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**NOTE**

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| From: | General Secretariat of the Council |
| To: | Permanent Representatives Committee/Council |
| No. prev. doc.: | 11694/24 |
| Subject: | COUNCIL RECOMMENDATION on economic, budgetary, employment and structural policies of Bulgaria |

Delegations will find attached the above-mentioned draft Council Recommendation, as approved by the Council and revised by legal-linguistic experts, based on the Commission Recommendation COM(2024) 602 final.



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**COUNCIL RECOMMENDATION**

**of …**

**on economic, budgetary, employment and structural policies 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(2) and Article 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 1466/97[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,

1 *OJ L, 2024/1263, 30.4.2024, ELI:* http://data.europa.eu/eli/reg/2024/1263/oj.



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Whereas:

(1) Regulation (EU) 2021/241 of the European Parliament and of the Council[2], which established the Recovery and Resilience Facility ('the Facility'), entered into force on 19 February 2021. The Facility provides financial support to the Member States for the implementation of reforms and investments, entailing a fiscal impulse financed by the Union. In line with the priorities of the European Semester for economic policy coordination, the Facility helps achieve the economic and social recovery and implement sustainable reforms and investments, in particular reforms and investments to promote the green and digital transitions and to make the Member States' economies more resilient. It also helps strengthen public finances and boost growth and job creation in the medium and long term, improve territorial cohesion within the Union and support the continued implementation of the European Pillar of Social Rights.

(2) Regulation (EU) 2023/435 of the European Parliament and of the Council[3] ('the REPowerEU Regulation'), which was adopted on 27 February 2023, aims to phase out the Union's dependence on Russian fossil-fuel imports. This would help achieve energy security and diversify the Union's energy supply, while increasing the uptake of renewables, energy storage capacities and energy efficiency.

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2 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).

3 Regulation (EU) 2023/435 of the European Parliament and of the Council of 27 February 2023 amending Regulation (EU) 2021/241 as regards REPowerEU chapters in recovery and resilience plans and amending Regulations (EU) No 1303/2013, (EU) 2021/1060 and (EU) 2021/1755, and Directive 2003/87/EC (OJ L 63, 28.2.2023, p. 1, ELI: http://data.europa.eu/eli/reg/2023/435/oj).



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(3) On 16 March 2023, the Commission issued a communication entitled 'Long-term competitiveness of the EU: looking beyond 2030', in order to inform policy decisions and create the framework conditions for increasing growth. The communication frames competitiveness in terms of nine mutually reinforcing drivers. Among those drivers, access to private capital, research and innovation, education and skills, and a functioning single market emerge as paramount policy priorities for reform and investment to address current productivity challenges as well as to build up the long-term competitiveness of the Union and its Member States. On 14 February 2024, the Commission issued a communication entitled 'The 2024 Annual Single Market and Competitiveness Report'. That communication details the competitive strengths and challenges of the European single market, tracking yearly developments according to the nine competitiveness drivers identified.

(4) On 21 November 2023, the Commission adopted the 2024 Annual Sustainable Growth Survey, marking the start of the 2024 European Semester for economic policy coordination. On 22 March 2024, the European Council endorsed the priorities of the 2024 Annual Sustainable Growth survey, which are centred around the four dimensions of competitive sustainability. On 21 November 2023, on the basis of Regulation (EU) No 1176/2011 of the European Parliament and of the Council[4], the Commission also adopted the 2024 Alert Mechanism Report, in which it did not identify Bulgaria as one of the Member States that may be affected, or may be at risk of being affected, by imbalances and 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 and a proposal for the 2024 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[5] ('the 2024 Recommendation on the euro area') on 12 April 2024 and the Joint Employment Report on 11 March 2024.

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4 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, ELI: http://data.europa.eu/eli/reg/2011/1176/oj).

5 Council Recommendation of 12 April 2024 on the economic policy of the euro area (OJ C, C/2024/2807, 23.4.2024, ELI: http://data.europa.eu/eli/C/2024/2807/oj).



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(5) On 30 April 2024, the Union's new economic governance framework entered into force. The framework includes the new Regulation (EU) 2024/1263 on the effective coordination of economic policies and multilateral budgetary surveillance, the amended Council Regulation (EC) No 1467/97[6] on speeding up and clarifying the implementation of the excessive deficit procedure, and the amended Council Directive 2011/85/EU[7] on requirements for the budgetary frameworks of Member States. The objectives of the new economic governance framework are to promote sound and sustainable public finances, sustainable and inclusive growth and resilience through reforms and investments, and prevent excessive government deficits. The new economic governance framework also promotes national ownership and has a greater medium-term focus, combined with more effective and coherent enforcement. Each Member State has to submit to the Council and to the Commission a national medium-term fiscal-structural plan. A national medium-term fiscal-structural plan contains the fiscal, reform and investment commitments of a Member State, covering a planning horizon of 4 or 5 years, depending on the regular length of the national legislative term. The net expenditure[8] path in the national medium-term fiscal-structural plans has to comply with the requirements of Regulation (EU) 2024/1263, including the requirements to put or keep general government debt on a plausibly downward path by the end of the adjustment period, or for it to remain at prudent levels below 60 % of gross domestic product (GDP), and to bring and/or maintain the general government deficit below the 3 %-of-GDP Treaty reference value over the medium term. Where a Member State commits to a relevant set of reforms and investments in accordance with the criteria set out in Regulation (EU) 2024/1263, the adjustment period can be extended by up to 3 years. For the purpose of supporting the preparation of those national medium-term fiscal-structural plans, on 21 June 2024, the Commission published guidance on the information to be provided by Member States in their national medium-term fiscal-structural plans and in their annual progress

[6] 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, p. 6, ELI: http://data.europa.eu/eli/reg/1997/1467/oj).

[7] Council Directive 2011/85/EU of 8 November 2011 on requirements for budgetary frameworks of the Member States (OJ L 306, 23.11.2011, p. 41, ELI: http://data.europa.eu/eli/dir/2011/85/oj).

[8] Net expenditure as defined in Article 2, point (2), of Regulation (EU) 2024/1263: ‘net expenditure’ means government expenditure net of (i) interest expenditure, (ii) discretionary revenue measures, (iii) expenditure on programmes of the Union 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.


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reports. In accordance with Articles 5 and 36 of Regulation (EU) 2024/1263, the Commission transmitted to the Member States reference trajectories and technical information, where applicable. Member States have to submit their national medium-term fiscal-structural plans by 20 September 2024, unless the Member State and the Commission agree to extend the deadline by a reasonable period of time. In accordance with their national legal frameworks, Member States may debate their draft medium-term plans with their national parliaments, may ask the independent fiscal institutions to issue an opinion, and may conduct a consultation of social partners and other national stakeholders.

(6) In 2024, the European Semester for economic policy coordination continues to evolve in line with the implementation of the Facility. The full implementation of the recovery and resilience plans remains essential for delivering the policy priorities under the European Semester, as the plans help effectively address all or a significant subset of challenges identified in the relevant country-specific recommendations issued in recent years. The 2019, 2020, 2022 and 2023 country-specific recommendations remain equally relevant for the recovery and resilience plans which have been revised, updated or amended in accordance with Articles 14, 18 and 21 of Regulation (EU) 2021/241.


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(7) On 15 October 2021, Bulgaria submitted its national recovery and resilience plan to the Commission, in accordance with Article 18(1) of Regulation (EU) 2021/241. Pursuant to Article 19 of Regulation (EU) 2021/241, the Commission assessed the relevance, effectiveness, efficiency and coherence of the recovery and resilience plan, in accordance with the assessment guidelines set out in Annex V to that Regulation. On 4 May 2022, the Council adopted its Implementing Decision on the approval of the assessment of the recovery and resilience plan for Bulgaria[9], which was amended on 8 December 2023 pursuant to Article 18(2) of Regulation (EU) 2021/241 to update the maximum financial contribution for non-repayable financial support[10]. The release of instalments is conditional on the adoption of a decision by the Commission, in accordance with Article 24(5) of Regulation (EU) 2021/241, stating that Bulgaria has satisfactorily fulfilled the relevant milestones and targets set out in the Council Implementing Decision. Satisfactory fulfilment presupposes that the achievement of preceding milestones and targets has not been reversed.

(8) On 30 April 2024, Bulgaria submitted its 2024 National Reform Programme and its 2024 Convergence Programme, in line with Article 8(1) of Council Regulation (EC) No 1466/97[11]. In accordance with Article 27 of Regulation (EU) 2021/241, the 2024 National Reform Programme also reflects Bulgaria's biannual reporting on the progress made in achieving its recovery and resilience plan.

9 ST 8091/22 INIT; ST 8091/22 ADD 1.

10 Council Implementing Decision of 8 December 2023 amending the Implementing Decision of 4 May 2022 on the approval of the assessment of the recovery and resilience plan for Bulgaria (ST 15837/23 INIT; ST 15837/23 ADD 1).

11 Council Regulation (EC) No 1466/97 of 7 July 1997 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies (OJ L 209, 2.8.1997, p. 1, ELI: http://data.europa.eu/eli/reg/1997/1466/oj).


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(9) On 19 June 2024, the Commission published the 2024 country report for Bulgaria. It assessed Bulgaria's progress in addressing the relevant country-specific recommendations adopted by the Council between 2019 and 2023 and took stock of Bulgaria's implementation of the recovery and resilience plan. On the basis of that analysis, the country report identified gaps with regard to those challenges that are not addressed or only partially addressed by the recovery and resilience plan, as well as new and emerging challenges. 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 reduction, as well as progress in achieving the United Nations Sustainable Development Goals.

(10) According to data validated by Eurostat, Bulgaria's general government deficit decreased from 2,9 % of GDP in 2022 to 1,9 % in 2023, while the general government debt rose from 22,6 % of GDP at the end of 2022 to 23,1 % at the end of 2023.


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(11) On 12 July 2022, the Council recommended[12] that Bulgaria take action to ensure in 2023 that the growth of nationally financed primary current expenditure is in line with an overall neutral fiscal policy stance[13], taking into account continued temporary and targeted support to households and firms most vulnerable to energy price hikes and to people fleeing Ukraine. Bulgaria was recommended to adjust current spending to the evolving situation. Bulgaria was also recommended to expand public investment for the green and digital transitions, and for energy security taking into account the REPowerEU initiative, including by making use of the Facility and other Union funds. In 2023, according to the Commission's estimates, the fiscal stance[14] was broadly neutral, at 0,0 % of GDP. The growth in nationally financed primary current expenditure (net of discretionary revenue measures) in 2023 provided a broadly neutral contribution to the fiscal stance of 0,2 % of GDP. This includes the 1,3 %-of-GDP reduction in the cost of the emergency support measures (targeted and untargeted) for households and firms in response to energy price hikes, as well as the 0,3 %-of-GDP increase in the cost of offering temporary protection to displaced persons from Ukraine. The main drivers of growth in nationally financed primary current expenditure (net of discretionary revenue measures) were recently legislated increases in pensions and wages. In sum, the growth of nationally financed primary current expenditure in 2023 was in line with the Council Recommendation of 12 July 2022. Expenditure financed by grants under the Facility and other Union funds amounted to 1,2 % of GDP in 2023. Nationally financed investment amounted to 2,7 % of GDP in 2023, representing an annual increase of 0,8 percentage points as compared to 2022. Bulgaria financed additional investment through the Facility and other Union funds. Bulgaria financed public investment for the green and digital transitions and for energy security, such

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[12] Council Recommendation of 12 July 2022 on the 2022 National Reform Programme of Bulgaria and delivering a Council opinion on the 2022 Convergence Programme of Bulgaria (*OJ C 334, 1.9.2022, p. 11)*.

[13] On the basis of the Commission's 2024 spring forecast, the medium-term potential output growth of Bulgaria in 2023, which is used to measure the fiscal stance, is estimated at 10,1 % in nominal terms, on the basis of the 10-year average real potential growth rate and the 2023 GDP deflator.

[14] 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 Union 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 excluding temporary emergency measures related to the COVID-19 crisis) and including expenditure financed by non-repayable support (grants) under the Facility and other Union funds.


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as investments in facilities and business models for using waste as a resource in support of the circular economy, as well as investments to increase energy efficiency and to support the effective protection of natural habitats and protected species. That public investment is partly funded by the Facility and other Union funds.

(12) In the 2024 Convergence Programme, the macroeconomic scenario underpinning the budgetary projections projects real GDP to grow by 3,2 % in 2024 and 2,7 % in 2025, while projecting inflation measured by the harmonised index of consumer prices (HICP) at 2,4 % in 2024 and 2,8 % in 2025. The general government deficit is expected to increase to 3 % of GDP in both 2024 and 2025, while the general government debt-to-GDP ratio is set to increase to 25 % by the end of 2024 and 27,3 % by the end of 2025. After 2025, the general government deficit is projected to decrease to 2,8 % of GDP in 2026 and increase again to 3,0 % in 2027. Therefore, the general government balance is planned to not exceed the 3 %-of-GDP Treaty deficit reference value over the programme horizon. In turn, after 2025, the general government debt-to-GDP ratio is projected to increase gradually to 30 % in 2026 and 30,7 % in 2027.

(13) The Commission’s 2024 spring forecast projects real GDP to grow by 1,9 % in 2024 and 2,9 % in 2025, and inflation measured by HICP to stand at 3,1 % in 2024 and 2,6 % in 2025.

(14) The Commission’s 2024 spring forecast projects a government deficit of 2,8 % of GDP in 2024, while the general government debt-to-GDP ratio is set to increase to 24,8 % by the end of 2024. The increase of the deficit in 2024 mainly reflects expenditure on pensions and wages. According to the Commission's estimates, the fiscal stance is projected to be contractionary by 0,3 % of GDP in 2024.


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(15) Expenditure amounting to 0,4 % of GDP is expected to be financed by non-repayable support ('grants') under the Facility in 2024, compared to 0,1 % of GDP in 2023, according to the Commission's 2024 spring forecast. Expenditure financed by grants under the Facility will enable high-quality investment and productivity-enhancing reforms without a direct impact on the general government balance or debt of Bulgaria.

(16) On 14 July 2023, the Council recommended[15] that Bulgaria ensure a prudent fiscal policy, in particular by limiting the nominal increase in net nationally financed primary expenditure[16] in 2024 to not more than 4,6 %. When executing their 2023 budgets and preparing their draft budgetary plans for 2024, Member States were invited to take into account that the Commission would propose to the Council the opening of deficit-based excessive deficit procedures on the basis of the outturn data for 2023. According to the Commission's 2024 spring forecast, Bulgaria's net nationally financed primary expenditure is projected to increase by 6,2 % in 2024, which is above the recommended maximum growth rate. That excess spending over the recommended maximum growth rate in net nationally financed primary expenditure corresponds to 0,6 % of GDP in 2024. However, net expenditure in 2023 was lower than expected at the time of the Recommendation of 14 July 2023 (by 3,3 % of GDP). Therefore, as the Recommendation of 14 July 2023 was formulated as a growth rate, the assessment of compliance also needs to take into account the base effect from 2023. Had net expenditure in 2023 been the same as expected at the time of the Recommendation of 14 July 2023, the resulting growth rate of net expenditure in 2024 would have been below the maximum recommended growth rate by 2,7 % of GDP. Overall, net nationally financed primary expenditure is assessed as at risk of being not fully in line with what was recommended by the Council.

[15] Council Recommendation of 14 July 2023 on the 2023 National Reform Programme of Bulgaria and delivering a Council opinion on the 2023 Convergence Programme of Bulgaria (OJ C 312, 1.9.2023, p. 13).

[16] Net primary expenditure is defined as nationally financed expenditure net of (i) discretionary revenue measures, (ii) interest expenditure, (iii) cyclical unemployment expenditure, and (iv) one-offs and other temporary measures.



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(17) Moreover, the Council recommended that Bulgaria take action to wind down the emergency energy support measures in force, using the related savings to reduce the government deficit, as soon as possible in 2023 and 2024. The Council further recommended that, if renewed energy price increases necessitate new or continued support measures, Bulgaria ensure that such support measures are targeted at protecting vulnerable households and firms, are fiscally affordable, and preserve incentives for energy savings. According to the Commission's 2024 spring forecast, the net budgetary cost[17] of emergency energy support measures is estimated at 0,0 % of GDP in 2023 and projected at 0,0 % in 2024 and in 2025. The emergency energy support measures have been wound down in 2023 and 2024. This is in line with what was recommended by the Council.

(18) In addition, the Council also recommended that Bulgaria preserve nationally financed public investment and ensure the effective absorption of grants under the Facility and of other Union funds, in particular to foster the green and digital transitions. According to the Commission's 2024 spring forecast, nationally financed public investment is projected to decrease from 2,7 % of GDP in 2023 to 2,1 % of GDP in 2024. This decrease is partly driven by the end of the 2014–2020 programming period of Union structural funds, for which funds were available until 2023, but exceeds the decrease that can be explained by the share of national co-financing. There is therefore a risk that nationally financed public investment will not be in line with what was recommended by the Council. In turn, public expenditure financed from revenues from Union funds, including grants under the Facility, is expected to decrease from 1,2 % of GDP in 2023 to 0,8 % of GDP in 2024. This decrease is driven by the end of the 2014–2020 programming period of Union structural funds, for which funds were available until 2023.

(19) On the basis of the policy measures known at the cut-off date of the forecast and on a no-policy-change assumption, the Commission's 2024 spring forecast projects a government deficit of 2,9 % of GDP in 2025. The general government debt-to-GDP ratio is set to increase to 24,6 % by the end of 2025.

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17 The figure represents the level of the annual budgetary cost of those measures, including revenue and expenditure and, where applicable, net of the revenue from taxes on windfall profits of energy suppliers.



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(20) There is scope to increase the efficiency of public investment management by stepping up the implementation of key measures. Bulgaria still has shortcomings in key areas such as the alignment between investment decisions and long-term strategic goals, and the timely execution of capital expenditure. Standardised procedures for project selection and evaluation based on objective value-for-money criteria are not yet in place.

(21) In accordance with Article 19(3), point (b), of Regulation (EU) 2021/241 and criterion 2.2 of Annex V to that Regulation, the recovery and resilience plan includes an extensive set of mutually reinforcing reforms and investments to be implemented by 2026. Those reforms and investments are expected to help effectively address all or a significant subset of challenges identified in the relevant country-specific recommendations. Within this tight timeframe, proceeding swiftly with the effective implementation of the recovery and resilience plan is essential to boost Bulgaria's long-term competitiveness through the green and digital transitions, while ensuring social fairness. To deliver on the commitments of the recovery and resilience plan by August 2026, it is essential for Bulgaria to significantly accelerate the implementation of reforms and investments by improving the functioning of the public administration and improving public investment management. Further efforts are necessary in the digitalisation of administrative processes and to improve the quality of procurement procedures. Staff recruitment, training and retention of talented personnel are key to building a competent administration at both central and local level. Business regulation continues to be a key problem for companies, half of which identify it as a main barrier to making long-term investments. Some 53 % of investors are not confident that their investments are being protected by law and courts. All these elements would also improve the business environment in Bulgaria. The rapid inclusion of a REPowerEU chapter in the recovery and resilience plan will allow additional reforms and investments to be financed in support of Bulgaria's and the Union’s strategic objectives in the field of energy and the green transition. The systematic 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 recovery and resilience plan.


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(22) As part of the mid-term review of the cohesion policy programmmes, in accordance with Article 18 of Regulation (EU) 2021/1060 of the European Parliament and of the Council[18], Bulgaria is required to review each programme supported by the European Regional Development Fund (ERDF), the European Social Fund Plus (ESF+), the Cohesion Fund and the Just Transition Fund (JTF) by March 2025, taking into account, among other things, the challenges identified in the 2024 country-specific recommendations, as well as its national energy and climate plan. That review forms the basis for the definitive allocation of the Union funding included in each programme. Bulgaria has made progress in implementing cohesion policy programmes and the European Pillar of Social Rights, but challenges remain. Bulgaria is experiencing a population decline and significant regional disparities, especially with the three northern regions still lagging behind. Accelerating the implementation of cohesion policy programmes and strengthening administrative capacity at all levels is crucial. The priorities agreed in the programmes continue to be relevant. Regional and local actors' capacity to apply integrated approaches to investments at local level remains key. It is particularly important to promote regional and local support networks for research, innovation and entrepreneurship through targeted measures for technology transfer and commercialisation. Investments in sustainable transport, including the development of rail and road infrastructure as well as intramodality, remain priorities. The implementation of the territorial just transition plans deserves specific attention, also in terms of effective governance, coordination and capacity of the national, regional and local actors. It is also necessary to continue green investments, particularly to improve water management, drinking water supply and wastewater treatment, and to ensure efficient waste and resource management. Labour shortages persist, affecting in particular professions related to social services such as nurses. Although unemployment is generally low, it remains much higher among vulnerable groups (young people, persons with disabilities and the Roma) and in some regions, suggesting that there is potential to increase the labour force. Active labour market policy measures, especially for groups further away from the labour market, and investment in skills acquisition, particularly for the green and digital

[18] Regulation (EU) 2021/1060 of the European Parliament and of the Council of 24 June 2021 laying down common provisions on the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, the Just Transition Fund and the European Maritime, Fisheries and Aquaculture Fund and financial rules for those and for the Asylum, Migration and Integration Fund, the Internal Security Fund and the Instrument for Financial Support for Border Management and Visa Policy (OJ L 231, 30.6.2021, p. 159, http://data.europa.eu/eli/reg/2021/1060/oj).


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transitions, remain priorities. Quality and inclusive education system, including the implementation of the European Child Guarantee, is still pertinent. Despite a gradual decline, Bulgaria has one of the highest shares of the population at risk of poverty or social exclusion, including more than one in three children and over one in three older (65+) people. The share is also significantly higher for persons with disabilities and the Roma. In addition, income inequalities are significant. Addressing these challenges would also contribute to supporting upward social convergence, in line with the Commission services' second-stage country analysis based on the features of the Social Convergence Framework, that was piloted in 2024. In line with Article 3(3), point (b), of Regulation (EU) 2024/1263, the European Semester is to include the surveillance of the implementation of the employment guidelines by the Commission, inter alia via a framework to identify risks to social convergence. Bulgaria could also make use of the Strategic Technologies for Europe Platform, established by Regulation (EU) 2024/795 of the European Parliament and of the Council[19], including in increasing investments in digitalisation, clean and resource-efficient technologies and in the green industrial transformation. That initiative could enable Bulgaria to implement its commitments to clean technology, circular and low-carbon economy with its smart specialisation strategy and ensure a cohesive approach to advance industrial sustainability.

(23) Bulgaria faces several challenges related to the decarbonisation of the economy and of energy production, sustainable transport as well as quality of education and skills. Those challenges could be further addressed beyond the scope of the recovery and resilience plan and cohesion policy programmes.

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19 Regulation (EU) 2024/795 of the European Parliament and of the Council of 29 February 2024 establishing the Strategic Technologies for Europe Platform (STEP), and amending Directive 2003/87/EC and Regulations (EU) 2021/1058, (EU) 2021/1056, (EU) 2021/1057, (EU) No 1303/2013, (EU) No 223/2014, (EU) 2021/1060, (EU) 2021/523, (EU) 2021/695, (EU) 2021/697 and (EU) 2021/241 (OJ L, 2024/795, 29.2.2024, ELI: http://data.europa.eu/eli/reg/2024/795/oj.).


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(24) Access to clean and affordable energy continues to be a priority issue in Bulgaria. While the country has made limited progress, further structural challenges remain. In particular, the postponed electricity market liberalisation – one of the essential decarbonisation reforms under the recovery and resilience plan – impedes the transition to clean and affordable energy. Further, the district heating systems in Bulgaria are often in poor technical condition, and most of them are predominantly based on natural gas or coal. In 2023, the deployment of solar photovoltaics saw a significant increase with over 1,2 GW in newly installed capacity, bringing the total to nearly 3 GW. However, the installed wind capacity has stagnated over the past decade, with a total of 700 MW in onshore installations. This is despite wind power's potential to boost the electricity system's balancing capacity during off-peak periods. Untapped technical potential of offshore wind energy is estimated at 26 GW[20]. At the same time, the lack of sufficient energy storage is increasingly evident, especially during sunny hours, posing a risk to the continuous deployment of grid-scale renewables in Bulgaria. Despite strong electricity interconnection with its neighbours, including a new 400 kV line with Greece (PCI Maritsa East-Nea Santa), bottlenecks to the transmission and distribution grids persist. Further action to improve the management of grids by introducing smart grid elements, including a roll-out of smart meters and demand-side response measures, could improve the situation. While there have been slight improvements in energy poverty indicators in Bulgaria, significant challenges persist. The share of the population unable to adequately heat their homes was 22,5 % in 2022, the highest rate within the Union, well above the Union average of 9,3 %. Although Bulgaria has adopted an official definition for energy poverty, concrete support schemes are yet to be fully developed, with the current targeted heating allowance remaining limited in both duration and coverage.

[20] World Bank, Offshore Wind Energy Potential in the Black Sea, Washington, D.C., March 2020.

(25) Greenhouse gas emissions from transport are a significant concern for Bulgaria, particularly from road transport, where greenhouse gas emissions increased by 29 % in 2022 (compared to 2005 levels). The use of passenger cars continues to be high, while the share of battery electric vehicles is still very low. In addition, the charging infrastructure is still insufficient, with just one charging point for every three electric vehicles, which impedes the uptake of electric mobility. Moreover, Bulgaria's rail infrastructure lags behind the Union average, with specific disparities between northern and southern regions. Strengthening investments in the country's railway network and increasing the number of sustainable urban transport initiatives is crucial, ensuring transport connectivity between northern and southern regions, large urban centres and rural and peripheral areas, as well as completion of connections to the trans-European transport network.


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(26) Despite some amendments to the regulatory framework as part of the recovery and resilience plan, educational outcomes in Bulgaria are poor and have further deteriorated. The country has recorded lower results in the latest editions of international assessments compared to previous years. The shares of low-achieving students in mathematics, reading and sciences – as shown by the OECD Programme for International Student Assessment – are among the most alarming in the Union. 53,5 % of 15-year-olds lack a minimum proficiency level in mathematics, 52,9 % in reading and 48 % in sciences, with very high rates among students from disadvantaged backgrounds. National standardised exams show large and growing inequalities of outcomes and strong social segregation in the Bulgarian education system. About 50 % of schoolteachers are at least 50 years old and teacher shortages are emerging. Despite some improvements, challenges remain to improving initial teacher education and continuous professional development to facilitate improvements in the quality and equity of education. The rate of early leavers from education and training improved in recent years but remains particularly high among the Roma and in rural areas. Furthermore, the low participation of adults in learning (9,5 % compared to the Union average of 39,5 %) translated into insufficient or inadequate skills, therefore creating bottlenecks to employability and overall competitiveness. The Vocational Education and Training regulatory framework introduces obligatory competences for environmental protection as a part of general professional training for all professions. On top of that, the just transition plans for coal regions include several measures covering the reskilling of the workforce and job creation in such regions in Bulgaria. The levels of digital skills remain much lower than the Union average (35,5 % versus 55,5 % in 2023) and influence employability. To tackle those challenges, there is an ambitious project funded by the Facility that aims to improve the upskilling and reskilling of the workforce, focusing on digital skills, but its implementation has been delayed,


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HEREBY RECOMMENDS that Bulgaria take action in 2024 and 2025 to:

1. Submit the medium-term fiscal-structural plan in a timely manner. In line with the requirements of the reformed Stability and Growth Pact, limit the growth in net expenditure[21] in 2025 to a rate consistent with, inter alia, maintaining the general government deficit below the 3 %-of-GDP Treaty reference value and keeping the general government debt at a prudent level over the medium term.

2. Significantly accelerate the implementation of cohesion policy programmes and the recovery and resilience plan, ensuring the completion of reforms and investments by August 2026, by improving the functioning and boosting the capacity of the public administration, including at regional level, increasing the quality of procurement procedures and strengthening the independence and functioning of regulators. Rapidly finalise the REPowerEU chapter. In the context of the mid-term review of cohesion policy programmes, continue focusing on the agreed priorities, while considering the opportunities provided by the Strategic Technologies for Europe Platform initiative to improve competitiveness.

3. Improve education and training, including for disadvantaged groups, by enhancing teacher training and implementing competence-based teaching and learning. Address labour shortages and improve workers' skills to boost competitiveness and support the green transition.

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[21] According to Article 2, point (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.



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4. Reduce reliance on fossil fuels and accelerate the clean energy transition, particularly by shifting to renewable energy in district heating and deploying wind installations. Ensure sufficient storage capacities to increase the flexibility of the energy system. Strengthen the electricity grid infrastructure by introducing smart-grid elements and increasing interconnection with neighbouring countries. Address energy poverty by implementing targeted measures to reduce the share of population unable to keep their homes adequately warm. Promote the deployment and uptake of sustainable urban and railway transport, including by accelerating the development of the necessary infrastructure.

Done at Brussels,

*For the Council*
*The President*


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