Council of the European Union

Brussels, 20 February 2024
(OR. en)

6645/1/24
REV 1

LIMITE

ECOFIN 188
UEM 34
CODEC 502

PUBLIC

Interinstitutional File:
2023/0138(COD)

NOTE

From:	General Secretariat of the Council
To:	Permanent Representatives Committee (Part 2)
Subject:	Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on the effective coordination of economic policies and multilateral budgetary surveillance and repealing Council Regulation (EC) No 1466/97 – Confirmation of the final compromise text with a view to agreement

2023/0138 (COD)

PUBLIC

Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

on the effective coordination of economic policies and multilateral budgetary surveillance and repealing Council Regulation (EC) No 1466/97

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 121(6) thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national parliaments,

Having regard to the opinion of the European Central Bank (footnote)

Acting in accordance with the ordinary legislative procedure,

Whereas:

(1) The coordination of the economic policies of the Member States within the Union, as provided for by the Treaty on the Functioning of the European Union (TFEU), entails compliance with the guiding principles of stable prices, sound public finances and monetary conditions and a sustainable balance of payments.

(2) The Stability and Growth Pact (SGP), which initially consisted of Council Regulation (EC) No 1466/97[1], Council Regulation (EC) No 1467/97 of 7 July 1997[2] and the Resolution of the European Council of 17 June 1997 on the Stability and Growth Pact[3], is based on the objective of sound and sustainable government finances as a means of strengthening the conditions for price stability and for strong sustainable growth underpinned by financial stability, thereby supporting the achievement of the Union's objectives for sustainable and inclusive growth and employment.

(3) The fiscal governance framework, which is the subject matter of this Regulation, is a part of the European Semester, which also comprises the coordination and surveillance of broader economic and employment policies of the Member States, in accordance with Articles 121 and 148 TFEU***, including the European Pillar of Social Rights, and the related country-specific recommendations***.

(4) The involvement of ***national parliaments,*** social partners, civil society organisations and other relevant stakeholders in the European Semester is key to ensure ownership ***as well as*** transparent and inclusive policy-making.

---

1 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).

2 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).

3 Resolution of the European Council on the Stability and Growth Pact Amsterdam, 17 June 1997 (OJ C 236, 2.8.1997, p. 1).

(5) The economic governance framework of the Union should be adapted to better take into account the ***increased*** heterogeneity of fiscal positions, public debt ***and economic*** challenges and other vulnerabilities across Member States. The strong policy response to the COVID-19 pandemic proved highly effective in mitigating the economic and social ***consequences*** of the crisis, but ▌ resulted in a significant increase in public- and private-sector debt ratios, underscoring the importance of reducing debt ratios ***and deficits*** to prudent levels in a gradual, ***realistic,*** sustained and growth-friendly manner ***ensuring leeway for counter-cyclical policies*** and addressing macroeconomic imbalances, while paying due attention to employment and social objectives. At the same time, the economic governance framework of the Union should be adapted to help address the medium- and long-term challenges facing the Union including achieving a fair digital and green transition, including the Climate Law[4], ensuring energy security, ***supporting*** open strategic autonomy, addressing demographic change, strengthening social and economic resilience ***and sustained convergence,*** and implementing the strategic compass for security and defence, all of which requires reforms and sustained high levels of investment in the years to come.

(6) The economic governance framework of the Union should ***promote sound and sustainable public finances,*** sustainable and inclusive growth ▌ and therefore differentiate between Member States by taking into account their public debt ***and economic*** challenges and allowing ***multi-annual*** country-specific fiscal trajectories***, while ensuring effective multilateral surveillance and respecting the principle of equal treatment***.

[4] The European Climate Law sets a Union-wide climate neutrality objective by 2050 and requires Union institutions and Member States to progress in enhancing adaptive capacity, requiring significant public investment to reduce the negative socio-economic impacts of climate change on the EU and its Member States, including negative impacts on growth and fiscal sustainability.

(6a) Ensuring an appropriate level of public investment is necessary in order to achieve the main objectives of the reform of the economic governance framework as laid down in the Regulation and addressing the current and future priorities of the Union. The implementation of financing instruments such as the cohesion policy funds, NGEU or SURE could provide lessons for improving the effectiveness and efficiency of investments and employment policies, and for any Union investment instrument that addresses the common priorities of the Union.

(7) The multilateral surveillance procedure set out in Article 121(2), (3) and (4) and Article 148(4) TFEU should monitor in accordance with more detailed rules the full range of economic and employment developments in each of the Member States and in the Union. That includes the detection of macroeconomic imbalances and the prevention and correction of excessive imbalances as set out in Regulations (EU) No 1174/2011[5] and (EU) No 1176/2011[6] of the European Parliament and of the Council. For the monitoring of such economic and employment developments, Member States should present information in the form of medium-term fiscal-structural plans ***covering a period of 4 years or 5 years, depending on the regular length of the national legislature. As part of its integrated analysis of employment and social developments in the European Semester, the Commission assesses risks to upward social convergence in Member States and monitors progress on the implementation of the principles of the European Pillar of Social Rights on the basis of the Social Scoreboard and of the principles of the Social Convergence Framework***.

[5] Regulation (EU) No 1174/2011 of the European Parliament and of the Council of 16 November 2011 on enforcement measures to correct excessive macroeconomic imbalances in the euro area (OJ L 306, 23.11.2011, p. 8).

[6] 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).

(8) Detailed rules should therefore be laid down regarding the content, submission, assessment***, endorsement*** and monitoring of the national medium-term fiscal-structural plans, in order to promote ***sound and sustainable public finances*** and sustainable and inclusive growth in the Member States***, and resilience through reforms and investments, including those contributing to the common priorities of the Union,*** and prevent the occurrence of excessive government deficits ▌.

(9) National medium-term fiscal-structural plans should bring together the fiscal ***policy***, structural reforms and ***investments*** of each Member State and these plans should be the cornerstone of the economic governance framework of the Union. Each Member State should present a medium-term ***fiscal-structural*** plan that sets out its fiscal trajectory as well as priority public ***investments and reforms*** that together ensure sustained and gradual debt reduction and sustainable and inclusive growth, avoiding a pro-cyclical fiscal policy***. The plans should also include*** broader ***reforms*** and ***investments***, including in relation to ***common priorities of the Union, namely*** the green ***transition, including the European Green Deal and the transition to climate neutrality by 2050, the European Climate Law and the translation at national level through the National Energy and Climate Plans, the*** digital ***transition, including the Digital Decade Policy Programme 2030***, social and economic resilience and the implementation of the European Pillar of Social Rights***, including the related targets on employment, skills and poverty reduction by 2030, energy security and the build-up of defence capabilities where applicable, including the Strategic Compass for Security and Defence or subsequent Union acts relevant for those priorities.*** During the lifetime of the Recovery and Resilience Facility[7], commitments undertaken in the national Recovery and Resilience Plans should be duly taken into account.

[7] 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).

(10) Cohesion policy funds are also synchronised with the European Semester process. As the long-term investment policy of the EU budget, cohesion policy investments and reforms should also be duly taken into account in the drawing of the national medium-term fiscal-structural plans***, with a view to ensuring consistency and, where appropriate, complementarity***.

(11) The ***submission*** of the national medium-term fiscal-structural plan should be preceded by a technical dialogue with the Commission to ensure compliance with the provisions of this Regulation. ***The Commission assessment of the national medium-term fiscal-structural plans shall include a summary of the technical dialogue.*** On the basis of a recommendation from the Commission, the Council should ***adopt a recommendation setting*** the net expenditure path and***, as appropriate,*** endorse the ***reforms and investments underpinning*** the possible extension of the adjustment period ▌.

(12) In order to simplify the Union fiscal framework and increase transparency, a single operational indicator anchored in debt sustainability should serve as a basis for setting the fiscal path and carrying out annual fiscal surveillance for each Member State. That single operational indicator should be based on nationally financed net primary expenditure, that is to say ***government*** expenditure net of ***interest expenditure,*** discretionary revenue measures***, expenditure on programmes of the Union fully matched by Union funds revenue, national*** expenditure ***on co-financing of programmes funded by the Union,*** as well as cyclical ***elements of*** unemployment ***benefit*** expenditure***. In line with the guiding principles that are used by the Commission for classifying transactions as one-offs and other temporary measures should also be excluded from net expenditure.*** This indicator, ***which*** is not affected by the operation of automatic stabilisers ***and other*** expenditure fluctuations outside the direct control of the government***, provides leeway for counter-cyclical macro-economic stabilisation***.

PUBLIC

(13) To ***frame the dialogue leading to the submission of national*** medium-term fiscal-structural ***plans***, the Commission ***shall transmit to Member States with general government debt above the 60% of GDP Treaty reference value or a government deficit exceeding the 3% of GDP Treaty reference value a reference trajectory covering an adjustment period of 4 years and its possible extension by a maximum of 3 years. This reference trajectory*** should ***be risk-based, country-specific and anchored in debt sustainability to*** ensure ***a more forward-looking approach fit for current and future challenges.*** At the ***request*** of the ***Member State,*** the Commission should put forward ***technical information to Member States with government debt not exceeding the 60% of GDP Treaty reference value and government deficit not exceeding the 3% of GDP Treaty reference value***.

(13a) Up to a month before the European Commission transmits to a Member State the reference trajectory or technical information, the Member State may request a technical exchange with the European Commission. The technical exchange should provide an opportunity to discuss the latest statistical information available and the economic and fiscal outlook of the Member State concerned, while ensuring equal treatment of Member States.

(13b) The EU budgetary surveillance framework is based on statistical data provided by Eurostat, which is responsible, on behalf of the Commission, for ensuring the quality of the fiscal data compiled in accordance with the European System of National and Regional Accounts (ESA). Eurostat will establish a framework for Member States' reporting of statistical data on national co-financing of programmes funded by the Union, necessary for the implementation of this regulation and which are not currently collected by Eurostat. Member States may rely initially on estimates, until the framework for the collection and provision of such data is established. The format, scope, frequency and timing of data provision are to be determined by the relevant EU statistical bodies.

PUBLIC

(14) The ***reference*** trajectory ***should ensure that,*** by the ***end of the adjustment period, general government debt is on a plausibly downward trajectory or stays at prudent levels, even under adverse scenarios. It*** should also ensure that the ***general*** government deficit is brought and maintained below the 3% of ***GDP Treaty reference value, while taking into account that Member States could face additional costs after the end of the adjustment period such as ageing costs. It shall also ensure consistency with the corrective path under Council Regulation (EC) No 1467/1997 on speeding up and clarifying the implementation of the Excessive Deficit Procedure, where applicable***.

(14a) To improve the predictability in the outcome of the framework and reinforce equal treatment, the reference trajectory should comply ex-ante with a debt sustainability safeguard. This safeguard should ensure in the design phase of the medium-term fiscal-structural plans that the projected government debt ratio decreases by a minimum annual average. This debt sustainability safeguard would act as a floor to the effort underlying the reference trajectory and the net expenditure path. Due to the specific composition of outstanding Greek government debt, a significant amount of deferred interest payments is set to become due in 2033. The related exceptional increase in the general government debt-to-GDP ratio should not be taken into account in the application of the debt sustainability safeguard.

(14b) Risk-based requirements for the reference trajectory are expected to be sufficient to bring deficit levels well below the 3% Treaty reference value. However, in order to make the framework more robust to uncertain developments of macro-fiscal variables, the reference trajectory should also provide for a common resilience margin relative to the 3% of GDP deficit Treaty reference value or convergence towards it. This common resilience safeguard should ensure the build-up of fiscal buffers for adverse circumstances and shocks, thereby facilitating the conduct of counter-cyclical policies in the Union fiscal framework.

PUBLIC

(14c) For the first round of plans, the plausibility of public debt declining in the medium term should be based on the methodology described in the Debt Sustainability Monitor 2023. A working group for debt sustainability analysis will explore possible methodological improvements, including on underlying assumptions. Such working group should be composed by national experts, the Commission and the European Central Bank. The European Fiscal Board and the European Stability Mechanism should be invited by the working group as observers. The competent committee of the European Parliament may invite the Commission to present its methodology in the context of the dialogue established in Article 26.

(15) In order to assess whether further adjustments are required ***at*** the end of the ***four- or five-year*** implementation period of the national medium-term fiscal-structural plan, the Commission should reassess the situation and put forward a new ***reference*** trajectory if the ***government*** debt of the Member State is still above ***the*** 60% of GDP ***Treaty*** reference value ***and/or*** its government deficit is higher than ***the*** 3% of GDP ***Treaty*** reference value.

(16) Each national medium-term fiscal-structural plan should mention its status in the context of national procedures, notably whether the plan was presented to the national parliament and whether there has been parliamentary approval of the plan. The national medium-term fiscal-structural plan should also indicate whether the national parliament had the opportunity to discuss the Council recommendation on the previous plan and, if relevant, any other Council recommendation or decision, or any Commission warning. ***If available, the opinion of the Independent Fiscal Institution should be attached to the submission of the medium-term fiscal-structural plan to the Commission. Prior to the submission of the second and subsequent national medium-term fiscal-structural plan, each Member State should conduct, in accordance with its national legal framework, a consultation process of social partners, regional authorities, civil society organisations and other relevant national stakeholders. Information on the consultation of national parliaments and on the consultation process should be included in the national medium-term fiscal-structural plan. Given the tighter schedule envisaged for the preparation of the first vintage of the national medium-term fiscal-structural plans, Member States may conduct a consultation process in the run-up to it with appropriate deadlines.***

PUBLIC

(16a) A new government in a Member State may submit a revised national medium-term fiscal-structural plan to the Commission. However, if there are objective circumstances preventing the implementation of the plan, a Member State may request to submit a revised plan to the Commission by no later than 12 months before the end of the current plan.

(17) When Member States use assumptions in their medium-term fiscal-structural ***plans*** that differ from the medium-term ***public*** debt projection framework, they should explain and duly justify the differences in a transparent manner and based on sound economic arguments ***in the technical dialogue and in their medium-term fiscal-structural plans***.

(17a) Where the Council considers that the revised medium-term fiscal-structural plan ***of a Member State does not comply with the requirements laid down in the Regulation, the Council should recommend, as a rule, the original reference trajectory that had been previously issued by the Commission as the net expenditure path.***

▌

(19) In order to allow for a proper interaction between the common Union framework and national budgetary frameworks, the Commission should base its assessment only on ***net*** expenditure developments. Member States should be able to set their national budgetary objectives in terms of a different indicator, such as the structural balance if this is required by their national budgetary framework.

(20) The Commission's assessment of the national medium-term fiscal-structural plans should examine in particular the plausibility of the macroeconomic and fiscal assumptions, to the extent that they ***differ*** from those underlying the ***reference*** trajectory. In particular, the debt projections at unchanged policy to be included in the plan should be ▌ comparable with the Commission projections.

PUBLIC

(21) In order to ensure the implementation of the medium-term fiscal-structural plans, the Commission and the Council should monitor the ***reforms and investments included*** in these plans under the European Semester, based on the annual progress reports submitted by the Member States, and in accordance with the provisions of Articles 121 and 148 TFEU. To that effect, they should engage in ***an Economic*** dialogue with the European Parliament.

(21a) The European Parliament should be duly involved in a regular and structured way in the European Semester in order to increase transparency, accountability and ownership for the decision taken. The President of the Council and the Commission should regularly inform the European Parliament of the results of the multilateral surveillance carried out pursuant to this Regulation. Information should be prepared and transmitted by the Commission to the Council in the context of this Regulation, or the application thereof, and should be made available to the European Parliament without undue delay.

(22) To ensure a more gradual debt reduction, the adjustment period can be extended by a maximum of 3 years if the Member State underpins its medium-term fiscal-structural plan with a set of verifiable and time-bound reforms and ***investments*** that, taken altogether ***as a general rule,*** are growth ***and resilience***-enhancing***;*** support fiscal sustainability***;*** address the common priorities of the Union***;*** address relevant country-specific recommendations addressed to the Member State under the European Semester, ***including, where applicable, recommendations issued under the Macroeconomic Imbalances Procedure, as well as*** the country-specific investment priorities without leading to ***a reduction in the level of*** nationally financed public investment over the ***period of the plan, compared to the medium-term level before the start of the plan taking into account the scope and scale of the country-specific challenges***.

PUBLIC

(23) ***The set of reforms and investments for an extension of the adjustment period*** should be ***consistent with*** commitments ***included*** in the ***approved*** Recovery and Resilience ***Plan*** of the ***Member State concerned during the*** lifetime of the Recovery and Resilience Facility ***and the agreed Partnership Agreement in the Multiannual Financial Framework. Where*** Recovery and Resilience Plans ***include ambitious reforms and investments, in particular with regards to economic*** growth ***and fiscal sustainability over the medium term, they should be considered to comply with the requirements for the*** extension of the adjustment period ***for the first cohort of*** medium-term ***fiscal-structural plans***.

▌

(24) The set of ***reforms and investments*** put forward in the national medium-term fiscal-structural plans should be aligned with ***the*** common priorities of the Union***, including achieving (i) a fair green and digital transition, including consistency*** with the ***European Climate Law; (ii) social and economic resilience, including the European Pillar of Social Rights; (iii) energy security; and*** where ***necessary (iv) the build-up of defence capabilities. The Commission should pay particular attention to these priorities in its assessment. That set of reforms and investments*** should ***also be consistent with the implementation of the national strategies put forward by the Member State concerned to address the aforementioned Union priorities***.

(24a) With a view to fostering growth-friendly fiscal consolidation strategies, the impact of investments and reforms, once implemented within the medium-term fiscal-structural plans, will be duly taken into account in the design of subsequent plans. Particular attention should be paid to the impact on fiscal sustainability through future public revenues, expenditures and potential growth, as well as the contribution to common priorities of the Union, based on sound and data-driven economic evidence.

PUBLIC

(25) Where ***a Member State fails to satisfactorily comply with the*** time-bound set of ***reforms*** and ***investments*** underpinning the more gradual net expenditure path ▌ within the specified deadline, the Council, on a recommendation from the Commission, can recommend ***to shorten the extension of the net expenditure path***, that is to say ***to steepen the annual adjustment effort, unless there are objective circumstances preventing implementation by the initially foreseen deadline***.

(26) ▌ The Commission should set up a control account for each Member State to keep track of annual ***and cumulative upward and downward*** deviations of the net expenditure observed ▌ from the net expenditure path set by the Council***. The control account shall not record*** deviations ***while escape clauses remain activated. In line with Article 2(3) of Regulation 1467/97, when preparing the report under Article 126(3) TFEU, the Commission must take into account, as appropriate, as relevant factors the progress in the implementation of reforms and investments, including in particular policies to implement the common growth and employment strategy of the Union, and give particular consideration to financial contributions to achieve the common priorities of the Union as defined in this Regulation***.

(27) Independent fiscal institutions have proven their capacity to foster fiscal discipline and strengthen the credibility of Member States' public finances. In order to enhance national ownership, the ***advisory*** role of independent fiscal institutions should be ***maintained in the reformed*** economic governance framework of the Union***, with a view to gradually building up their capacities***.

PUBLIC

(27a) ***A permanent and more independent European Fiscal Board should play a stronger advisory role in the economic governance framework of the Union. It should continue to evaluate the implementation of the Stability and Growth Pact, assess the prospective fiscal stance for the euro area as a whole, and provide advice to the Commission and the Council, while respecting the Commission's role and prerogatives established in the Treaties. Its independence and access to information should be improved. The Council and the European Parliament should be consulted in the appointment process of the Chair and Members of the Board. The appointments should, to the extent possible, ensure an appropriate geographical and gender balance.***

(28) When providing an opinion on the draft budgetary plans submitted pursuant to Article 6 of Regulation (EU) No 473/2013 of the European Parliament and of the Council[8], the Commission should assess if the draft budgetary plans are consistent with the net expenditure paths pursuant to this Regulation.

▌

(30) In case of major shocks to the euro area or the Union as a whole, it is necessary to have a general escape clause to be able to deal with a severe economic downturn in the euro area or the Union as a whole by allowing for a deviation from the net expenditure path provided that it does not endanger fiscal sustainability in the medium term. ***The triggering and extension of the general escape clause is to be subject to a Council recommendation, which it should endeavour to adopt within four weeks upon a Commission recommendation. The European Fiscal Board should deliver an opinion on the extension of general escape clause.***

[8] Regulation (EU) No 473/2013 of the European Parliament and of the Council of 21 May 2013 on common provisions for monitoring and assessing draft budgetary plans and ensuring the correction of excessive deficit of the Member States in the euro area (OJ L 140, 27.5.2013, p. 11).

(31) There should also be a country-specific escape clause to allow a deviation from the net expenditure path provided that it does not endanger fiscal sustainability in the medium term in the case of exceptional circumstances, such as unpredictable exogenous events that require counter-cyclical fiscal measures, outside the control of the Member State which have a major impact on the public finances of the Member State. The triggering and extension of country-specific escape clauses ***is to be*** subject to a Council recommendation, ***which it*** should ***endeavour to adopt within four weeks upon a Commission recommendation, taking into account a request by the Member State concerned***.

PUBLIC

(32) This Regulation is part of a package together with Council Directive [XXX amending 2011/85/EU] and Council Regulation [XXX amending Council Regulation (EC) No 1467/97]. Together, they establish a reformed Union economic governance framework that incorporates into Union law the substance of Title III 'Fiscal Compact' of the Treaty on Stability, Coordination and Governance (TSCG) in the Economic and Monetary Union[9], in accordance with Article 16 thereof. By building on the experience with the implementation of the TSCG by the Member States, the proposed legislative package retains the Fiscal Compact's medium-term orientation as a tool to achieve budgetary discipline and growth promotion. The package includes a strengthened country-specific dimension aimed at enhancing national ownership, including by ***maintaining the advisory role of*** independent fiscal institutions, which draws essentially on the Fiscal Compact's common principles proposed by the Commission[10] in accordance with Article 3(2) of the TSCG. The analysis of expenditure net of discretionary revenue measures for the overall assessment of compliance required by the Fiscal Compact is set out in this Regulation. As in the Fiscal Compact, temporary deviations from the medium-term plan are allowed only in exceptional circumstances in this Regulation ***and in line with the provisions on the control account***. In a similar vein to the Fiscal Compact, in case of significant deviations from the medium-term plan, measures should be implemented to correct the deviations over a defined period of time. The package strengthens fiscal surveillance and enforcement procedures to deliver on the commitment of promoting sound and sustainable public finances and sustainable and inclusive growth. The economic governance framework reform, thus, retains the fundamental objectives of budgetary discipline and debt sustainability set out in the TSCG.

---

9 Treaty on Stability, Coordination and Governance in the Economic and Monetary Union of 2 March 2012.

10 Communication COM(2012) 342 final of 20 June 2012 from the Commission 'Common principles on national fiscal correction mechanisms.

(33) In order to ensure effective implementation and appropriate monitoring of this Regulation, the ***Commission*** should ***provide timely guidance, after requesting an opinion from the Economic and Financial Committee, on*** the information to be provided by Member States in their medium-term fiscal-structural plans ***and*** in their annual progress reports***. This guidance should be made public.***

(34) ▌Multilateral surveillance should be based on high quality and independent statistics produced in accordance with the principles laid down in Regulation (EC) No 223/2009 of the European Parliament and of the Council[11],

HAVE ADOPTED THIS REGULATION:

PUBLIC

[11] Regulation (EC) No 223/2009 of the European Parliament and of the Council of 11 March 2009 on European statistics and repealing Regulation (EC, Euratom) No 1101/2008 of the European Parliament and of the Council on the transmission of data subject to statistical confidentiality to the Statistical Office of the European Communities, Council Regulation (EC) No 322/97 on Community Statistics, and Council Decision 89/382/EEC, Euratom establishing a Committee on the Statistical Programmes of the European Communities (OJ L 87, 31.3.2009, p. 164).

CHAPTER I

SUBJECT-MATTER AND DEFINITIONS

Article 1

Subject-matter

This Regulation sets out rules ensuring effective coordination of ***sound*** economic policies of the Member States, thereby supporting the achievement of the Union's objectives for ***sustainable and inclusive*** growth and employment.

It lays down detailed rules concerning the content, submission, assessment and monitoring of national medium-term fiscal-structural plans as part of multilateral budgetary surveillance by the Council and the Commission***,*** so as to promote ***sound*** and sustainable ***public finances, sustainable*** and inclusive growth ***and resilience through reforms and investments,*** and prevent the occurrence of excessive government deficits ▌.

Article 2

Definitions

For the purposes of this Regulation, the following definitions apply:

(1) 'country-specific recommendation' means the ▌ guidance ***annually addressed*** by the Council to a Member State on economic, budgetary, employment and structural policies in accordance with Articles 121 and 148 of the Treaty on the Functioning of the European Union (TFEU);

(2) 'net expenditure' means government expenditure net of interest expenditure, discretionary revenue measures***, expenditure on programmes of the Union fully matched by Union funds revenue, national expenditure on co-financing of programmes funded by the Union, cyclical elements of unemployment benefit expenditure, and one-offs and other temporary measures***;

PUBLIC

(3) '***reference*** trajectory' means the ***multiannual*** net expenditure trajectory put forward by the Commission to ***frame the dialogue with*** Member States ***where government debt exceeds*** the 60% of gross domestic product (GDP) ***Treaty*** reference value or ***where the*** government deficit ***exceeds*** the 3% of GDP ***Treaty*** reference value when drawing up their national medium-term fiscal-structural plans;

(3a) 'technical information' means the guidance put forward by the Commission upon request to Member States with government debt not exceeding the 60% of GDP Treaty reference value and government deficit not exceeding the 3% of GDP Treaty reference value before Member States draw up their national medium-term fiscal-structural plans;

(4) 'net expenditure path' means the multi-annual trajectory for net expenditure of a Member State as set by the Council;

(5) 'national medium-term fiscal-structural plan' means the document containing the fiscal, reform and investment commitments of a Member State***, covering a planning horizon of 4 years or 5 years depending on the regular length of the national legislature***;

(6) 'annual progress report' means the document of a Member State reporting on the implementation of the national medium-term fiscal-structural plan***, including the*** net expenditure path, and ***on*** the reforms and ***investments;***

(7) 'adjustment period' means the period of time over which the fiscal adjustment of a Member State takes place, covering a period of 4 years ***or, in the case of an extension, a*** period of 4 years ***plus an additional extended period of 3 years at the most***;

(8) 'control account' means a record of the cumulated ***upward and downward*** deviations of the ***observed*** net expenditure in a Member State from the net expenditure path ***set by the Council***;

(9) 'structural balance' means the cyclically adjusted general government balance net of ***one-off and other*** temporary measures;

(10) 'structural primary balance' means the ***structural*** balance ▌ net of interest expenditure.

CHAPTER II

EUROPEAN SEMESTER

Article 3

The European Semester

In order to ensure closer coordination of economic policies and sustained convergence of the economic and social performance of the Member States, the Council and the Commission***, with the involvement of the European Parliament in accordance with Article 25a,*** shall conduct multilateral surveillance within the European Semester in accordance with the objectives and requirements set out in the TFEU. Multilateral surveillance shall rely on high quality and independent statistics, produced in accordance with the principles laid down in Regulation (EC) No 223/2009 of the European Parliament and of the Council.

The European Semester shall include:

(a) the formulation, and the surveillance of the implementation, of the broad guidelines for the economic policies of the Member States and of the Union in accordance with Article 121(2) TFEU, of country-specific recommendations and of the recommendation on the economic policy of the euro area;

(b) the formulation ▌ and the surveillance of the implementation, of the employment guidelines that are to be taken into account by Member States in accordance with Article 148(2) TFEU, including the ***principles of the*** European Pillar of Social Rights, and of the related country-specific recommendations***. The surveillance of the implementation by the Commission includes the progress in implementing the principles of the European Pillar of Social Rights and of its headline targets, via the social scoreboard and a framework to identify risks to social convergence***;

(c) the submission, assessment and endorsement of Member States' medium-term fiscal-structural plans, as well as ***the*** monitoring ***of their implementation*** via the annual progress reports;

(d) the surveillance to prevent and correct macroeconomic imbalances pursuant to Regulation (EU) No 1176/2011;

▌

PUBLIC

Article 4

Implementation of the European Semester

1. Where necessary, following the assessment pursuant to this Regulation of the medium-term fiscal-structural plans, the annual progress reports and the socio-economic situation of the Member States concerned, the Council shall, on the basis of recommendations from the Commission, address recommendations to those Member States making full use of the legal instruments provided in Articles 121 and 148 TFEU and related secondary legislation.

2. Member States shall take due account of the broad guidelines for the economic policies of the Member States, of the employment guidelines and of the recommendations referred to in Article 3, second paragraph, points (a) and (b) before taking key decisions in the development of their economic, ***social,*** employment***, structural*** and budgetary policies. Progress shall be monitored by the Commission.

3. Failure by a Member State to act upon the guidance received may result in:

   (a) further recommendations;

   (b) a warning by the Commission or a recommendation by the Council pursuant to Article 121(4) TFEU;

   (c) measures under this Regulation, Council Regulation (EC) No 1467/97[12] or Regulation (EU) No 1176/2011.

[12] 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).

CHAPTER III

THE ***REFERENCE*** TRAJECTORY

Article 5

Reference trajectory

Where the general government debt is above the 60% of GDP ***Treaty*** reference value or ***the general*** government deficit ***exceeds*** the 3% of GDP ***Treaty*** reference value, the Commission shall ***transmit to the Member State concerned and*** to the Economic and Financial Committee a ***reference*** trajectory for ***the*** net expenditure covering ***an*** adjustment period of 4 years ▌ and its possible extension by a maximum of 3 years pursuant to Article 13. ▌

Article 6

Risk-based requirements for the ***reference*** trajectory

The ***reference*** trajectory shall ***be risk-based and differentiated for each Member State, ensuring*** that:

(a) ***by the end of the adjustment period, at the latest, assuming no further budgetary measures, the projected general government*** debt ratio is put or remains on a plausibly downward path, or stays at prudent levels ***below the 60% GDP Treaty reference value over the medium-term***;

(b) the ***projected general*** government deficit is brought ▌ below the 3% of GDP ***Treaty*** reference value ***over the adjustment period*** and maintained below ***such*** reference value ***over the medium-term assuming no further budgetary measures***;

(c) the fiscal adjustment effort over the period of the national medium-term fiscal-structural plan is ***linear as a rule and*** at least proportional to the total effort over the entire adjustment period; ***and***

(d) ***there is consistency with the corrective path referred to in Article [X] of Council Regulation (EC) No 1467/97, where applicable.***

▌

PUBLIC

Article 6a

Debt sustainability safeguard

The reference trajectory shall ensure that the projected general government debt-to-GDP ratio decreases by a minimum annual average amount of:

(a) 1 percentage point of GDP as long as the general government debt-to-GDP ratio exceeds 90%;

(b) 0,5 percentage point of GDP as long as the general government debt-to-GDP ratio remains between 60% and 90%.

The average decrease shall be computed from the year before the start of the reference trajectory or the year in which the excessive deficit procedure is projected to be abrogated under Council Regulation (EC) No 1467/97, whichever occurs last, until the end of the adjustment period.

Article 6b

Deficit resilience safeguard

1. The Commission reference trajectory, referred to in Article 6, shall ensure that fiscal adjustment continues, where needed, until the Member State reaches a deficit level that provides a common resilience margin in structural terms of 1,5% of GDP relative to the 3% of GDP deficit Treaty reference value.

2. The annual improvement in the structural primary balance to achieve the required margin shall be of 0,4% of GDP, which shall be reduced to 0,25% of GDP in case of an extension of the adjustment period in accordance with Article 13.

PUBLIC

Article 7

Prior guidance by the Commission

1. ***At the latest by 15 January*** of the year ▌ in which the Member States have to submit ▌ their medium-term fiscal-structural plans ***pursuant to Article 9 or***, within 3 weeks from the request of the Member State to submit a ***revised plan pursuant to Article 14***, the Commission shall ***transmit to the Member State concerned and to the Economic and Financial Committee***:

   (a) the underlying medium-term public debt projection framework and results;

   (b) its macroeconomic forecast and assumptions;

   (c) the ***reference*** trajectory, if required under Article 5, ***or the technical information, if requested by a Member State under paragraph 2,*** and the corresponding structural primary balance***, including template spreadsheets and other relevant information required to ensure its full replicability***.

-1a. Up to a month before the European Commission transmits to a Member State the reference trajectory or technical information, the Member State may request a technical exchange with the European Commission. The technical exchange shall provide an opportunity to discuss the latest statistical information available and the economic and fiscal outlook of the Member State concerned.

2. For Member States having a ***general*** government deficit ***not exceeding*** the 3% of GDP ***Treaty*** reference value and ***general government debt not exceeding*** the 60% of GDP ***Treaty*** reference value, the Commission shall provide***, at the request of the Member State,*** technical information regarding the structural primary balance necessary to ensure that the headline deficit is maintained below the 3% of GDP ***Treaty*** reference value without any additional policy measures over ***the medium and long-term and indicating whether this implies fiscal adjustment needs. Technical information shall also be consistent with the deficit resilience safeguard referred in Article 6ter during the*** Plan.

▌

PUBLIC

Article 8

Assessment of plausibility

1. To assess plausibility that the projected ***general government*** debt ratio of the Member State concerned is on a downward path or remains at a prudent level, the Commission shall ***apply a replicable, predictable and transparent methodology based on the following conditions:***

(a) public debt ratio declines or stays at prudent levels, under the deterministic scenarios of the Commission's medium-term public debt projection framework;

(b) the risk of the public debt ratio not decreasing in the 5 years following the adjustment period of the national medium-term fiscal-structural plan is sufficiently low, that risk being assessed with the help of the Commission's Debt Sustainability Analysis.

2. The competent committee of the European Parliament may invite the Commission to present its methodology in the context of the dialogue established in Article 26.

The Commission shall make public its analysis of plausibility and the template spreadsheets containing underlying data as well as other relevant information to ensure replicability of results at the time of the submission of the national medium-term fiscal-structural plan in accordance with Article 9.

PUBLIC

CHAPTER IV

NATIONAL MEDIUM-TERM FISCAL-STRUCTURAL PLANS

Article 9

Submission of the national medium-term fiscal-structural plans

Each Member State shall submit to the Council and to the Commission a national medium-term fiscal-structural plan ***by 30 April of the last year of the plan in force***. The Member State concerned and the Commission may agree to extend this deadline by a reasonable period if necessary.

The Member State may ask the relevant independent fiscal institution to deliver an opinion on the macroeconomic forecast and the macroeconomic assumptions underpinning the multi-annual net expenditure path referred to in Article 11(1)(a), providing sufficient time for the independent fiscal institution to prepare its opinion. After eight years following the entry into force of the Regulation, the relevant Independent Fiscal Institution shall issue the aforementioned opinion, provided it has built up sufficient capacity. Failure by the Independent Fiscal Institution to deliver such an opinion within a reasonable timeframe shall not prevent the submission of the plan by the Member State. The opinion shall be attached to the submission of the medium-term fiscal-structural plan to the Commission.

Prior to the submission of its national medium-term fiscal-structural plan, each Member State shall conduct, in accordance with the national framework, a consultation process of civil society, social partners, regional authorities and other relevant stakeholders.

Prior to the submission of its national medium-term fiscal-structural plan, each Member State may debate the draft national medium-term fiscal-structural plan with its national parliament, in accordance with the national legal framework.

The Member State shall make its national medium-term fiscal-structural plan public ***upon its submission to the Council and the Commission***.

PUBLIC

Article 10

Technical dialogue

Prior to the submission of its national medium-term fiscal-structural plan, the Member State concerned shall hold with the Commission a technical dialogue, with the objective of ensuring that the national medium-term fiscal-structural plan complies with Articles 11 [and 14.

Article 11

Content ***and requirements*** of the national medium-term fiscal-structural plan

The national medium-term fiscal-structural plan shall***:***

(a) present a multi-annual net expenditure path, as well as the underlying macroeconomic assumptions and the planned fiscal-structural measures in order to demonstrate compliance with the fiscal requirements of Article 15(2);

(b) include the reference trajectory or the technical information transmitted by the Commission pursuant to Articles 5 and 7(2). Where the national-medium-term fiscal-structural plan includes a higher net expenditure path than in the reference trajectory issued by the Commission pursuant to Article 5, the Member State shall provide in its plan sound and data-driven economic arguments explaining the difference;

(c) explain how it will ensure the delivery of investment and reforms responding to the main challenges identified within the European Semester, in particular in the country-specific recommendations, and explain how it will address the following common priorities of the Union: (i) a fair green and digital transition, including consistency with the European Climate Law; (ii) social and economic resilience, including the European Pillar of Social Rights; (iii) energy security; and (iv) where necessary, the build-up of defense capabilities.

PUBLIC

(d) describe the ***action*** of the Member State concerned to address the country-specific recommendations that are relevant for the Macroeconomic Imbalances Procedure, and the warnings by the Commission, where applicable, or the recommendations by the Council, where applicable, made pursuant to Article 121(4) TFEU;

(e) if applicable, explain how it will ensure the delivery of a relevant set of reforms and investments referred to in Article 13, underpinning an extension of the Member State's adjustment period by 3 years at most;

(f) ***include the impact of investments and reforms already implemented, paying particular attention to the impact on fiscal sustainability through future public revenues, expenditures and potential growth, based on sound and data-driven economic evidence;***

(g) ***contain information related to the main macroeconomic and budgetary assumptions, implicit and contingent liabilities, expected impact of reforms and investments underpinning the extension of the adjustment period, forecasted level of nationally-financed public investment throughout the planning horizon of the national medium-term fiscal-structural plan, information on public investment needs including those related to the common priorities of the Union, information on the consultation of national parliaments and the consultation process organised in accordance with Article 9, provide information on the consistency and where appropriate, complementarity with the cohesion policy funds and the Recovery and Resilience Plan of the Member State concerned during the period of availability of the Recovery and Resilience Facility in accordance with Regulation (EU) 2021/241.***

▌

PUBLIC

Article 13

Conditions for an extension of the adjustment period

1. Where a Member State commits to a relevant set of reforms and investments in accordance with the criteria set out in paragraph 2, the adjustment period may be extended by 3 years at most.

2. The set of reforms and investment commitments underpinning an extension of the adjustment period shall fulfil, ***as a general rule*** taken altogether, the following criteria:

   (i) ***entail, based on credible and prudent assumptions, an improvement of*** growth ***and resilience potential of the economy of the Member State concerned in a sustainable manner***;

   (ii) support fiscal sustainability***, with a structural improvement of public finances over the medium-term, such as reducing public expenditure to GDP ratio or increasing the public revenue to GDP ratio***;

   (iii) address the common priorities of the Union referred to in ***Article 11, point (c)***;

   (iv) address relevant country-specific recommendations addressed to the Member State concerned, including, where applicable, recommendations issued under the Macroeconomic Imbalances Procedure;

   (v) ensure that the ***planned*** overall level of nationally financed public investment over the lifetime of the national medium-term fiscal-structural plan is ***no lower*** than the medium-term level before the period of that plan ***taking into account the scope and scale of the country-specific challenges***.

PUBLIC

3. Each of the reform and investment commitments underpinning an extension of the adjustment period shall be sufficiently detailed, front-loaded, time-bound and verifiable***, and shall respect the following criteria:***

(a) the description of the reform and investment commitments shall be clear and allow the Commission to assess the criteria in paragraph 2(i) to (v);

(b) the reforms shall be implemented within the planning horizon of the national medium-term fiscal-structural plan;

(c) significant progress in the implementation of the investments shall be achieved at the latest by the end of the adjustment period;

(d) the description of reforms and investments shall include indicators, where relevant, to allow the assessment of their implementation and monitoring.

4. ***The set of reforms and investments for an extension of the adjustment period shall be consistent with*** commitments included in the approved Recovery and Resilience Plan of the Member State concerned ***during the lifetime of the Recovery and Resilience Facility, in accordance with Regulation (EU) 2021/241, and the agreed Partnership Agreement in the Multiannual Financial Framework***.

▌

Article 14

Revised national medium-term fiscal-structural plan

1. ***By no later than 12 months before the end of the current national medium-term fiscal structural plan,*** a Member State may request to submit a revised national medium-term fiscal-structural plan to the Commission before the end of ***the period covered by the national medium-term fiscal-structural plan*** if there are objective circumstances preventing ***its*** implementation***. In this case, the revised*** national medium-term fiscal-structural plan ***shall cover the period running until the end of the initial term of the plan***.

1a. A newly appointed government of a Member State may submit a revised national medium-term fiscal-structural plan covering a new period of 4 years or 5 years depending on the regular length of the national legislature.

1b. ***The Member State may ask the relevant independent fiscal institution to deliver an opinion on the macroeconomic forecast and the macroeconomic assumptions underpinning the multi-annual net expenditure path referred to in Article 11(1)(a), providing sufficient time for the independent fiscal institution to prepare its opinion. After eight years following the entry into force of the Regulation, the relevant Independent Fiscal Institution shall issue the aforementioned opinion, provided it has built up sufficient capacity. Failure by the Independent Fiscal Institution to deliver such an opinion within a reasonable timeframe shall not prevent the submission of the revised plan by the Member State. The opinion shall be attached to the submission of the revised medium-term fiscal-structural plan to the Commission.***

2. ***Following the request by a Member State in accordance with paragraphs 1 or 1a***, the Commission shall ***transmit to the Member State concerned and*** to the Economic and Financial Committee ▌ a new ***reference*** trajectory ***or, at the request of the Member State concerned, new technical information***.

3. Taking into account the past adjustment of the Member State concerned or the lack thereof, the new ***reference*** trajectory shall not allow backloading of the fiscal adjustment effort and shall not lead ***as a rule*** to a lower fiscal adjustment effort.

4. ***If*** a revised national medium-term fiscal-structural plan is submitted, Articles ***10 to 13*** and 15 to 19 shall apply.

5. The Commission shall in particular assess, if applicable, whether any extension of the adjustment period is to ***apply or*** continue to apply under the revised national medium-term fiscal-structural plan***. The Commission's assessment shall take*** into account the implementation of the set of reform and investment commitments underpinning the extension under the original plan and the changes in terms of public debt challenges under the revised national medium-term fiscal-structural plan.

PUBLIC

Article 15

Assessment of national medium-term fiscal-structural plans by the Commission

1. The Commission shall assess each national medium-term fiscal-structural plan within ***six weeks*** of its submission. The Member State concerned and the Commission may agree to extend ***this*** period ***for up to two weeks as a rule*** if necessary.

1a. When assessing the national medium-term fiscal-structural plan, the Commission shall examine for all Member States that the net expenditure path complies with the requirements to put or keep general government debt on a plausibly downward path by the end of the adjustment period at the latest, or it remains at prudent levels below 60% of GDP, and it brings and maintains the government deficit below the 3% of GDP reference value over the medium term;

2. When assessing the national medium-term fiscal-structural plan the Commission shall examine for ***the*** Member States ***that have received a reference trajectory that the net expenditure path complies with the requirements laid out in Article 6, Article 6a and Article 6b.***

▌

3. ▌The Commission shall examine for ***all*** Member ***States whether the national medium-term fiscal-structural plan complies with the content and requirements set out in Article 11.***

3a. In addition the Commission shall examine for the Member State concerned whether the set of reforms and investments underpinning an extension of the adjustment period fulfil the conditions set out in Article 13.

▌

Article 16

Endorsement of the national medium-term fiscal-structural plan by the Council

The Council, on a recommendation from the Commission, shall adopt a recommendation setting the net expenditure path of the Member State concerned and, if applicable, endorsing the set of reform and investment commitments underpinning an extension of the adjustment period included in its national medium-term fiscal-structural plan within ***six*** weeks of the adoption of the Commission recommendation as a rule.

Where the national medium-term fiscal-structural plan serves as the corrective action plan required for the correction of excessive macroeconomic imbalances, as provided for in Article 30, the Council shall also endorse in that recommendation the reforms and investment necessary to correct the imbalances.

Article 17

Council Recommendation for a revised national medium-term fiscal-structural plan

Where it considers that the plan does not comply with the requirements set out in Article ***15(2) and (3a), taking into account the Commission's assessment***, the Council shall, on a recommendation from the Commission, recommend that the Member State concerned submits a revised national medium-term fiscal-structural plan.

PUBLIC

Article 18

Council Recommendation in case of ***non-compliance*** by the Member State

The Council shall, on a recommendation from the Commission, recommend to the Member State concerned that the ***reference*** trajectory issued by the Commission be ***as a rule*** the net expenditure path of the Member State where:

(a) the Member State concerned fails to submit a revised national medium-term fiscal-structural plan within one month of the recommendation by the Council ***referred to in Article 17. The Member State concerned and the Commission may agree to extend this deadline by up to one month as a rule***;

(b) the Council considers that the revised national medium-term fiscal-structural plan does not comply with the requirements set out in Article 15(2) and ***(3a), duly justifying its position***;

(c) the Member State fails to submit ***an initial national medium-term fiscal-structural plan or*** a new national medium-term fiscal-structural plan ***in the last year*** covered by the ***ongoing*** national medium-term fiscal-structural plan***, in accordance with Article 9(1)***.

Article 19

Non-compliance by a Member State ***with the investments and reforms*** underpinning an extension of its adjustment period

Where a Member State has been granted an extension of its adjustment period but fails to satisfactorily comply with its set of ***reforms*** and investment commitments underpinning the extension referred to in Article 13(1), the Council may on a recommendation from the Commission ***and in accordance with Article 27***, recommend a revised net expenditure path with a shorter adjustment period***, unless there are objective circumstances preventing implementation by the initially-foreseen deadline***.

PUBLIC

CHAPTER V

IMPLEMENTATION OF THE NATIONAL MEDIUM-TERM FISCAL-STRUCTURAL PLANS

Article 20

Progress report

1. Each Member State shall submit to the Commission an annual progress report on the implementation of its national medium-term fiscal-structural plan, by ***30*** April each year at the latest.

2. The annual progress report referred to in paragraph 1 shall contain in particular information about the progress in the implementation of the net expenditure path, the implementation of broader ***reforms and investments*** in the European Semester context and, if applicable, in the implementation of the set of ***reforms and investments*** underpinning an extension of the adjustment period.

▌

4. Each Member State shall make its annual progress report public.

4a. The Commission shall use the information provided by Member States in annual progress reports, along with other relevant information, for the purpose of delivering the assessment referred to in Article 4(1). The assessment of the Commission shall be published.

4b. Member States may discuss the progress report in their national parliaments and with civil society, social partners and relevant stakeholders, in accordance with their national legal frameworks.

PUBLIC

Article 21

Monitoring by the Commission

The Commission shall monitor the implementation of the national medium-term fiscal-structural plan, and in particular, the net expenditure path ***and the reforms and investments underpinning the extension of the adjustment period***.

The Commission shall set up a control account ***to*** keep track of cumulative upward and downward deviations of actual net ***expenditure*** from the net expenditure path***, which shall be reset after the endorsement by the Council of a new medium-term fiscal-structural plan***.

The control account shall record a debit when the actual net expenditure in the concerned Member State in a given year is above the net expenditure path set by the Council.

The control account shall record a credit when the actual net expenditure in the concerned Member State in a given year is below the net expenditure path set by the Council.

The cumulated balance of the control account shall be the sum of the yearly debits and credits referred to in points (a) and (b). It shall be expressed in percentage of GDP.

Debits and credits shall be recorded annually on the basis of outturn data.

Where the Council has adopted a recommendation pursuant to Article 24 and 25 of this Regulation, the control account of the Member State concerned shall not record deviations.

PUBLIC

Article 22

Role of independent fiscal institutions

Member States may request the relevant national independent fiscal institution referred to in Article 8 of Council Directive […][13] [on the national budgetary frameworks] ***to*** provide an assessment of compliance of the budgetary outturns data reported in the progress report referred to in Article 20 with the net expenditure path. Where applicable, ***Member States may also request the relevant*** national independent fiscal institution ***to*** also analyse the factors underlying a deviation from the net expenditure path. ***These analyses should be non-binding and additional to those provided by the Commission.***

Article 22a

The European Fiscal Board

1. The independent European Fiscal Board ('the Board') established by Commission Decision (EU) 2015/1937 of 21 October 2015 shall contribute in an advisory capacity to the exercise of the Commission's and Council's functions in the multilateral fiscal surveillance as set out in Articles 121, 126 and 136 TFEU.

2. In the performance of its tasks, the Board shall enjoy full independence in the discharge of its functions, performing its duties impartially and solely in the interest of the Union as a whole. It shall not seek nor take instructions from any government of a Member State, the Union's institutions or bodies or from any other public or private body.

[13] Council Directive […] of […] [amending Council Directive 2011/85/EU on requirements for budgetary frameworks of the Member States] (OJ …., …, p. …).

3. For the purposes of paragraph 1, the tasks of the Board shall include:

(a) Provide a timely ex post evaluation of the implementation of the Union fiscal governance framework;

(b) Advise on the prospective fiscal stance appropriate for the euro area as a whole, as well as on the appropriate national fiscal stances that are consistent with it within the rules of the Stability and Growth Pact;

(c) Upon request of the Commission or the Council, provide advice on the implementation of the Stability and Growth Pact, including on the extension of escape clauses in accordance with Article 24 of this Regulation;

(d) Cooperate closely with national independent fiscal institutions as referred to in Article 8 of Council Directive 2011/85/EU, with a view to promoting exchanges of best practices;

(e) Make suggestions for the future evolution of the fiscal framework.

4. The Board shall be comprised of a Chair and four Members.

5. The Chair and the Members of the Board shall be selected and appointed by the Commission, after consultation of the Council and the European Parliament, following a transparent process and on the basis of proven analytical experience and competences in the analysis of public finances and in macroeconomics. The Chair and the Members of the Board shall be nominated for a period of 3 years with a possibility of one renewal for an additional period of 3 years.

6. The Board shall establish its Rules of Procedure.

7. The Board shall report once a year on its activities to the Commission, the Council and the European Parliament. All reports and advice of the Board will be made public.

▌

PUBLIC

Article 24

General escape clause

On a recommendation from the Commission ***based on their analysis***, the Council may adopt ***within four weeks as a rule*** a recommendation allowing Member States to deviate from their net expenditure path, in the event of a severe economic downturn in the euro area or the Union as a whole, provided it does not endanger fiscal sustainability in the medium term. The Council shall specify a ***one-year*** time-limit for such deviation.

As long as the severe economic downturn in the euro area or the Union as a whole persists, the Commission shall continue to monitor debt sustainability and ensure policy coordination and a consistent policy mix that takes into account the euro area and the Union dimension.

The Council, on a recommendation from the Commission, may extend the period during which Member States may deviate from the net expenditure paths, provided that the severe economic downturn in the euro area or the Union as a whole persists. ***The European Fiscal Board shall deliver an opinion on the extension of the general escape clause.*** An extension may be granted more than once. However, each extension shall be for an additional period of one year at most.

Article 25

National escape clauses

Following a request from a Member State and based on a recommendation ***by*** the Commission ***based on their analysis***, the Council may adopt ***within four weeks*** a recommendation allowing a Member State to deviate from its net expenditure path where exceptional circumstances outside the control of the Member State lead to a major impact on the public finances of the Member State concerned, provided it does not endanger fiscal sustainability in the medium term. The Council shall specify a time-limit for such a deviation.

The Council, on a recommendation from the Commission ***and upon request from the concerned Member State***, may extend the period during which the Member State may deviate from the net expenditure path, provided that the exceptional circumstances persist. An extension may be granted more than once. However, each extension shall be for an additional period of one year at most.

PUBLIC

CHAPTER VI

TRANSPARENCY AND ACCOUNTABILITY

Article 25a

Role of the European Parliament

The European Parliament shall be duly involved in a regular and structured way in the European Semester in order to increase transparency, accountability and ownership for the decisions taken, in particular by means of the Economic Dialogue referred to in this Regulation.

The Commission shall transmit to the European Parliament the national medium-term fiscal-structural plans submitted by the Member States. The Commission shall inform the European Parliament of its overall assessment of those medium-term fiscal-structural plans. The competent committee of the European Parliament may by means of the Economic Dialogue referred to in Article 27 of this Regulation request the Commission to appear before it. On such occasions, the Commission may be invited to present its assessment of medium-term fiscal-structural plans.

The President of the Council and the Commission shall regularly inform the European Parliament of the results of the surveillance under this Regulation.

The President of the Council and the Commission shall include in their report to the European Parliament the results of the multilateral surveillance carried out pursuant to this Regulation.

The President of the Eurogroup shall annually report to the European Parliament on developments in the area of multilateral surveillance pertaining to the Euro area.

PUBLIC

Information shall be prepared and transmitted by the Commission to the Council in the context of this Regulation, or the application thereof, and shall be made available to the European Parliament without undue delay. Such information shall include at least:

(a) once published, the debt sustainability assessments and its methodological framework;

(c) the national medium-term fiscal-structural plans submitted by the Member States, including the technical trajectories and the proposed net expenditure paths;

(d) the annual progress reports submitted by the Member States;

(e) the Commission assessments and recommendations to the Council pursuant to Articles 16 to 19;

(f) and where relevant analysis on the economic and social developments published as part of the European Semester;

(g) the revisions of national medium-term fiscal-structural plans submitted by the Member States;

(i) the Commission warning under Article 121(4) of the TFEU;

(k) the Commission's analysis that, in case of activation of the escape clauses pursuant to Article 24 and Article 25, medium-term fiscal sustainability shall not be endangered;

The competent committee of the European Parliament may invite the Commission at least biannually to provide information on the results of multilateral surveillance by means of the Economic Dialogue referred to in Article 26 of this Regulation.

PUBLIC

Article 26

Economic Dialogue

In order to enhance the dialogue between the institutions of the Union, in particular the European Parliament***, the Council and the Commission,*** the European ***Parliament may invite the President of the Council, the Commission and, where appropriate, the President of the European Council or the President of the Eurogroup, to appear before the European Parliament to discuss the policy guidance to Member States issued by the Commission, the conclusions drawn by the European Council and the results of multilateral surveillance carried out under this Regulation***. The Economic and Financial Committee, the Economic Policy Committee, the Employment Committee and the Social Protection Committee shall be consulted within the framework of the European Semester where appropriate. Relevant stakeholders, in particular the ***national parliaments and*** social partners, shall be involved within the framework of the European Semester, on the main policy issues where appropriate, in accordance with the provisions of the TFEU and national legal and political arrangements.

The competent committee of the ▌ European Parliament may invite the ***Commission, the Council*** and, where appropriate, the President of the European Council or the President of the Eurogroup to ▌ discuss the ***medium-term fiscal-structural plans as part of the multilateral surveillance, including the information set out in Article 25a(6)***.

The President of the Council, and the Commission in accordance with Article 121 TFEU, and, where appropriate, the President of the Eurogroup, shall report annually to the European Parliament and to the European Council on the results of the multilateral surveillance.

PUBLIC

Article 27

Comply or explain rule

The Council is expected to, as a rule, follow the recommendations and proposals of the Commission or explain its position publicly.

Article 28

Dialogue with a Member State

The competent committee of the European Parliament may offer the opportunity to a Member State which is the subject of a Council recommendation pursuant to Article 121(4) TFEU to participate in an exchange of views.

▌

CHAPTER VII

INTERACTION WITH REGULATION (EU) No 1176/2011

Article 30

Interaction with the Macro-Economic Imbalance Procedure

1. ***The unsatisfactory implementation of the reforms and investments*** included in ***the Member State's*** national medium-term fiscal-structural plan ***that are relevant for macroeconomic imbalances shall be considered: (i) by the Commission when undertaking in-depth reviews in accordance with Article 5(2) of*** Regulation (EU) No 1176/2011***; and (ii) by the Council***, and ▌ the Commission ***for its recommendation, when considering whether to establish the existence of an excessive imbalance and recommend*** that the Member State ***take corrective action*** in accordance with Article ***7(2)*** of that Regulation***. The Commission shall take into account any information that the Member State considers relevant***.

2. ▌The Member State for which an excessive imbalance procedure is opened in accordance with Article 7(2) of Regulation (EU) No 1176/2011, ▌ shall submit a revised plan in accordance with Article 14 of this Regulation. The revised plan shall follow the Council recommendation adopted in accordance with Article 7(2) of Regulation (EU) No 1176/2011. The submission of the revised plan shall be subject to the endorsement by the Council in accordance with Articles 16 to 19 of this Regulation. The revised plan shall be assessed in accordance with Article 15 of this Regulation.

3. Where a Member State submits a revised medium-term fiscal-structural plan pursuant to paragraph 2, that revised plan shall serve as the corrective action plan required under Article 8(1) of Regulation (EU) No 1176/2011 and shall set out the specific policy actions the Member State concerned has implemented or intends to implement and shall include a timetable for those actions.

In that case, in accordance with Article 8(2) of Regulation (EU) No 1176/2011, the Council, on the basis of a Commission assessment, shall assess the revised plan within 2 months of its submission. The monitoring and assessment of the implementation of the revised plan shall be made in accordance with Article 21 of this Regulation and Articles 9 and 10 of Regulation (EU) No 1176/2011.

▌

PUBLIC

CHAPTER VIII

INTERACTION WITH REGULATION (EU) No 472/2013

Article 31

Interaction with the enhanced surveillance procedure

[14]

Where a Member State is subject to a macroeconomic adjustment programme and the changes thereto in accordance with Article 7 of Regulation (EU) ***of the European Parliament and of the Council*** No 472/2013, it shall not be required to submit a medium-term fiscal-structural plan pursuant to Article 9 of this Regulation and an annual progress report pursuant to Article 20 of this Regulation.

Where a Member State has an active medium-term fiscal-structural plan, and that Member State becomes subject to a macroeconomic adjustment programme pursuant to Article 7 of Regulation (EU) No 472/2013, the medium-term fiscal-structural plan shall be taken into account in the design of the macroeconomic adjustment programme.

CHAPTER X

COMMON PROVISIONS

Article 34

Dialogue with the Member States

The Commission shall ensure a permanent dialogue with Member States in accordance with the objectives of this Regulation. To that end, the Commission shall, in particular, carry out missions for the purpose of the assessment of the socio-economic situation in the Member State and the identification of any risks or difficulties in complying with the objectives of this Regulation. ***For the purposes of this dialogue, the Commission may seek the views of relevant stakeholders based in the Member State concerned.***

[14]

Article 35

Monitoring missions

1. The Commission may undertake ***monitoring*** missions in Member States which are the subject of recommendations issued pursuant to Article ***121(4) TFEU***.

2. When the Member State concerned is a Member State whose currency is the euro or a Member State that is participating in ERM2, the Commission may invite representatives of the European Central Bank, if appropriate, to participate in ***monitoring*** missions.

Article 36

Report

1. By ▌ 31 December 2030 ▌ and every 5 years thereafter, the Commission shall ***prepare*** a report on the application of this Regulation accompanied, where appropriate, by a proposal to amend this Regulation. The Commission shall make that report public.

2. The report referred to in paragraph 1 shall review:

   (a) the effectiveness of this Regulation ***in achieving its objectives*** in accordance with ***Article 1;***

   (b) the progress in ensuring closer coordination of economic policies and sustained convergence of economic performances of the Member States.

   ▌

3. The report shall be forwarded to the European Parliament and the Council.

Article 37

Repeal of Regulation (EC) No 1466/97

Regulation (EC) No 1466/97 is repealed.

PUBLIC

Article 38

Entry into force

This Regulation shall enter into force on the ▌ day following ▌ its publication in the Official Journal of the European Union.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Article 38bis

Transitory provisions

For the first cohort of medium-term fiscal-structural plans:

(a) By exception to Article 7(1), the Commission shall transmit prior guidance to the Member States concerned at the latest by 21 June 2024 based on the latest Commission forecast, and Member States shall submit their medium-term fiscal-structural plans by 20 September 2024, in accordance with Article 9, unless the Member State and the Commission agree to extend the deadline by a reasonable period of time. By derogation to the obligation established in Article 9(3), Member States may conduct a public consultation of social partners, regional authorities, civil society organisations and other relevant national stakeholders along the principles set in Article 9, with appropriate deadlines;

(b) During the lifetime of the Recovery and Resilience Facility, in accordance with Regulation (EU) 2021/241, commitments included in the approved Recovery and Resilience Plan of the Member State concerned shall be taken into account for an extension of the adjustment period in accordance with Article 13, provided the Recovery and Resilience Plan contains significant reforms and investments aimed at improving fiscal sustainability and enhancing the growth potential of the economy, and the Member State concerned commits to continue the reform effort over the remainder of the national medium-term fiscal-structural plan, as well as to maintain the nationally financed investment levels realised on average over the period covered by the Recovery and Resilience Plan.

PUBLIC

(c) ***Projects related to Recovery and Resilience Facility loans as well as national co-financing of EU funds in 2025 and 2026 shall be taken into account whenever a Member State requests an exception to the no-backloading safeguard referred to in Article 6 point c, provided that this does not endanger fiscal sustainability in the medium term;***

(d) ***Acknowledging the exceptional impact of recent economic shocks and current uncertainty on estimates of potential growth, Member States may use more stable series than the ones resulting from the commonly agreed methodology, provided it is duly justified by economic arguments and the cumulated growth over the projection horizon remains broadly in line.***

By 31 December 2028, the Commission shall communicate to the European Parliament and the Council preliminary findings on the application of the Regulation.

Done at Brussels,

For the European Parliament	*For the Council*
The President	*The President*

PUBLIC