faces severe demographic pressures owing to low fertility and negative net migration, which will weigh on GDP growth and on Poland's ability to finance adequate pension and health-care spending in the longer term. Based on past trends, migration is not expected to mitigate the sharp decline in the working-age population over the coming decades, unlike in many other OECD countries, although recently immigration has been rising.

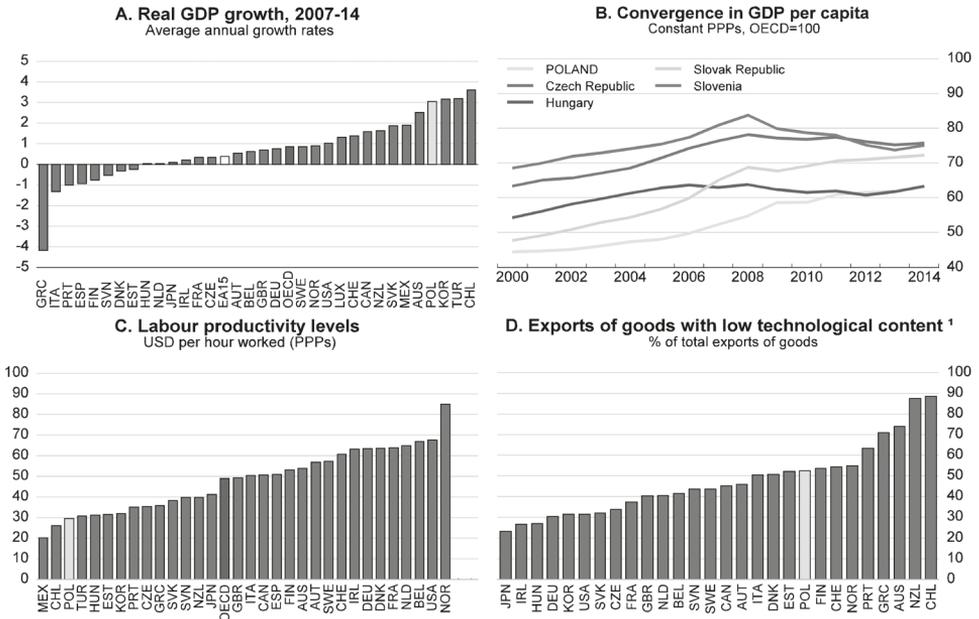
The three main chapters of the 2016 Economic Survey analyze each of these identified challenges and provide the ground that justifies the recommendations. The first chapter, the assessment and recommendations, contains the main conclusions of the Survey and examines macroeconomic, financial and structural policies. The two more detailed analytical chapters review skills and migration issues and infrastructure investment. They build on cross-country studies carried out in the Economics Department and in the specialized directorates at the OECD that cover a wide range of topics, e.g. education, environment, transport or governance and regional issues.

**Table 2. Main recommendations of the 2016 Survey of Poland**

<b>TOP PRIORITIES</b>	
<b>MAIN FINDINGS</b>	<b>KEY RECOMMENDATIONS</b>
The new government's reform plans require greater tax revenues, as do age-related spending and investment needs.	Raise revenues by broadening the VAT base, eliminating reduced rates and exemptions, and by increasing property and environmental taxes. To improve tax compliance set up strong central management for the tax authority, improve coordination, invest in ICTs and focus more resources on auditing large taxpayers.
Poor basic skills are widespread, particularly among students of basic vocational schools.	Continue to expand access to early childhood education and care, particularly for poorer families. Continue to strengthen individual support for weak students in elementary and lower secondary education, and attract the best teachers to basic vocational schools, e.g. by improving their pay and career opportunities.
Greenhouse gas emissions from power plants and air pollution are high, while electricity generation capacity is in need of renewal.	Ensure that climate change policies are clear and aligned with European and international objectives. Invest in interconnections with neighbouring countries in the electricity and the gas sectors.
<b>OTHER PRIORITIES</b>	
<b>MAIN FINDINGS</b>	<b>KEY RECOMMENDATIONS</b>
<b>Boosting employment</b>	
Irregular work relationships are undermining productivity and well-being.	Strengthen labour law enforcement, and further align contributions on civil and labour law contracts.
Employment rates among women are low.	In addition to childcare facilities, develop long-term care facilities and move towards individual taxation only.
Employment among seniors, in particular women, is low, and so are pension replacement rates.	Increase the statutory pension age, as previously planned. If early retirement is to be allowed, it should be at the same age for men and women and at actuarially neutral discounts.
<b>Improving the investment framework</b>	
Local governments are responsible for most of the infrastructure but lack capacity to manage projects.	Bolster local capacity by providing central-government technical assistance and integrated e-procurement processes.
The regulatory burden is holding back growth and investment.	Streamline business registration procedures, and monitor the impact of the recent reform of insolvency law.
<b>Enhancing skills</b>	
Immigrants often work in professions that do not match their qualifications, and they find it difficult to transfer skills acquired abroad.	Implement easier foreign credentials recognition and validation of experience and skills acquired abroad.
The earlier tertiary education boom has led to quality problems in some areas.	Link university teachers' pay and career prospects to their performance, and continue strengthening links with business and foreign universities.

Source: OECD (2016) OECD Economic Surveys: Poland 2016. Paris: OECD Publishing.

**Figure 1. GDP growth has been robust,  
but productivity and exports' technological content have remained weak**



<sup>1</sup>Includes exports of goods with low and medium-low technological content.

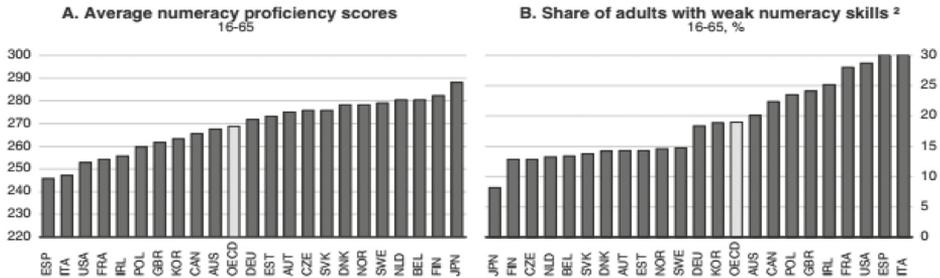
Source: OECD, Economic Outlook 98 (and updates), National Accounts and Productivity Databases; and OECD calculations based on UN Comtrade data.

The assessment of reforms and the follow-up on recommendations is another key part of the OECD Survey. Beyond the main chapters, it takes stock of the past OECD recommendations and it assesses if the authorities have made progress in implementing the recommended reforms. In particular, the 2016 Survey of Poland assessed progress in four main areas: product and financial market competition, fiscal policy and the budgetary framework, labour markets, and health care. A similar cross-country exercise is conducted in the OECD Going for Growth reports (OECD, 2015a). In this exercise, a reform responsiveness indicator is computed. It measures the extent to which countries have followed recommendations for structural reforms.

## 2.2. Building international evidence

The two special chapters build on OECD evidence and examples of policies that ground the main recommendations in Table 2. The first chapter on skills and migration uses notably the OECD Survey of Adult Skills (Brandt, 2016; OECD, 2013, 2016f, and Box 1). Average test scores in numeracy and literacy of Polish adults are relatively low, according to this Survey of Adult Skills and the share of adults with basic skills deficiencies is correspondingly higher than the OECD average (Figure 2). Despite important improvements in schooling outcomes and tertiary attainment rates, average skills of adults in Poland are well below typical OECD levels. Basic vocational education has failed to provide many students with solid basic skills and is not always aligned with labour market needs. The earlier tertiary education boom led to low quality in some areas.

Figure 2. Skill test scores of adults, 2012<sup>1</sup>



<sup>1</sup> The data are based solely on Flanders for Belgium and England and Northern Ireland for the United Kingdom.

<sup>2</sup> Share of adults scoring at or below level 1 of the PIAAC scale of numeracy proficiency.

Source: OECD (2013) OECD Skills Outlook 2013 Database.

**Box 1. Two examples of international data collection efforts used in the 2016 Survey****The OECD Survey of Adult Skills**

The Programme for the International Assessment of Adult Competencies (PIAAC) develops and conducts the Survey of Adult Skills. The survey measures adults' proficiency in key information-processing skills – literacy, numeracy and problem solving in technology-rich environments – and gathers information and data on how adults use their skills at home, at work and in the wider community. The data include proficiency test scores of adults (aged 16-65) in literacy, numeracy and – as an additional option in some countries – problem solving in technology-rich environments.

**The OECD Product Market Regulation (PMR) indicators**

To measure a country's regulatory stance and track reform progress over time the OECD developed an economy-wide indicator of product market regulation (PMR) in 1998, which was then updated in 2003 and 2013. The information on regulatory structures and policies is collected through a questionnaire sent to governments in OECD and non-OECD countries. The 2013 questionnaire contains around 1 400 questions on economy-wide or industry-specific regulatory provisions. A bit more than 700 of the questions are used to compute the economy-wide PMR indicator and the indicators on sector regulation.

Based on: OECD (2013) *OECD Skills Outlook 2013: First Results from the Survey of Adult Skills*. Paris: OECD Publishing; Koske, I. et al. (2015) 'The 2013 Update of the OECD Product Market Regulation Indicators: Policy Insights for OECD and non-OECD Countries'. *OECD Economics Department Working Papers*, No. 1200. Paris: OECD Publishing.

The second chapter on energy and transport infrastructure builds on similar cross-country analyses. Transport, energy and ICT infrastructure have made rapid progress. However, some infrastructure bottlenecks are holding back the economy. Indeed, a lack of integrated planning and weak project management capacity at the local level has hampered infrastructure investment. Ageing electricity generation capacity and household heat production rely mainly on solid fuels. This and the use of poor quality coal by households, together with low energy efficiency in the residential sector produces substantial urban air pollution, posing health hazards, and heavy carbon emissions, which contribute to climate change. For example, the chapter assesses the constraints for investment using sectoral regulations using the OECD Product Market Regulation (PMR) indicators (Box 1). In addition, specific parts build on the work of the OECD Environment Directorate and the 2015 Environmental Performance Review of Poland (OECD, 2015b). It also mobilises OECD cross-country evidence in order to get possible estimates of the effects of the allocation of the funds of

the European Union to improve Poland's transport network connectivity with its neighbours (OECD, 2016a; Goujard, 2016). Indeed, the ratio of road distance to the shortest distance between two cities (the great-circle distance) for national connections within Poland is much smaller than the one for international connections. OECD evidence shows that Polish exports could rise by about 18% if the ratio of road distance to great-circle distance for international connections was similar to its national counterpart. Such estimates are based on the work of the Policy branch of the OECD Economics Department: Braconier and Pisu (2013) analysed road distances and travelling times for 48 180 European city pairs to assess the negative effect of international borders on goods trade.

#### ENDNOTES

- 1 The Author would like to thank Nicola Brandt and the editor, Anna Visvizi, for their valuable comments and suggestions on early drafts of this article.

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