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COUNCIL RECOMMENDATION

of 10 July 2026

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

(C/2026/3915)

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Articles 121(2) and 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 1466/9799 ([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 the 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 25 November 2025, on the basis of Regulation (EU) No 1176/2011 of the European Parliament and of the Council ([2]), the Commission adopted the 2026 Alert Mechanism Report, in which it did not identify Bulgaria 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, as well as the recommendation on human capital on 9 March 2026.

([1]) OJ L, 2024/1263, 30.4.2024, ELI: http://data.europa.eu/eli/reg/2024/1263/oj.
([2]) Regulation (EU) No 1176/2011 of the European Parliament and of the Council of 16 November 2011 on the prevention and correction of macroeconomic imbalances (OJ L 306, 23.11.2011, p. 25).
([3]) OJ C, C/2026/2434, 28.4.2026, ELI: http://data.europa.eu/eli/C/2026/2434/oj.

(3) 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 transformative imperatives of innovation, decarbonisation and competitiveness, and security as critical pillars for sustainable economic growth. Since its publication, the Competitiveness Compass has informed the work of the European Semester, ensuring that Member States' economic policies are consistent with the EU's strategic objectives, creating a unified approach to economic governance that fosters sustainable growth, innovation and resilience across the Union.

(4) 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 and build on the reforms and investments supported and implemented under the RRF, in particular those that contribute to addressing challenges identified in the country specific recommendations.,

(5) On 3 June 2026, the Commission published the 2026 country report for Bulgaria. It assessed Bulgaria's progress in addressing the 2025 country-specific recommendations and took stock of Bulgaria's implementation of the recovery and resilience plan. On the basis of this analysis, the country report identified the most pressing challenges Bulgaria is facing. It also assessed Bulgaria's progress in implementing the European Pillar of Social Rights and in achieving the Union headline targets on employment, skills and poverty and social exclusion reduction, as well as progress in achieving the United Nations Sustainable Development Goals.

(6) On 20 June 2025, the Council, upon the assessment and recommendation of the Commission, adopted a Recommendation endorsing the national medium-term fiscal-structural plan of Bulgaria ([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: 6,2 % in 2025, 4,9 % in 2026, 4,4 % in 2027 and 4,0 % in 2028, which correspond to the maximum cumulative growth rates calculated by reference to the base year of 2024 of 6,2 % in 2025, 11,4 % in 2026, 16,3 % in 2027 and 21 % in 2028.

(7) 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 ([6]) and this proposal was welcomed by the European Council of 6 March 2025. Following the request of Bulgaria, on 8 July 2025 the Council, upon a recommendation from the Commission, adopted a Recommendation allowing Bulgaria to deviate from the recommended maximum growth rates of net expenditure ([7]). The period when the national escape clause is activated (2025-2028) allows Bulgaria to reprioritise government expenditure or increase government revenue so that lastingly higher defence expenditure would not endanger fiscal sustainability in the medium term.

([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).

([5]) Council Recommendation of 20 June 2025 endorsing the national medium-term fiscal-structural plan of Bulgaria (OJ C, C/2025/3700, 20.8.2025, ELI: http://data.europa.eu/eli/C/2025/3700/oj).

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

([7]) Council Recommendation of 8 July 2025 allowing Bulgaria to deviate from the maximum growth rates of net expenditure as set by the Council under Regulation (EU) 2024/1263 (Activation of the national escape clause) (OJ C, C/2025/3961, 20.8.2025, ELI: http://data.europa.eu/eli/C/2025/3961/oj).

(8) On 30 April 2026, Bulgaria submitted its 2026 Annual Progress Report ([8]) 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. However, no fiscal data for 2026 were provided. The Annual Progress Report also reflects Bulgaria's biannual reporting on the progress made in implementing its recovery and resilience plan in accordance with Article 27 of Regulation (EU) 2021/241 of the European Parliament and of the Council ([9]).

(9) Real GDP growth in 2025 was 3,1 % and HICP inflation stood at 3,5 %. The Commission Spring 2026 Forecast projects real GDP to grow by 2,5 % in 2026 and 2,2 % in 2027, and HICP inflation to stand at 4,2 % in 2026 and 2,6 % in 2027.

(10) Based on data provided by Eurostat ([10]), Bulgaria's general government deficit increased from 3 % of GDP in 2024 to 3,5 % of GDP in 2025. The increase in the deficit in 2025 mainly reflects the combined impact of increases in public sector salaries, notably in the areas of defence and security, and of increases in social spending, including automatic pensions indexations, the increase in nationally financed public investment, in interest expenditure and investment grants in the Bulgarian Energy Holding. Based on policy measures known by the cut-off date of the forecast, the Commission Spring 2026 Forecast projects a deficit of 4,1 % of GDP in 2026 and 4,3 % of GDP in 2027. The increases in 2026 and in 2027 mainly reflect the continued structural increases in public sector wages and social benefits in the absence of compensatory measures.

(11) Based on the Commission's estimates, the fiscal stance ([11]), which includes both nationally and EU financed expenditure, was expansionary, by 2,3 % of GDP, in 2025. It is projected to be expansionary, by 1,0 % of GDP, in 2026, and contractionary, by 1,6 % of GDP, in 2027.

(12) Based on data provided by Eurostat ([12]), Bulgaria's general government debt increased from 23,8 % of GDP at the end of 2024 to 29,9 % of GDP at the end of 2025. The increase in the debt ratio in 2025 mainly reflects capital injections into the Bulgarian Energy Holding and the Bulgarian Development Bank. 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 32,3 % by the end of 2026 and to further increase to 35,5 % by the end of 2027.

(13) Based on Eurostat data ([13]), total general government defence expenditure in Bulgaria amounted to 1,9 % 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 0,6 percentage points of GDP compared to the reference year 2024 ([14]).

([8]) 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.

([9]) 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).

([10]) Eurostat-Euro Indicators, 22 April 2026.

([11]) 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.

([12]) Eurostat-Euro Indicators, 22 April 2026.

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

([14]) The NATO defence spending definition differs from the COFOG defence definition. Furthermore, there could be differences due to the time of recording of expenditure, in particular military equipment, as the NATO reporting does not follow national accounts rules for the time of recording.

(14) 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, Bulgaria adopted fiscal policy measures to mitigate the impact of high energy prices on households and firms ([15]). These are targeted monthly aid for low-income groups until June 2026 and targeted subsidies for passenger transport carriers servicing small settlements for 2026. According to the Commission Spring 2026 Forecast, the fiscal cost of these measures is projected to amount to less than 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 0,1 % of GDP in 2026.

(15) Based on the Commission's calculations, net expenditure in Bulgaria grew by 12,3 % in 2025. The net expenditure growth in 2025 is above the recommended maximum growth rate, corresponding to a deviation of 2,1 % of GDP in annual terms. Taking into account the flexibility for higher defence spending provided for by the national escape clause, the cumulative deviation of net expenditure amounts to 1,4 % of GDP.

(16) Based on the Commission's calculations, net expenditure in Bulgaria is projected to grow by 5,5 % in 2026, and 18,5 % cumulatively over 2025 and 2026. The projected net expenditure growth in 2026 is above the recommended maximum growth rate, corresponding to a deviation of 0,2 % of GDP in annual terms. When considering 2025 and 2026 together, the projected cumulative growth rate of net expenditure is also above the recommended maximum growth rate, corresponding to a deviation of 2,2 % of GDP in cumulative terms. Taking into account the flexibility for higher defence spending provided for by the national escape clause, considering 2025 and 2026 together, the projected cumulative deviation of net expenditure amounts to 1,6 % of GDP.

(17) On 3 June 2026, the Commission adopted a report under Article 126(3) TFEU ([16]). That report assessed the situation of Bulgaria *vis-à-vis* the deficit criterion. In 2025, the deficit was below 3 % of GDP when accounting for the increase in defence expenditure since 2024 under the national escape clause for defence. Based on the Commission Spring 2026 Forecast, the deficit is projected to exceed the 3 % of GDP reference value in 2026 also after considering the increase in defence expenditure since 2024. The report concluded that, taking into account all the relevant factors as appropriate, the deficit criterion is not fulfilled by Bulgaria. In light of this and after considering the opinion of the Economic and Financial Committee as established under Article 126(4) TFEU, the Commission has proposed to open an excessive deficit procedure, by recommending to the Council to adopt a Decision under Article 126(6) TFEU establishing the existence of an excessive deficit due to non-compliance with the deficit criterion in 2026. On 10 July 2026, the Council adopted such a Decision for Bulgaria ([17]), together with a Recommendation ([18]) under Article 126(7) TFEU with a view to bringing the situation of excessive deficit to an end.

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

([16]) Report from the Commission, prepared in accordance with Article 126(3) of the Treaty on the Functioning of the European Union, 3.6.2026, COM(2026) 302 final.

([17]) Council Decision (EU) 2026/1758 of 10 July 2026 on the existence of an excessive deficit in Bulgaria (OJ L, 2026/1758, 1.9.2026, ELI: http://data.europa.eu/eli/dec/2026/1758/oj).

([18]) Council Recommendation with a view to bringing an end to the situation of an excessive deficit in Bulgaria, adopted on 10 July 2026. All documents related to the excessive deficit procedure of Bulgaria 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/Bulgaria_en.

(18) Bulgaria faces a dual challenge of safeguarding the sustainability of its public finances while improving the fairness and effectiveness of its tax system. One of the key features of the system is the flat income tax rate of 10 %, applied without a tax-free allowance in conjunction with the capped social security contributions, which together result in a regressive distribution of the tax burden such that high-income earners face a slightly lower tax wedge than low-income earners. In recent years, public expenditure has increased, particularly in the areas of pensions and public sector wages. These increases have often been financed through short-term or ad hoc measures rather than stable, structural measures. This has reduced the predictability of fiscal policy and heightened fiscal risks, especially as further structural spending pressures are emerging. Looking ahead, demographic developments are expected to play a key role. Population ageing will place sustained pressure on social spending, notably on pensions and healthcare, which in addition face adequacy challenges. At the same time, additional expenditure related to strengthening national and collective defence capabilities is likely to add further strain to public finances. In the absence of policy adjustments, these factors will make it more difficult to maintain fiscal discipline. Bulgaria also faces persistent structural challenges on the revenue side. Tax revenues, as a share of GDP, remain significantly below the EU average, constraining the country's ability to finance public services and investment. Revenue collection is further weakened by high levels of tax arrears. In addition, Bulgaria has one of the largest estimated shadow economies in the European Union, which undermines tax compliance and limits its revenue capacity.

(19) 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.

(20) 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 Bulgaria has been progressing well, especially in terms of project selection. It is important to step up efforts to ensure the swift delivery of selected projects, while maximising their impact on the ground. At the same time, Bulgaria needs to accelerate implementation of the Just Transition Fund (JTF) as resources are due for disbursement by the end of 2026. It is essential to ensure that the new investments identified by Bulgaria in its mid-term review of the cohesion policy funds, notably those linked to the five priorities identified in the Mid-Term Review Regulation ([19]), are deployed rapidly and effectively.

(21) Bulgaria's eastern border regions face additional challenges hindering their prospects for economic and social development as existing structural challenges are exacerbated. Impact from Russia's war of aggression against Ukraine increases security pressures, disrupts cross-border economic activities and decreases investment attractiveness.

(22) Bulgaria faces several challenges related to the functioning and capacity of public administration and sub-national governance, the digitalisation of public services, the justice and anti-corruption framework, public procurement and regulatory quality, the level of research and innovation, the decarbonisation of the energy system and industry, energy poverty, transport and connectivity, climate resilience, shortages of labour and skills, social inclusion and healthcare.

([19]) 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 (OJ L, 2025/1914, 19.9.2025, ELI: http://data.europa.eu/eli/reg/2025/1914/oj).

(23) Public administration continues facing capacity constraints, especially at sub-national level, and further efforts seem necessary to meet the expectations of citizens and businesses. Bulgaria has the lowest share of civil servants participating in adult learning, which hinders skills development both at national and sub-national level. Additionally, municipalities encounter persistent difficulties in attracting and retaining qualified experts to implement EU-funded initiatives and projects, which poses challenges in the management of EU funds. The fragmentation of governance and planning processes at sub-national level pose additional constraints for effectively managing EU-funded projects, as well as for aligning priorities within a broader territorial strategy. More digital public services have become available and are regularly used by businesses and citizens, but the opportunities offered by the digital government infrastructure have not been fully utilised due to high administrative complexity and low user-friendliness. To remedy these shortcomings, key remaining priorities are ensuring the interoperability across levels of government, simplifying and digitalising internal workflows, and expanding the provision of end-to-end online public services. Efforts are ongoing to simplify regulation, improve regulatory tools and reduce administrative burden, but their impact has not yielded tangible results yet. Regulatory and administrative barriers to the single market affect intra-European Economic Area goods trade (including cross-border logistics chains), as well as provision of professional services, and business establishment.

(24) Strengthening the prosecution of corruption remains key to maintain a stable and predictable economic environment based on the rule of law. Bulgaria has not yet set a robust track-record in investigating and prosecuting corruption, particularly in high-level corruption cases. The legal framework governing an anti-corruption commission, introduced in 2023, did not ensure the body's political independence, and was repealed in 2026, before the anti-corruption commission's new management could be appointed. Bulgaria has taken some steps in relation to a revised anti-corruption framework, with the adoption of a new Law on counteracting corruption among persons holding public office. Furthermore, the independence and the effective functioning of the Supreme Judicial Council, as the judiciary's self-governance body, are essential for the proper working of both the courts and the prosecutor's office, particularly in high-level corruption cases. The Supreme Judicial Council has operated with an expired mandate since 2022, which negatively impacts its legitimacy and prevents it from exercising some of its functions, such as appointing a new Prosecutor General. Given the leading role of the prosecutor's office in carrying out criminal investigations, addressing the shortcomings related to the functioning of the Supreme Judicial Council may further support the anti-corruption efforts in the country.

(25) Structural governance and implementation weaknesses in public procurement continue to constrain competitiveness. Rising shares of directly awarded lots and procedures with a single bidder, as well as a significant number of unsuccessful or cancelled contracts, discourage participation and weaken trust and perception of fairness by businesses. While some procedural improvements have been implemented under the Recovery and Resilience Plan, further review of the governance structure, strengthening of safeguards and cooperation between public procurement bodies, and increased capacity and expertise of relevant agencies are needed to address structural challenges. Bulgaria took some steps to renew the mandates of certain regulatory authorities, but concerns about their independence remain unaddressed. Resource constraints and undue political influence hinder the quality of their regulatory output. Insufficient safeguards for the independence of regulatory bodies from market participants remain, particularly in sectors like energy, where state-owned enterprises hold significant influence. With regards to justice, concerns about the functioning of the Inspectorate to the Supreme Judicial Council and the risk of political influence persist, as its mandate expired in 2020 without renewal.

(26) Bulgaria's research and innovation system continues to face significant challenges, with low public and private R&D investment well below EU averages, and a fragmented institutional landscape that limits effectiveness, as outlined in the policy support facility report. Despite progress in the governance framework, including through the adoption of the Law on Research and Innovation and establishment of the Innovation and Research Council, consistent and clear implementation remains necessary. Furthermore, institutional mandates for research organisations and higher-education institutions remain unclear, and research activities are overly concentrated in the capital region, exacerbating regional disparities. Despite some improvements, commercialisation of research output is hindered by weak academia-business links, as well as a less developed technology transfer ecosystem. While cohesion policy funds support a new technology transfer hub, and digital transformation of SMEs is gradually improving, increased public and private R&D investment, paired with clearer institutional mandates and strengthened commercialisation mechanisms, is needed to boost innovation impact.

(27) Bulgaria's wholesale electricity prices remain among the highest in the EU. While some progress has been made in reducing reliance on fossil fuels in electricity generation, thanks to the phase-out of power purchase agreements and public service obligations directly supporting coal-fired power plants, the electricity system in Bulgaria remains dependent on these plants to meet demand. The significant roll-out of solar generation capacities has not been accompanied by equivalent deployment of onshore and offshore wind capacities despite existing potential in Bulgaria. Expected deployment of large capacities of battery storage can, if combined with strengthening of distribution grids in need of upgrades and additional capacity, allow for more flexible and decarbonised supply of electricity. Improving flexibility of demand would make retail prices for households more responsive to wholesale price signals and develop further smart-metering. Flexible supply and demand are necessary to reduce the reliance on fossil fuels and decarbonise the electricity system, leading to more affordable electricity prices with additional RES / low-carbon generation and improved grids. The Bulgarian Energy Holding, which encompasses Bulgarian state-owned enterprises across low-carbon generation (nuclear, hydropower); fossil-fuel assets (coal-fired power plant and coal mining, as well as natural gas assets); and regulated assets – transmission system operators (TSO), needs reforming to improve its transparency and dispel concerns of cross-subsidisation of coal assets. This reform would allow regulated assets – in particular the electricity TSO – to focus on their core business and support the transition away from coal activities and therefore reducing reliance on fossil fuels.

(28) District heating systems in Bulgaria continue to rely on natural gas and other greenhouse gas emitting fuels. While progress has been made in phasing out fossil fuel subsidies for electricity production, subsidies channelled to district heating with no phase-out planned before 2030 remain unaddressed. Fossil fuel subsidies that neither target energy poverty nor address genuine energy security concerns, hinder electrification, and are not essential to industrial competitiveness could be considered a priority for phase-out. Feed-in tariffs for combined heat and power plants supplying district heating networks prolong the economy viability of fossil fuel-based heat generation and delay the modernisation of generation and network assets to high-efficiency standards. Reforming these tariffs would free fiscal space that could be redirected towards the decarbonisation of district heating and targeted support for energy-poor households.

(29) Energy poverty remains a structural challenge in Bulgaria, driven by a lack of support mechanisms targeted to the most in need, which leaves the share of people unable to keep their homes adequately warm well above the EU average. While support is currently focused on broad measures, such as universally low regulated retail electricity prices and feed-in tariffs for combined heat and power plants supplying district heating networks, targeted assistance continues to lag. This inefficient use of fiscal resources leaves the most vulnerable households exposed, highlighting the need to tackle energy poverty through the design of adequate, targeted policy measures.

(30) Despite limited progress in improving energy efficiency in industry, further reducing energy consumption by industrial users remains critical, as the energy intensity of Bulgaria's manufacturing sector remains among the four highest in the Union. Additionally, a significant share of the industrial greenhouse gas emissions (45 %, compared to the EU average of 35 %) stems from non-energy-related processes, underscoring the need for comprehensive decarbonisation measures beyond energy efficiency alone. Accelerating industrial decarbonisation – particularly in high-emission manufacturing sectors – would contribute to enhancing competitiveness while reducing dependency on greenhouse gas-intensive resources and energy.

(31) Transport continues to be among the sectors with the highest GHG emission in Bulgaria in 2023, while the uptake of electric vehicles remains significantly below the EU average, at 0,56 % in 2024. Charging infrastructure deployment is slow, with less than 15 % of the mandated electric recharging infrastructure for 2030 being deployed. Lack of public transport infrastructure leads to connectivity challenges, in particular in the Northern region. Further action is needed to accelerate infrastructure investments in public transport, modernise railway infrastructure, including with ERTMS electrification, and expand charging infrastructure for electric vehicles, while effectively enforcing road safety measures and improving the connectivity of Northern region and across borders, with the completion of TEN-T.

(32) Bulgaria remains vulnerable to increasing climate risks (notably floods, droughts and declining water levels), which pose challenges to the country's economic and societal resilience. Climate change is exposing high vulnerabilities of the transport infrastructure. The quality of water infrastructure remains weak, with very high losses and wastewater treatment compliance well below EU requirements, pointing to persistent shortcomings in water and waste management. The national adaptation framework provides a basis for action, but its implementation remains uneven due to fragmented climate governance and broader institutional weaknesses, including the absence of mandatory climate risk assessments. Further actions, including some supported by cohesion policy, aim to improve water and waste infrastructure and strengthen climate resilience. However, investment remains below EU averages, while the uptake of nature-based solutions and insurance coverage against climate-related risks remain limited, constraining the sustainable use of resources and overall resilience, including that of marine ecosystems.

(33) 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, education and training, which hamper competitiveness. The 2026 country-specific recommendations addressed to Bulgaria can contribute to the implementation of the Council Recommendation on human capital in the Union.

(34) Bulgaria's weak performance in basic skills reveals structural challenges that constrain human capital development and competitiveness. Around half of Bulgarian 15-year-olds do not reach minimum proficiency in basic skills, which is about double the EU average. Underperformance is linked to challenges in the school curricula and teaching quality. There is an insufficient use of competence-based, learner-centred approaches, with too little focus on basic skills development and on STEM competences. Participation in early childhood education and care remains low and uneven across regions, limiting early learning and contributing to inequalities. Those particularly affected are disadvantaged groups, including Roma children. Despite recent efforts, Bulgaria's higher education continues to face significant challenges in developing high-skilled talent, particularly in STEM, with implications for productivity and innovation. Despite recent efforts, teaching quality continues to suffer from shortages of teachers, especially in STEM, insufficient and non-targeted professional development opportunities as well as a weak link between performance and pay.

(35) Bulgaria's labour market remained tight in 2025, with the employment rate increasing to 77 %, slightly above the EU average. At the same time, overall employment fell for a third consecutive year, in line with broader demographic trends, while unemployment stayed at a historic low of 3,5 %. Labour shortages continued despite some signs of weaker demand, with employers still reporting a need for over 230 000 additional workers. Significant regional disparities persist, with employment differences between the best and worst performing regions reaching more than 10 percentage points. The share of young people neither in employment nor in education and training (NEET) remained high compared with the EU average, especially among those with disabilities and Roma. Labour market outcomes also remained uneven for vulnerable groups: the disability employment gap was still wide, and despite notable progress in recent years, Roma employment continued to trail the national average, while NEET rates among young Roma remained as high as 46 %.

(36) Skills shortages continue to hamper competitiveness. Although the share of people with at least basic digital skills increased in 2025, it remained far below the EU average, limiting labour market performance and access to online services while risking wider social and regional divides. The share of ICT specialists is slightly below the EU average, and business uptake of AI was still modest. Despite the ongoing roll-out of VET reforms and relatively high participation in upper-secondary VET, persistent skills mismatches continue to weigh on outcomes, as the employment rate of VET graduates remains below the EU average and insufficiently aligned with labour market demand. Bulgaria continues to lag significantly behind the EU average in adult learning participation rate, including among employed adults. Addressing these challenges would also contribute to improving job quality.

(37) Bulgaria continues to face structural challenges related to poverty reduction, inequality and social protection. The social protection system has been strengthened through a reform of the minimum income scheme, complemented by wage growth, which has supported household incomes and reinforced the financing base of social insurance. The reform's long-term impact on adequacy and coverage remains to be evaluated. The share of people at risk of poverty has declined but remains high, in particular for vulnerable groups, signalling limited effect of social transfers on poverty reduction. The in-work poverty rate decreased but remains the highest in the EU. The at risk of poverty and social exclusion rate (AROPE) for Roma and persons with disabilities was especially high, at 78,3 % and 43,8 % respectively, and the AROPE rate for children remains well above the EU average. The accessibility, affordability and quality of social services have been improving, thanks to targeted reforms related to quality and mapping of social services, showing progress in the shift from institutionalised to community and home-based care. Nevertheless, social service needs, in particular for long-term care, remain high and challenges persist. The rapidly ageing society further weighs on increased demand for elderly care and staff shortages ([20]).

(38) Bulgaria continues to face major barriers to access to healthcare, with negative impact on life expectancy and rates of preventable and treatable mortality. The health system remains heavily hospital-centred, with a very low share of spending devoted to outpatient care, primary care and disease prevention despite high number of hospital beds, high hospital discharge rates and comparatively low occupancy and average length of stay. The payment model incentivises standardised hospital treatment rather than care tailored to individual needs. At the same time, access is further constrained by shortages and uneven distribution of health professionals, especially nurses, against the backdrop of an ageing workforce. High out-of-pocket payments also remain a significant barrier to access, with Bulgaria recording the highest share of such payments in total healthcare expenditure in the EU, alongside a high share of private spending on outpatient care. Access to healthcare is further hindered by the slow and uneven uptake of e-health services across patients and health professionals.

([20]) SWD(2026) 122 – Second-stage country analysis on social convergence in line with the Social Convergence Framework (SCF), 2026.

(39) In view of the close interlinkages between the economies of euro-area Member States and their collective contribution to the functioning of the economic and monetary union, in 2026 the Council recommended that the euro-area Member States take action, including through their recovery and resilience plans, to implement the 2026 Recommendation on the economic policy of the euro area. For Bulgaria, the recommendation (1) helps implement the first, the second and the third recommendation on the euro area, recommendation (2) helps implement the fourth recommendation on the euro area, recommendation (3) helps implement the seventh and ninth recommendations on the euro area, recommendation (4) helps implement the seventh recommendation on the euro area and the recommendation (5) helps implement the fifth recommendation on the euro area,

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

1. Adhere to the maximum growth rates of net expenditure recommended by the Council on 10 July 2026, 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 activated by the Council. Reinforce overall defence and security spending and readiness, while ensuring debt sustainability and spending efficiency, as well as gradually adapting the budget to sustain structurally higher defence spending. Ensure that 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 and that their fiscal cost is compatible with the commitments under the EU fiscal framework. Take measures to address the shadow economy, including by reducing the incentives for income underreporting and omission, and improve the fairness and the revenue generation capacity of the tax system. Strengthen tax collection, including by improving the recovery of arrears, supporting tax compliance and broadening the revenue base.

2. Ensure continuity of reforms and investments implemented under the Recovery and Resilience Facility. Step up efforts to implement cohesion policy programmes, building, where appropriate, on the reallocation to strategic priorities and flexibilities agreed in the context of the mid-term review of the cohesion policy framework. Address the unique socio-economic, security and civil preparedness challenges affecting regions on the EU's external eastern border, including the need to invest in dual-use infrastructure.

3. Improve the functioning of the public administration, especially at subnational level, by simplifying regulation and improving regulatory tools; streamlining and digitalising workflows and services, increasing interoperability across levels of government; and developing further the skillset of civil servants. Improve the effectiveness of anti-corruption measures, particularly in high-level corruption cases, including by strengthening the independence and effective functioning of the Supreme Judicial Council. Improve the quality and effectiveness of public procurement procedures and strengthen the independence and functioning of regulators. Increase the impact and effectiveness of public R&D investment.

4. Further decarbonise the electricity system and reduce reliance on fossil fuels- based generation, including by promoting roll-out of wind power generation, enabling flexibilisation of supply and demand, upgrading the electricity grid infrastructure at distribution level and reforming corporate governance of state-owned companies in the energy sector to improve transparency. Promote modernisation of district heating systems by phasing-out fossil fuel subsidies. Tackle energy poverty through targeted measures. Encourage decarbonisation of industry. Promote the roll-out of clean urban, public and rail transport, including by accelerating investments into the development of the necessary infrastructure and the connectivity in northern region. Improve climate and water resilience and waste management.

5. Strengthen competence-based learning. Further improve teaching quality with needs-based teacher training. Improve the quality, labour market relevance and inclusiveness of education and training. Increase the employment of underrepresented groups. Strengthen skills acquisition, including adult learning, to boost competitiveness. Address social inclusion by improving access to better integrated employment and social services, and to community-based long-term care, and a more effective minimum income support. Strengthen effectiveness and accessibility of the health system, including by reallocating resources from hospital-based towards outpatient care, reducing out-of-pocket payments and addressing shortages and uneven distribution of health professionals across the country.

Done at Brussels, 10 July 2026.

For the Council

The President

S. HARRIS