Council of the European Union

Brussels, 24 November 2026
(OR. en)

16348/26

ECOFIN 1524
UEM 513
EIB
ECB

COVER NOTE

From:	Secretary-General of the European Commission, signed by Ms Martine DEPREZ, Director
date of receipt:	24 November 2026
To:	Ms Thérèse BLANCHET, Secretary-General of the Council of the European Union
No. Cion doc.:	COM(2026) 1052 final
Subject:	Recommendation for a COUNCIL DECISION establishing that no effective action has been taken by Bulgaria in response to the Council Recommendation of 10 July 2026

Delegations will find attached document COM(2026) 1052 final.

Encl.: COM(2026) 1052 final

EUROPEAN
COMMISSION

Brussels, 24.11.2026
COM(2026) 1052 final

Recommendation for a

COUNCIL DECISION

establishing that no effective action has been taken by Bulgaria in response to the Council Recommendation of 10 July 2026

Recommendation for a

COUNCIL DECISION

establishing that no effective action has been taken by Bulgaria in response to the Council Recommendation of 10 July 2026

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union (TFEU), and in particular Article 126(8) thereof,

Having regard to the recommendation from the European Commission,

Whereas:

(1) Article 126(1) of TFEU provides that Member States are to avoid excessive government deficits.

(2) The Stability and Growth Pact is based on the objective of sound government finances as a means of strengthening the conditions for price stability and for strong, sustainable and inclusive growth underpinned by financial stability, thereby supporting the achievement of the Union's objectives for sustainable growth and employment. The Stability and Growth Pact includes Council Regulation (EC) No 1467/97 of 7 July 1997 ([1]) on speeding up and clarifying the implementation of the excessive deficit procedure, which was adopted in order to further the prompt correction of excessive general government deficits.

(3) On 10 July 2026, the Council decided, in accordance with Article 126(6) TFEU, that an excessive deficit existed in Bulgaria ([2]).

(4) On 10 July 2026, the Council adopted a Recommendation under Article 126(7) TFEU ([3]) with a view to bringing an end to the situation of an excessive government deficit. The Council recommended a corrective net expenditure path for Bulgaria with the following maximum growth rates of net expenditure ([4]): 4.2% in 2026, 3.4% in 2027, 3.4% in 2028 and 3.2% in 2029. This corresponds to the maximum cumulative

---

1 Council Regulation (EC) No 1467/97 of 7 July 1997 on speeding up and clarifying the implementation of the excessive deficit procedure (OJ L 209, 2.8.1997, ELI: http://data.europa.eu/eli/reg/1997/1467/2024-04-30) as last amended by Council Regulation (EU) 2024/1264 of 29 April 2024 (OJ L, 2024/1264, 30.4.2024).

2 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).

3 Council Recommendation of 10 July 2026 with a view to bringing an end to the situation of an excessive deficit in Bulgaria, (OJ C, C/2026/3913, 1.9.2026, ELI: http://data.europa.eu/eli/C/2026/3913/oj). 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.

4 According to Article 2(2) of Regulation (EU) 2024/1263, 'net expenditure' means government expenditure net of interest expenditure, discretionary revenue measures, expenditure on programmes of the Union fully matched by revenue from Union funds, national expenditure on co-financing of programmes funded by the Union, cyclical elements of unemployment benefit expenditure, and one-offs and other temporary measures.

growth rates calculated with reference to 2025 of 4.2% in 2026, 7.7% in 2027, 11.4% in 2028 and 15% in 2029. The corrective net expenditure path set in the Recommendation of 10 July 2026 under Article 126(7) TFEU superseded the maximum growth rates for net expenditure set out in the Council Recommendation of 20 June 2025 endorsing the medium-term fiscal-structural plan of Bulgaria ([5]). Based on the Commission Spring 2026 Forecast, that served as basis for the recommendation of 10 July 2026, and on the Commission medium-term government debt projection framework, adherence to this corrective path was expected to lead to a deficit no longer exceeding the 3% of GDP reference value by 2029. The Council also established a deadline of 15 October 2026 for Bulgaria to take effective action and to present the necessary measures, and thereafter to report on progress made in the implementation of that recommendation at least every six months, until the excessive deficit had been corrected.

(5) On 8 July 2025, the Council activated the national escape clause for Bulgaria to facilitate an increase in defence expenditure ([6]) during the period 2025-2028 ([7]). The flexibility provided by the national escape clause should also be considered in the implementation of the excessive deficit procedure, and when assessing if Bulgaria has taken effective action. The Council Recommendation of 10 July 2026 under Article 126(7) TFEU also clarifies the amount of flexibility allowed under the national escape clause for the increase in defence expenditure that applies in 2026, 2027 and 2028, taking account of the use of the flexibility under the national escape clause in 2025.

(6) On 15 October 2026, Bulgaria submitted its Draft Budgetary Plan for 2027, including a report on action taken in response to the Council Recommendation of 10 July 2026 with a view to bringing an end to the situation of an excessive deficit.

(7) Based on the Commission Autumn 2026 Forecast ([8]), which takes into account the 2027 Draft Budgetary Plan, the assessment of action taken in response to the Council Recommendation of 10 July 2026 leads to the following conclusions:

– Based on the Commission's calculations ([9]), net expenditure in Bulgaria is projected to grow by 10.7% in 2026 ([10]), which is well above the recommended maximum growth rate. This corresponds to a deviation of 2.3% of GDP after

---

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 Nationally financed defence expenditure as defined in the Classification of the functions of government (COFOG) in the framework of the European System of National Accounts (ESA2010).

7 Council Recommendation of 8 July 2025 allowing Bulgaria to deviate from the maximum growth rate 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 The Commission Autumn 2026 forecast is based on data notified by Bulgaria to Eurostat in the context of autumn 2026 notification for the application of the excessive deficit procedure. Eurostat expressed a reservation on the quality of data reported by Bulgaria for 2025. Eurostat is discussing with the Bulgarian statistical authorities the appropriate national accounts recording of some operations of the Road Infrastructure Agency (RIA). This will require additional data from the national authorities. Bulgaria is currently recording these amounts as impacting the 2025 deficit by 0.6% of GDP.

9 Fiscal Statistical Tables providing background data relevant for the assessment of the budgetary policies of the Member States, SWD(2026) 1050 final, Brussels, 24.11.2026.

10 According to the Bulgaria's Draft Budgetary Plan for 2027, net expenditure in Bulgaria is projected to grow by 9.6% in 2026, which corresponds to a deviation of 1.8% of GDP. Further information on Bulgaria's Draft Budgetary Plan for 2027 of 15 October 2026, as well as the Commission Opinion of 24 November 2026 on that plan, are available at: https://economy-finance.ec.europa.eu/economic-governance-framework/stability-and-growth-pact/annual-draft-budgetary-plans-dbps-euro-area-countries/draft-budgetary-plans-2027_en#bulgaria.

taking into account flexibility for higher defence spending provided for by the national escape clause based on the current projections for defence spending ([11]). This is a very large deviation ([12]). Bulgaria is therefore materially non-compliant with its corrective path for 2026. GDP deflator growth is forecast at 7.6% in 2026, compared to a forecast of 1.9% underlying the corrective net expenditure path. Higher-than-anticipated inflation appears to have led to higher nominal expenditure in a number of expenditure categories, such as intermediate consumption. However, the deviation in net expenditure vis-à-vis the corrective net expenditure path recommended by the Council can only to a small proportion be ascribed to higher-than-anticipated inflation.

– Bulgaria's general government deficit increased to 4.0% of GDP in 2025 ([13]), from 3.0% of GDP in 2024, mainly driven by large increases in compensation of employees, defence spending, nationally-financed public investment, intermediate consumption and interest costs. Capital injections into the Bulgarian Energy Holding and the expenditure related to operations of the Road Infrastructure Agency have also contributed to increasing the deficit. The Commission Autumn 2026 Forecast projects the general government deficit to increase to 5.0% of GDP in 2026 and to decrease to 4.0% of GDP in 2027. The increase in the deficit in 2026 mainly reflects increases in other current expenditure, nationally-financed investment, subsidies and intermediate consumption. The improvement in 2027 is largely related to the temporary windfall tax on corporate profits in selected sectors (due to expire as of 2028), and by expenditure restraint.

– The government debt-to-GDP ratio increased from 23.7% at the end of 2024 to 29.9% of GDP at the end of 2025 and is projected by the Commission to increase to 33.0% by the end of 2026, driven by large and persistent primary deficits and rising interest costs, but remains well below the reference value of 60% of GDP. The debt sustainability analysis indicates medium risks over the medium term ([14]).

(8) In conclusion, the response of Bulgaria to the Council Recommendation of 10 July 2026 has been insufficient. Net expenditure in 2026 is projected to grow much faster than recommended by the Council, even after taking account of the flexibility of the national escape clause. This leads to a persistent high government deficit, putting at risk a timely correction of the excessive deficit. The size of the deviation in 2026 is an aggravating relevant factor. At the same time, the impact of substantially higher-than-anticipated inflation on the growth rate of net expenditure, largely due to an external energy price shock, is a mitigating relevant factor but of limited significance relative to the size of the deviation from the corrective path.

---

11 Subject to the outcome of statistical discussions on the time of recording of the Road Infrastructure Agency operations mentioned in footnote 8, the deviation in 2026 could further increase.

12 A deviation from the corrective path triggers an overall assessment, which considers the size of the deviation as well as mitigating and aggravating relevant factors. A deviation above one of the thresholds used for the control account under the preventive arm (of 0.3% and 0.6% of GDP in annual and cumulated terms, respectively) entails a strong presumption of no effective action.

13 Subject to the outcome of statistical discussions on the time of recording of the Road Infrastructure Agency operations mentioned in footnote 8, the 2025 deficit could improve but the 2026 deficit could worsen.

14 Debt Sustainability Monitor 2025 (European *Economy Institutional Paper 332, February 2026*) based on the Commission Autumn 2025 Forecast.

(9) According to Article 6 of Regulation (EU) No 1173/2011 ([15]), the Commission is to recommend, within 20 days of the adoption of a Council Decision under Article 126(8) TFEU, that the Council impose, by a further decision, a fine. On [DATE], the European Parliament and the Council adopted Regulation (EU) No [xxx]/2026 ([16]) amending Regulation (EU) No 1173/2011. The revised regulation is expected to enter into force on [DATE]. The amending Regulation reduces the amount of fines to be imposed in case of decisions taken under Article 126(8) TFEU. In view of the entry into force of Regulation (EU) [reference], any recommendation by the Commission under Article 6 of Regulation (EU) No 1173/2011, following the adoption of this Decision under Article 126(8) TFEU, should be made only once Regulation (EU) No [xxx]/2026 enters into force and at latest by January 2027.

HAS ADOPTED THIS DECISION:

Article 1

Bulgaria has not taken effective action in response to the Council Recommendation of 10 July 2026.

Article 2

This Decision is addressed to the Republic of Bulgaria.

Done at Brussels,

For the Council
The President

15 Regulation (EU) No 1173/2011 of the European Parliament and of the Council of 16 November 2011 on the effective enforcement of budgetary surveillance in the euro area (OJ L 306, 23.11.2011, pp. 1–7, ELI: http://data.europa.eu/eli/reg/2011/1173/oj).

16 Regulation (EU) No [xxx]/2026 of the European Parliament and of the Council of [DATE] amending Regulations (EU) No 1173/2011 and (EU) No 473/2013 as regards alignment with the EU economic governance framework and further simplification of that framework. (OJ L [reference]).