Council of the European Union

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NOTE

From:	General Secretariat of the Council
To:	Delegations
Subject:	COUNCIL RECOMMENDATION endorsing the national medium-term fiscal-structural plan of Bulgaria

COUNCIL RECOMMENDATION

endorsing the national medium-term fiscal-structural plan of Bulgaria

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 121 thereof,

Having regard to Regulation (EU) 2024/1263, and in particular Article 17 thereof,

Having regard to the recommendation from the Commission, Whereas:

GENERAL CONSIDERATIONS

(1) A reformed EU economic governance framework entered into force on 30 April 2024. Regulation (EU) 2024/1263 of the European Parliament and of the Council on the effective coordination of economic policies and on multilateral budgetary surveillance[1], together with the amended Regulation (EC) No 1467/97 on the implementation of the excessive deficit procedure[2], and the amended Council Directive 2011/85/EU on the budgetary frameworks of Member States[3] are the core elements of the reformed EU economic governance framework. The framework aims at promoting sound and sustainable public finances and sustainable and inclusive growth and resilience through reforms and investments and preventing excessive government deficits. It also promotes national ownership and has a greater medium-term focus, combined with more effective and coherent enforcement of the rules.

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1 Regulation (EU) 2024/1263 of the European Parliament and of the Council of 29 April 2024 on the effective coordination of economic policies and on multilateral budgetary surveillance and repealing Council Regulation (EC) No 1466/97 (OJ L, 2024/1263, 30.4.2024, ELI: http://data.europa.eu/eli/reg/2024/1263/oj).

2 Council Regulation (EU) 2024/1264 of 29 April 2024 amending Regulation (EC) No 1467/97 on speeding up and clarifying the implementation of the excessive deficit procedure (OJ L, 2024/1264, 30.4.2024, ELI: http://data.europa.eu/eli/reg/2024/1264/oj).

3 Council Directive (EU) 2024/1265 of 29 April 2024 amending Directive 2011/85/EU on requirements for budgetary frameworks of the Member States (OJ L, 2024/1265, 30.4.2024, ELI: http://data.europa.eu/eli/dir/2024/1265/oj).

(2) The national medium-term fiscal-structural plans that Member States submit to the Council and to the Commission are at the centre of the new economic governance framework. The plans are to deliver on two objectives: i) ensuring that, inter alia, by the end of the adjustment period, general government debt is on a plausibly downward trajectory, or stays at prudent levels, and that the government deficit is brought and maintained below the reference value of 3% of GDP over the medium term, and ii) ensuring the delivery of reforms and investments responding to the main challenges identified in the context of the European Semester and addressing the common priorities of the EU. To that end, each plan is to present a medium-term commitment to a net expenditure[4] path, which effectively establishes a budgetary constraint for the duration of the plan, covering four or five years (depending on the regular term of legislature in a Member State). In addition, the plan is to explain how the Member State will ensure the delivery of reforms and investments responding to the main challenges identified in the context of the European Semester, in particular in the country-specific recommendations (including those pertaining to the macroeconomic imbalances procedure (MIP), if applicable), and how the Member State will address the common priorities of the Union. The period for fiscal adjustment covers a period of four years, which may be extended by up to three years if the Member State commits to delivering a set of relevant reforms and investments that satisfies the criteria set out in Article 14 of Regulation (EU) 2024/1263.

(3) Following the submission of the plan, the Commission is to assess whether it complies with the requirements of Regulation (EU) 2024/1263.

(4) Upon a recommendation from the Commission, the Council is to then adopt a recommendation to set the net expenditure path of the Member State concerned and, where applicable, endorses the set of reform and investment commitments underpinning an extension of the fiscal adjustment period.

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[4] Net expenditure as defined in Article 2 of Regulation (EU) 2024/1263, namely government expenditure net of (i) interest expenditure, (ii) discretionary revenue measures, (iii) expenditure on Union programmes 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.

CONSIDERATIONS CONCERNING THE NATIONAL MEDIUM-TERM FISCAL-STRUCTURAL PLAN OF BULGARIA

(5) On 27 February 2025, Bulgaria submitted its national medium-term fiscal structural plan to the Council and the Commission. The submission took place following two extensions of the deadline set out in Article 36 of Regulation (EU) 2024/1263, as agreed with the Commission in view of the reasons provided by Bulgaria, namely the need to align the timing of submission with the political cycle, which would give Bulgaria the possibility to present a plan based on a solid political commitment.

Process prior to the submission of the plan

(6) Prior to the submission of its plan, Bulgaria requested technical information[5], which the Commission provided on 24 January 2025, and published on 27 February 2025[6]. The technical information indicates the level of the structural primary balance in 2028 that is necessary to ensure that the general government deficit is maintained below 3% of GDP over the medium term and that the general government debt remains below 60% of GDP over the medium term, even in the absence of further budgetary measures beyond the 4-year adjustment period. The medium term is defined as the ten-year period after the end of the adjustment period. The technical information was prepared and transmitted to the Member States under two scenarios: a scenario including consistency with the deficit resilience safeguard, in line with Article 9(3) of Regulation (EU) 2024/1263, and a scenario without this safeguard. The technical information for Bulgaria sets out that, in order to comply with the applicable fiscal rules over an adjustment period of 4 years, and based on the Commission's assumptions, the structural primary balance should amount to at least -2.1%of GDP at the end of the adjustment period (2028) in the scenario without the deficit resilience safeguard, as per the following table. For information, considering also the deficit resilience safeguard, the structural primary balance would amount to at least -0.9% of GDP at the end of the adjustment period (2028). However, the deficit resilience safeguard is not a requirement for Bulgaria.

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5 Prior guidance transmitted to the Member States and Economic and Financial Committee includes technical information i) without and with an extension of the adjustment period (covering 4 and 7 years, respectively), and ii) with and without the deficit resilience safeguard. It also includes the main initial conditions and underlying assumptions used in the Commission's medium-term government debt projection framework. The technical information was calculated on the basis of the methodology described in the Commission's *Debt Sustainability Monitor 2023* (https://economy-finance.ec.europa.eu/publications/debt-sustainability-monitor-2023_en). It is based on the European Commission Autumn 2024 Forecast and its medium-term extension up to 2033, and long-term GDP growth and ageing costs are in line with the joint Commission-Council *2024 Ageing Report* (https://economy-finance.ec.europa.eu/publications/2024-ageing-report-economic-and-budgetary-projections-eu-member-states-2022-2070_en).

6 https://economy-finance.ec.europa.eu/economic-and-fiscal-governance/stability-and-growth-pact/preventive-arm/national-medium-term-fiscal-structural-plans_en#bulgaria.

Table 1: Technical information provided by the Commission to Bulgaria

Final year of the adjustment period	2028
Minimum value of the structural primary balance (% of GDP), scenario without the deficit resilience safeguard	-2.1
For information only: Minimum value of the structural primary balance (% of GDP), scenario with the deficit resilience safeguard	-0.9

Source: Commission's calculations.

(7) In line with Article 12 of Regulation (EU) 2024/1263, Bulgaria and the Commission engaged in a technical dialogue from September to October 2024 and from January to February 2025[7]. The dialogue centred on the net expenditure path envisaged by Bulgaria and its underlying assumptions (in particular potential growth and inflation), as well as the envisaged delivery of reforms and investments responding to the main challenges identified in the context of the European Semester and the common priorities of the Union in a fair green and digital transition, social and economic resilience, energy security and the build-up of defence capabilities.

(8) In February 2025, in line with Article 11(3) and 36(1), point (c), of Regulation (EU) 2024/1263, according to the information provided by Bulgaria in its plan, Bulgaria engaged in a consultation process with civil society, social partners, regional authorities and other relevant stakeholders. According to the information provided by Bulgaria in its plan, the plan was consulted with a broad set of stakeholders, ranging from social partners to representatives of civil society, academia, business organisations and non-governmental organisations.

(9) The plan was adopted by Bulgaria's Council of Ministers on 26 February 2025 and sent to the National Assembly of the Republic of Bulgaria.

[7] The dialogue was paused to align the timing of the submission of the plan with the political cycle and give Bulgaria the possibility to present a plan based on a solid political commitment.

Other related processes

(10) On 21 October 2024, the Council addressed to Bulgaria a series of country-specific recommendations (CSRs) in the context of the European Semester[8].

(11) On 25 February 2025, Bulgaria submitted a request for a convergence assessment under Article 140(1) TFEU with a view to possible entry in the euro area on 1 January 2026. The assessment by the Commission, published on 4 June 2025, also took into account the public finance criterion.

(12) On 02 May 2025, Bulgaria requested the activation of the national escape clause to accommodate higher defence spending, in accordance with Article 26 (1) of Regulation (EU) 2024/1263 and following the Commission Communication (C(2025) 2000 final) of 19 March 2025.

SUMMARY OF THE PLAN AND THE COMMISSION'S ASSESSMENT THEREOF

(13) In line with Article 16 of Regulation (EU) 2024/1263, the Commission assessed the plan as follows:

Context: macroeconomic and fiscal situation and outlook

(14) Economic activity in Bulgaria grew by 2.8% in 2024, driven by private consumption. According to the European Commission Autumn 2024 Forecast, real GDP is set to increase by 2.9% in 2025, as exports and public investment pick up. In 2026, real GDP is expected to increase by 3%, as investment accelerates further, and other demand components maintain stable growth rates. Over the forecast horizon (i.e., 2025–2026), potential GDP growth in Bulgaria is expected to remain relatively strong, albeit on a declining path, driven by strong investment, partially offset by adverse demographic trends. The unemployment rate stood at 4.2% in 2024 and is projected by the Commission to amount to 4% in 2025 and 3.8% in 2026. Inflation (GDP deflator) is projected to decrease from 6.5% in 2024 to reach 2.3% in 2025 and 2.8% in 2026.

[8] Council Recommendation of 21 October 2024 on the economic, social, employment, structural and budgetary policies of Bulgaria, OJ C C/2024/6809, 29.11.2024.

(15) Regarding fiscal developments, in 2024 Bulgaria's general government deficit amounted to 3% of GDP. According to the European Commission Autumn 2024 Forecast, it is expected to reach 2.8% of GDP in 2025 and, under a no-policy change assumption, to remain at 2.8% in 2026. The European Commission Autumn 2024 Forecast did not include Bulgaria's draft budget for 2025, which the National Assembly adopted on 21 March 2025. General government debt was 24.1% of GDP at end-2024. According to the European Commission Autumn 2024 Forecast, the debt ratio is expected to decline to 23.1% of GDP at end-2025 and go back up to 24.5% at end-2026. The fiscal forecast by the Commission does not consider the policy commitments in the medium-term plans as such until they are underpinned by credibly announced and sufficiently specified concrete policy measures.

Net expenditure path and main macroeconomic assumptions in the plan

(16) Bulgaria's national medium-term fiscal-structural plan covers the period 2025–2028 and presents a fiscal adjustment over four years.

(17) The plan contains all information required by Article 13 of Regulation (EU) 2024/1263.

(18) The plan commits to the net expenditure path indicated in Table 2, corresponding to average net expenditure growth of 4.9% over the years 2025–2028. The technical information (assuming a linear adjustment path) is consistent with an average net expenditure growth of 5.1% over the adjustment period 2025-2028. The net expenditure path committed to in the plan is reported to lead to a structural primary balance of -1.8% of GDP at the end of the adjustment period (2028). This is higher than the minimum level of the structural primary balance of -2.1% of GDP in 2028 provided by the Commission in the technical information on 24 January 2025[9].

[9] In the scenario without the deficit resilience safeguard.

Table 2: Net expenditure path and main assumptions in Bulgaria's plan

	2025	2026	2027	2028	Average over the period of validity of the plan 2025–2028
Net expenditure growth (annual, %)	6.2	4.9	4.4	4.0	4.9
Net expenditure growth (cumulative, from base year 2024, %)	6.2	11.4	16.3	21.0	n.a.
Potential GDP growth (%)	2.8	2.6	2.5	2.4	2.6
Inflation (GDP deflator growth) (%)	3.9	2.6	2.3	2.1	2.7

Source: Medium-term fiscal-structural plan of Bulgaria and Commission calculations.

Implications of the plan's net expenditure commitments for general government debt

(19) If the net expenditure path committed to in the plan and the underlying assumptions materialise, general government debt would, according to the plan, gradually increase over the adjustment period from 24.2% in 2024 to 30.8% of GDP at the end of the adjustment period, as per the following table. Over the medium term, which means 10 years beyond the end of the adjustment period, this could imply a gradual increase in general government debt up to 45.3% in 2038.

Table 3: General government debt and balance developments in Bulgaria's plan

	2024	2025	2026	2027	2028	2038
Government debt (% of GDP)	24.2	25.8	27.4	29.1	30.8	45.3
Government balance (% of GDP)	-3.0	-3.0	-2.9	-2.9	-2.9	-2.9

Source: Medium-term fiscal-structural plan of Bulgaria.

Thus, according to the plan, general government debt would stay well below the Treaty reference value of 60% of GDP over the medium term. Therefore, based on the plan's policy commitments and macroeconomic assumptions, the net expenditure path put forward in the plan is consistent with the requirement for debt as set out in Article 16(2) of Regulation (EU) 2024/1263.

Implications of the plan's net expenditure commitments for the general government balance

(20) Based on the plan's net expenditure path and assumptions, the general government deficit would slightly decline to 2.9% of GDP over the adjustment period. Thus, according to the plan, the general government deficit would not exceed the 3% of GDP reference value at the end of the adjustment period (2028). In addition, in the ten years following the adjustment period (i.e. until 2038), the government deficit would not exceed 3% of GDP. Therefore, based on the plan's policy commitments and macroeconomic assumptions, the net expenditure path put forward in the plan is consistent with the requirement for the deficit as set out in Article 16(2) of Regulation (EU) 2024/1263.

Macroeconomic assumptions of the plan

(21) The plan is based on a set of assumptions which differs from the Commission's assumptions transmitted to Bulgaria on 24 January 2025. In particular, the plan uses different assumptions for six variables, namely the starting point for the structural primary balance in 2024, potential GDP growth, GDP deflator growth, the starting point for the debt-to-GDP ratio in 2024, nominal implicit interest rates and stock-flow adjustments. An assessment of these differences in assumptions is provided below. The assessment takes into account the release of outturn data for 2024 after the submission of the plan, which shifts the base year of the recommendation to 2024.

The differences in assumptions with the most significant impact on average net expenditure growth are listed below, together with an assessment of each difference considered in isolation.

- The plan assumes a structural primary balance of -2.5% of GDP in 2024, which is 0.4 pp lower than the structural primary balance assumed in the prior guidance. This contributes to lower average net expenditure growth over the adjustment period in the plan than according to the Commission's assumptions. The more negative assumption about the structural primary balance, which translates into a higher expected headline fiscal deficit of 3% of GDP in 2024, reflects the latest available budget execution data. This outturn for the nominal deficit in 2024 has since been confirmed. Consequently, this assumption is deemed to be duly justified.

- The plan takes into account that the nominal implicit interest rate increased in 2024 and assumes that it will remain above the levels in the prior guidance. This contributes to lower average net expenditure growth over the adjustment period in the plan than according to the Commission's assumptions. The interest rates are calculated based on the actual interest payments and government debt levels and consider the interest rates on the new debt issued in 2024 and January 2025. Consequently, this assumption is deemed to be duly justified.

- The plan assumes potential GDP growth below the prior guidance in 2024 but above the Commission's assumptions in 2025–2033, resulting in average potential GDP growth of 2% in 2025–2038, compared with 1.9% in the prior guidance. This contributes to slightly higher average net expenditure growth (by approximately 0.1) over the adjustment period in the plan than according to the Commission's assumptions. Bulgaria states in its plan that the difference is explained largely by a combination of higher labour market participation rates and investment growth, notably in the public sector. Preliminary employment figures for 2024 are higher than projected in Commission's autumn 2024 forecast, suggesting that the deviation in the labour input for potential growth is justified. The public investment assumption in the plan is inherently policy-driven and appears to be in line with policy orientations as also confirmed in the adopted 2025 Budget. Overall, the deviation based on these two factors is deemed to be justified.

- The plan assumes GDP deflator growth of 6.4% in 2024, 1.6 pp above the prior guidance, to remain above the Commission's assumptions in 2025 and then to fall below the value in the prior guidance for 2026. This contributes to slightly higher average net expenditure growth (by approximately 0.1) over the adjustment period in the plan than according to the Commission's assumptions. The higher GDP deflator in 2024 is justified by the latest national accounts figures that show a stronger GDP deflator increase in 2024, compared to the Commission's assumptions. In 2025, the deviation from the prior guidance can be explained by the carry-over effect from the higher GDP deflator in the second half of 2024. Concerning 2025, neither the Commission's assumptions nor the Bulgarian plan factored in fully the restoration of the VAT rates for bread, flour and restaurant services, electricity price hikes for households and other price increases in January 2025. Reflecting these developments would lead to higher average net expenditure growth over the adjustment period. With regards to 2026, the lower GDP deflator in the plan, compared with the prior guidance, is attributable to an assumption of more moderate wage increases. The lower wage increases for 2026 in the plan reflect the assumed higher participation rates that are justified by the higher recorded participation rates for 2024, compared to the prior guidance. Consequently, the assumptions on higher GDP deflators in 2024 and 2025 and a lower GDP deflator in 2026 are deemed to be duly justified.

The remaining differences in assumptions on debt and stock-flow adjustments and recent releases of relevant macro-fiscal indicators do not have a significant impact on average net expenditure growth compared to the Commission's assumptions.

Taken together the differences in assumptions lead to an average net expenditure growth in the plan that is lower than the average net expenditure growth implied by the technical information.

The Commission will take into account the above assessment of the plan's assumptions in future assessments of compliance with the net expenditure path.

Fiscal strategy of the plan

(22) According to the indicative fiscal strategy in the plan, the commitments on net expenditure will be delivered mainly through discretionary revenue-increasing measures. On the revenue side, measures to improve compliance and prevent and counter tax fraud and evasion, are amongst the main elements supporting the fiscal targets. Additional revenue measures are expected to yield increases in social contributions, including increases in the threshold of the maximum insurable income and planned increases in the length of service for retirement. Lastly, the plan refers to planned increases in excise duties on tobacco and tobacco products. There are no significant consolidation measures on the expenditure side, while further increases are planned in line with recent trends.

(23) The specification of the policy measures to be adopted is to be confirmed or adjusted and quantified in the annual budgets. Some measures were specified in the 2025 budget, adopted by the National Assembly on 21 March 2025, whereas others are expected to be confirmed in the forthcoming budgets. Measures planned for 2025 include, on the revenue side, an increase in the maximum insurance income, an increase in the rate of excise duty on tobacco and tobacco products, as well as the abolition of reduced VAT rates for various categories of goods and services. On the expenditure side, increases are planned for salaries in the areas of defence, security and education as well as for the staff in budgetary organisations. Expenditure increases are also planned in pensions expenditure, linked amongst others to the increase in the number of newly awarded pensions and in pensions supplements. At the same time, there are risks to the implementation of the indicative fiscal strategy in the plan, due to a general lack of detail on the design of the indicative strategy, the low predictability of revenues coming from measures to fight tax evasion and avoidance, as well as reliance on ad hoc financing sources such as dividends from state-owned enterprises.

Reform and investment intentions in the plan responding to the main challenges identified in the context of the European Semester and addressing the common priorities of the Union

(24) The plan describes policy intentions concerning reforms and investments to respond to the main challenges identified in the context of the European Semester, especially the CSRs and to address the common priorities of the EU. The plan includes more than 120 reforms and investments addressing the common priorities of the EU, of which more than 60 are financially supported by the Recovery and Resilience Facility (RRF) and 40 by the Cohesion policy funds (MFF)[10]. The plan's reforms and investments are also based on an existing government strategy document *'National Development Programme Bulgaria 2030'*.

[10] The references in the Bulgarian medium-term fiscal-structural plan reflect the currently valid recovery and resilience plan. The Bulgarian government intends to submit a request for revising its recovery and resilience plan under Article 21 of Regulation (EU) 2021/241 as well as a request to add a REPowerEU chapter.

Concerning the common priority of a fair green and digital transition, including the climate objectives set out in Regulation (EU) 2021/1119, the plan includes several measures grouped under policy headings such as boosting transport connectivity, energy, promoting digitalisation, strengthening education skills and employment, water supply and wastewater treatment, and climate environment and agriculture. The reforms and investments included in the plan intend to address, amongst others, CSRs on energy efficiency issued in 2022 and 2023, on energy efficiency and social inclusion and protection issued in 2023 and 2024, on renewable energy, infrastructure and networks issued in 2019, 2020, 2022, 2023 and 2024, on research and innovation and regional development and local public services issued in 2019, on transport and regional development issued in 2019, 2020, 2023 and 2024, on skills, vocational education and training and adult learning issued in 2019, 2020, 2023, 2024.

(25) Concerning the common priority of social and economic resilience, including the European Pillar of Social Rights, the plan includes several reforms and investments spanning across different policy domains from sustainable public finances, economy and business environment, strengthening justice, governance and financial integrity, boosting transport connectivity, energy, promoting health and social inclusion, education skills and employment. The reforms and investments included in the plan intend to address, amongst others, CSRs on healthcare issued in 2019 and 2020, on labour market policies issued in 2019 and 2020, on education, non-discrimination and equal opportunities issued in 2020 and 2024, on access to finance and growth financing issued in 2020, on budgetary framework and fiscal governance issued in 2020, 2022 and 2023, on poverty and social inclusion issued in 2019, 2020, 2023 and 2024, on business environment issued in 2019 and 2020, on renewable energy, infrastructure and networks issued in 2019, 2020, 2022, 2023 and 2024, on transport and regional development issued in 2019, 2020, 2023 and 2024, on tax administration, evasion and avoidance issued in 2019.

(26) Concerning the common priority of energy security, the plan includes reforms and investments to ensure energy independence while also decarbonising the energy sector. The plan includes reforms to promote the adoption of market principles in the energy sector, including by liberalising the electricity market, reforms and investments to differentiate supply and improving ties with neighbouring countries, and to promote the production and storage of renewable energy. The reforms and investments included in the plan intend to address, amongst others, CSRs on renewable energy, infrastructure and networks issued in 2019, 2020, 2022, 2023 and 2024, on energy efficiency issued in 2022 and 2023, on energy efficiency and social inclusion and protection issued in 2023 and 2024.

(27) Concerning the common priority of defence capabilities, the plan includes investments in modernisation and acquisition of new military capabilities in line with the Defence Investment Programme, a plan adopted by the National Assembly and covering a time horizon until 2032.

(28) The plan provides information on the consistency and, where appropriate, complementarity, with the cohesion policy funds and Bulgaria's RRP. The plan makes appropriate references to the measures included in the RRP, MFF and puts forward some additional ones that are nationally funded.

(29) The plan provides an overview of the public investment needs of Bulgaria related to the common priorities of the EU. Concerning EU common priority of a fair green transition, including coherence with European climate legislation, the plan identifies investment needs linked to the five priority fields identified in the integrated national energy and climate plan for 2021–2030 prepared under Regulation 2018/1999, namely: 1) decarbonisation, 2) energy efficiency, 3) energy security, 4) internal energy market and 5) research, innovation and competitiveness. In addition, the plan identifies investment needs linked to climate change adaptation. Concerning investment needs for social and economic resilience, including the European Pillar of Social Rights, the plan identifies investment needs in the areas of education, skills, employment, access to healthcare, social services and long-term care, gender equality and the implementation of the European Child Guarantee. Concerning the EU common priority of energy security, the plan identifies investment needs to diversify sources and routes for natural gas supply, including by developing infrastructure; further needs concern hydro power plants and floating power plants, the use of biomass for electricity production, and electricity storage capacity. Concerning the EU common priority of building defence capabilities as necessary, the plan identifies investment needs in the modernisation of the country's armed forces.

Conclusion of the Commission's assessment

(30) Overall, the Commission is of the view that Bulgaria's plan fulfils the requirements of Regulation (EU) 2024/1263.

OVERALL CONCLUSION OF THE COUNCIL

(31) The Council welcomes the medium-term fiscal-structural plan of Bulgaria and considers that its full implementation would be conducive to ensuring sound public finances and supporting public debt sustainability as well as sustainable and inclusive growth.

(32) The Council takes note of the Commission's assessment of the plan. However, the Council invites the Commission to present its assessment of future plans in a separate document from the Commission recommendations for Council recommendations.

(33) The Council takes note of the Commission assessment of the net-expenditure path and the main macroeconomic assumptions in the plan, including in relation to the prior guidance by the Commission, as well as the implications of the plan's net expenditure path for government deficit and debt. The Council takes note of the Commission assessment that the macroeconomic and fiscal assumptions, while differing in some instances from the Commission's assumptions, including to cater for updated macroeconomic and fiscal data, are overall duly justified and underpinned by sound economic arguments. The Council takes note of the broad fiscal strategy of the plan and the risks to the outlook, which could affect the materialisation of the macroeconomic scenario and the underlying assumptions and the delivery of the plan's net expenditure path. The Council welcomes that the plan has been presented to the Parliament. The Council also notes that geopolitical risks may put pressure on defence expenditures.

(34) The Council expects Bulgaria to stand ready to adjust its fiscal strategy as needed to ensure delivery of its net expenditure path. The Council resolves to monitor closely economic and fiscal developments, including those underlying the scenario of the plan.

(35) The Council considers that further discussions to find a common understanding on the annual surveillance implications of the cumulative net-expenditure growth rates is warranted in time for the next round of fiscal surveillance.

(36) The Council takes note of the Commission description of the reforms and investment needs and intentions, responding to the main challenges identified in the context of the European Semester, and stresses the importance of ensuring the delivery of such reforms and investments. The Council will, on the basis of reports submitted by the Commission, assess such reforms and investments and monitor their implementation within the framework of the European Semester.

(37) The Council looks forward to the annual progress reports from Bulgaria that shall contain, in particular, information about the progress in the implementation of the net expenditure path as set by the Council, and the implementation of broader reforms and investments in the context of the European Semester.

(38) In accordance with Article 17 of Regulation (EU) 2024/1263, the net expenditure path as set in the plan should be recommended by the Council to Bulgaria starting from 2025.

HEREBY RECOMMENDS that BULGARIA

1. Ensure that net expenditure growth does not exceed the maxima established in Annex I to this Recommendation.

Done at Brussels,

For the Council
The President

ANNEX I

Maximum growth rates of net expenditure

(annual and cumulative growth rates, in nominal terms)

Bulgaria

Years		2025	2026	2027	2028
Growth rates (%)	Annual	6.2	4.9	4.4	4.0
	Cumulative*	6.2	11.4	16.3	21.0

* The cumulative growth rates are calculated by reference to the base year of 2024. The cumulative growth rates are used in the annual monitoring of ex-post compliance in the control account.