



**EUROPEAN UNION**

**THE EUROPEAN PARLIAMENT**

**THE COUNCIL**

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**LEGISLATIVE ACTS AND OTHER INSTRUMENTS**

Subject: REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on the effective coordination of economic policies and on multilateral budgetary surveillance and repealing Council Regulation (EC) No 1466/97

**REGULATION (EU) 2024/...**  
**OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL**

of ...

**on the effective coordination of economic policies  
and on 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<sup>1</sup>,

Acting in accordance with the ordinary legislative procedure<sup>2</sup>,

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<sup>1</sup> OJ C 290, 18.8.2023, p. 17.

<sup>2</sup> Position of the European Parliament of 23 April 2024 (not yet published in the Official Journal) and decision of the Council of ...

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, which initially consisted of Council Regulations (EC) No 1466/97<sup>3</sup> and (EC) No 1467/97<sup>4</sup> and the Resolution of the European Council of 17 June 1997<sup>5</sup>, 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 and inclusive growth underpinned by financial stability, thereby supporting the achievement of the Union's objectives for sustainable growth and employment.
- (3) The fiscal governance framework forms 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.

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<sup>3</sup> 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).

<sup>4</sup> 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).

<sup>5</sup> Resolution of the European Council on the Stability and Growth Pact Amsterdam, 17 June 1997 (OJ C 236, 2.8.1997, p. 1).

- (4) The involvement of national parliaments, social partners, civil society organisations and other relevant stakeholders in the European Semester is key to ensuring national ownership of economic and fiscal policies as well as transparent and inclusive policy-making.
- (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, as well as 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 caused by that pandemic, 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 such as achieving a fair digital and green transition including the climate objectives set out in Regulation (EU) 2021/1119 of the European Parliament and of the Council<sup>6</sup>, 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 require reforms and sustained high levels of investment in the years to come.

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<sup>6</sup> Regulation (EU) 2021/1119 of the European Parliament and of the Council of 30 June 2021 establishing the framework for achieving climate neutrality and amending Regulations (EC) No 401/2009 and (EU) 2018/1999 ('European Climate Law') (OJ L 243, 9.7.2021, p. 1).

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

- (7) Ensuring an appropriate level of public investment is necessary in order to achieve the main objectives of the economic governance framework reform laid down in this Regulation as well as to address current and future priorities of the Union. The implementation of financing instruments such as the cohesion policy funds, which currently comprise the European Regional Development Fund (ERDF) and the Cohesion Fund established by Regulation (EU) 2021/1058 of the European Parliament and of the Council<sup>7</sup>, the European Social Fund Plus (ESF+) established by Regulation (EU) 2021/1057 of the European Parliament and of the Council<sup>8</sup> and the Just Transition Fund (JTF) established by Regulation (EU) 2021/1056 of the European Parliament and of the Council<sup>9</sup>, under the European Union Recovery Instrument established by Council Regulation (EU) 2020/2094<sup>10</sup>, or under the European instrument for temporary support to mitigate unemployment risks in an emergency established by Council Regulation (EU) 2020/672<sup>11</sup>, 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.

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<sup>7</sup> Regulation (EU) 2021/1058 of the European Parliament and of the Council of 24 June 2021 on the European Regional Development Fund and on the Cohesion Fund (OJ L 231, 30.6.2021, p. 60).

<sup>8</sup> Regulation (EU) 2021/1057 of the European Parliament and of the Council of 24 June 2021 establishing the European Social Fund Plus (ESF+) and repealing Regulation (EU) No 1296/2013 (OJ L 231, 30.6.2021, p. 21).

<sup>9</sup> Regulation (EU) 2021/1056 of the European Parliament and of the Council of 24 June 2021 establishing the Just Transition Fund (OJ L 231, 30.6.2021, p. 1).

<sup>10</sup> Council Regulation (EU) 2020/2094 of 14 December 2020 establishing a European Union Recovery Instrument to support the recovery in the aftermath of the COVID-19 crisis (OJ L 433 I, 22.12.2020, p. 23).

<sup>11</sup> Council Regulation (EU) 2020/672 of 19 May 2020 on the establishment of a European instrument for temporary support to mitigate unemployment risks in an emergency (SURE) following the COVID-19 outbreak (OJ L 159, 20.5.2020, p. 1).

- (8) The multilateral surveillance procedure set out in Article 121(2), (3) and (4) and Article 148(4) TFEU should monitor the full range of economic and employment developments in each Member State and in the Union as a whole. That includes the detection of macroeconomic imbalances and the prevention and correction of excessive imbalances set out in Regulations (EU) No 1174/2011<sup>12</sup> and (EU) No 1176/2011<sup>13</sup> of the European Parliament and of the Council, respectively. For the monitoring of those economic and employment developments, Member States should present information in the form of medium-term fiscal-structural plans covering a period of four or five years, depending on the regular length of the legislative term of the Member State concerned. As part of its integrated analysis of employment and social developments in the context of 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.

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<sup>12</sup> 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).

<sup>13</sup> 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).

- (9) Detailed rules should be laid down regarding the content, submission, assessment, endorsement and monitoring of 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.



- (10) National medium-term fiscal-structural plans should bring together the fiscal policy, structural reforms and investments of each Member State. Those plans should be the cornerstone of the economic governance framework of the Union. Each Member State should present a national medium-term fiscal-structural plan setting out its fiscal path 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. Those 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 in accordance with Regulation (EU) 2021/1119 and through the implementation of the national energy and climate plans submitted pursuant to Regulation (EU) 2018/1999 of the European Parliament and of the Council<sup>14</sup>; the digital transition, including the Digital Decade Policy Programme 2030 established by Decision (EU) 2022/2481 of the European Parliament and of the Council<sup>15</sup>; 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 period of operation of the Recovery and Resilience Facility established by Regulation (EU) 2021/241 of the European Parliament and of the Council<sup>16</sup>, commitments undertaken in the national recovery and resilience plans should be duly taken into account when national medium-term fiscal-structural plans are drawn up.

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<sup>14</sup> Regulation (EU) 2018/1999 of the European Parliament and of the Council of 11 December 2018 on the Governance of the Energy Union and Climate Action, amending Regulations (EC) No 663/2009 and (EC) No 715/2009 of the European Parliament and of the Council, Directives 94/22/EC, 98/70/EC, 2009/31/EC, 2009/73/EC, 2010/31/EU, 2012/27/EU and 2013/30/EU of the European Parliament and of the Council, Council Directives 2009/119/EC and (EU) 2015/652 and repealing Regulation (EU) No 525/2013 of the European Parliament and of the Council (OJ L 328, 21.12.2018, p. 1).

<sup>15</sup> Decision (EU) 2022/2481 of the European Parliament and of the Council of 14 December 2022 establishing the Digital Decade Policy Programme 2030 (OJ L 323, 19.12.2022, p. 4).

<sup>16</sup> 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).

- (11) The cohesion policy funds are also synchronised with the European Semester. As the long-term investment policy of the Union budget, reforms and investments under those funds should also be duly taken into account when national medium-term fiscal-structural plans are drawn up, in order to ensure consistency and, where appropriate, complementarity.
- (12) The submission of a national medium-term fiscal-structural plan should be preceded by a technical dialogue with the Commission to ensure compliance with this Regulation. The assessment of the national medium-term fiscal-structural plans by the Commission should include a summary of that technical dialogue. On the basis of a recommendation from the Commission, the Council should adopt a recommendation setting out the net expenditure path and, as appropriate, endorse the reforms and investments underpinning the possible extension of an adjustment period.

- (13) 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 for 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 Union programmes fully matched by revenue from Union funds, 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, those one-offs and other temporary measures should also be excluded from the net expenditure indicator. That 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.

- (14) To frame the dialogue leading to the submission of national medium-term fiscal-structural plans, the Commission should transmit to Member States with a general government debt exceeding 60 % of GDP or a government deficit exceeding 3 % of GDP, as set out in Article 126(2) TFEU in conjunction with Protocol (No 12) on the excessive deficit procedure annexed to the Treaty on European Union (TEU) and TFEU ('Protocol (No 12)'), a reference trajectory covering an adjustment period of four years with a possible extension of up to three years. That trajectory should be risk-based, country-specific and anchored in debt sustainability to ensure a more forward-looking approach fit for both current and future challenges.
- (15) At the request of a Member State with government debt not exceeding 60 % of GDP and government deficit not exceeding 3 % of GDP, the Commission should transmit guidance in the form of technical information to that Member State.
- (16) During the month before the deadline by which the Commission is to transmit a reference trajectory or technical information to a Member State, that Member State should have the possibility to request a technical exchange with the Commission. That 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.

- (17) The multilateral budgetary surveillance framework of the Union is based on statistical data provided by Eurostat, which is responsible, on behalf of the Commission, for ensuring the quality of fiscal data compiled in accordance with the European System of National and Regional Accounts. Eurostat is to establish a framework for Member States' reporting of statistical data on national co-financing of programmes funded by the Union that are necessary for the implementation of this Regulation and are currently not collected by Eurostat. Until the framework for the collection and provision of such data is established, Member States should be allowed to rely on estimates. The format, scope, frequency and timing of the provision of such data by Member States are to be determined by the relevant Union statistical bodies.
- (18) The reference trajectory should ensure that, by the end of the adjustment period, the general government debt is on a plausibly downward trajectory or stays at prudent levels, even under adverse scenarios. In addition, it should ensure that the general government deficit is brought and maintained below 3 % of GDP, while taking into account the fact that Member States could face additional costs after the end of the adjustment period such as costs related to demographic ageing. Finally, it should ensure consistency with the corrective path under Council Regulation (EC) No 1467/97.

- (19) To improve the predictability in the outcome of the multilateral budgetary surveillance framework of the Union and reinforce equal treatment between the Member States, the reference trajectory should comply ex ante with a debt sustainability safeguard. That safeguard should ensure in the design phase of the national medium-term fiscal-structural plans that the projected government debt ratio decreases by a minimum annual average. It would act as a minimum requirement for the effort underlying the reference trajectory and the net expenditure path. Due to the specific composition of the outstanding government debt of Greece, 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 of Greece should therefore not be taken into account in the application of the debt sustainability safeguard.
- (20) Risk-based requirements for the reference trajectory are expected to be sufficient to bring government deficit levels well below the reference value of 3 % of GDP. However, in order to make the multilateral budgetary surveillance framework more robust vis-à-vis uncertain developments of macro-fiscal variables, the reference trajectory should also provide for a common resilience margin relative to the deficit reference value referred to in Article 126(2) TFEU in conjunction with Protocol (No 12) or convergence towards that deficit reference value. That common resilience safeguard should ensure the build-up of fiscal buffers for adverse circumstances and shocks, thereby facilitating the conduct of counter-cyclical policies under the Union fiscal framework.

- (21) For the first national medium-term fiscal-structural plans, the plausibility of government debt declining in the medium term should be based on the methodology described in the Commission's Debt Sustainability Monitor 2023. A working group on debt sustainability analysis should explore possible methodological improvements, including on the underlying assumptions. That working group should be composed of experts from the Member States, the Commission and the European Central Bank. The European Fiscal Board and the European Stability Mechanism should be invited by that working group as observers. The competent committee of the European Parliament should have the possibility to invite the Commission to present its methodology in the context of the economic dialogue established by this Regulation.
- (22) 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 60 % of GDP or its government deficit is higher than 3 % of GDP.

- (23) Each national medium-term fiscal-structural plan should mention its status in the context of national procedures, in particular whether it was presented to the national parliament and whether it has been approved by the national parliament. 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, where relevant, any other Council recommendation or decision, or any Commission warning. If available, the opinion of the independent fiscal institution established in accordance with Council Directive 2011/85/EU<sup>17</sup> should be attached to the national medium-term fiscal-structural plan submitted 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 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 national medium-term fiscal-structural plans, Member States could conduct a consultation in the run-up thereto with appropriate deadlines.

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<sup>17</sup> 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).



- (24) In the case of a newly appointed government, a Member State should have the possibility to submit a revised national medium-term fiscal-structural plan to the Commission. If there are objective circumstances preventing the implementation of a national medium-term fiscal-structural plan, a Member State should have the possibility of requesting to submit a revised plan to the Commission no later than 12 months before the end of the current plan.
- (25) Where Member States use assumptions in their national medium-term fiscal-structural plans that differ from the medium-term government 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 national medium-term fiscal-structural plans.
- (26) Where the Council considers that the revised national medium-term fiscal-structural plan of a Member State does not comply with the requirements of this Regulation, the Council should recommend, as a rule, the original reference trajectory that had been previously transmitted by the Commission as the net expenditure path.
- (27) In order to allow for a proper interaction between the common Union framework and national budgetary frameworks, the Commission should base its assessment of Member States' compliance with their respective net expenditure paths as set by the Council 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.

- (28) 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 projections of the Commission.
- (29) In order to ensure the implementation of the national medium-term fiscal-structural plans, the Commission and the Council should monitor the reforms and investments included in those plans under the European Semester, based on the annual progress reports submitted by the Member States, and in accordance with Articles 121 and 148 TFEU. To that effect, they should engage in an economic dialogue with the European Parliament.
- (30) 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 decisions taken in the context of the European Semester. The President of the Council and the Commission should regularly inform the European Parliament of the results of the multilateral surveillance pursuant to this Regulation. Information to be provided in the context of this Regulation should be prepared and transmitted by the Commission to the Council, and should be made available to the European Parliament without undue delay.

- (31) To ensure a more gradual debt reduction, the adjustment period can be extended by a maximum of three years if the Member State underpins its national 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 under the European Semester, including, where applicable, recommendations issued under the macroeconomic imbalance 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.
- (32) The set of reforms and investments underpinning 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 period of operation of the Recovery and Resilience Facility and the Partnership Agreement agreed under the Multiannual Financial Framework. Where recovery and resilience plans include ambitious reforms and investments, in particular with regard to economic growth and fiscal sustainability over the medium term, they should be considered as complying with the requirements for the extension of the adjustment period for the first national medium-term fiscal-structural plans.

- (33) The set of reforms and investments set out in the national medium-term fiscal-structural plans should be aligned with the common priorities of the Union, which includes achieving: a fair green and digital transition, including consistency with the climate objectives set out in Regulation (EU) 2021/1119; social and economic resilience, including the European Pillar of Social Rights; energy security; and, where necessary, the build-up of defence capabilities. The Commission should pay particular attention to those priorities in its assessment of the national medium-term fiscal-structural plans. That set of reforms and investments should also be consistent with the implementation of the national strategies determined by the Member State concerned to address those Union priorities.
- (34) With a view to fostering growth-friendly fiscal consolidation strategies, the impact of reforms and investments, once implemented under the national medium-term fiscal-structural plans, should 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 revenue, expenditure and potential growth, as well as the contribution to the common priorities of the Union, based on sound and data-driven economic evidence.
- (35) Where a Member State fails to satisfactorily comply with the time-bound set of reforms and investments underpinning the more gradual net expenditure path as set by the Council by the specified deadline, the Council, on a recommendation from the Commission, should be able to recommend to shorten the extension of the adjustment period, that is to say to steepen the annual adjustment effort, unless there are objective circumstances preventing the implementation by the initial deadline.

- (36) 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 as set by the Council. The control account should not record deviations as long as escape clauses remain activated. In line with Article 2(3) of Regulation (EC) No 1467/97, when preparing the report pursuant to Article 126(3) TFEU, the Commission should take into account 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 laid down in this Regulation.
- (37) 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.

- (38) A permanent and more independent European Fiscal Board should play a more prominent 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 TEU and TFEU. Its independence and access to information should be improved. The Council and the European Parliament should be consulted in the appointment process of its Chair and Members of the Board. Those appointments should, to the extent possible, ensure an appropriate geographical and gender balance.
- (39) When providing an opinion on the draft budgetary plans submitted pursuant to Regulation (EU) No 473/2013 of the European Parliament and of the Council<sup>18</sup>, the Commission should assess whether the draft budgetary plans are consistent with the net expenditure paths as set by the Council pursuant to this Regulation.

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<sup>18</sup> 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).

- (40) In the case of major shocks to the euro area or to 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 as set by the Council, provided that such deviation does not endanger fiscal sustainability over the medium term. The triggering and extension of the general escape clause is to be subject to a Council recommendation, which the Council should endeavour to adopt within four weeks of a Commission recommendation. The European Fiscal Board should deliver an opinion on the extension of the general escape clause.
- (41) In addition to the general escape clause, there should also be a country-specific escape clause to allow a deviation from the net expenditure path as set by the Council where exceptional circumstances, such as unpredictable exogenous events that are outside the control of the Member State, have a major impact on the public finances of the Member State and require counter-cyclical fiscal measures, provided that such deviation does not endanger fiscal sustainability over the medium term. The triggering and extension of country-specific escape clauses is to be subject to a Council recommendation, which the Council should endeavour to adopt within four weeks of a Commission recommendation, taking into account the request of the Member State concerned to trigger or extend the country-specific escape clause.

(42) This Regulation is part of a package together with Council Regulation (EU) 2024/...<sup>19+</sup> and Council Directive (EU) 2024/...<sup>20++</sup>. Together, these three legislative acts (hereinafter jointly referred to as ‘the economic governance framework reform’) reform the economic governance framework of the Union, incorporating into Union law the substance of Title III (Fiscal Compact) of the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union<sup>21</sup> of 2 March 2012 (the ‘TSCG’), in accordance with Article 16 of that Treaty. By building on the experience of the implementation of the TSCG by the Member States, the economic governance framework reform retains the Fiscal Compact’s medium-term orientation as a tool to achieve budgetary discipline and growth promotion. The economic governance framework reform 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 on national fiscal correction mechanisms proposed by the Commission in its communication of 20 June 2012 in accordance with Article 3(2) 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.

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<sup>19</sup> Council Regulation (EU) 2024/... of ... amending Regulation (EC) No 1467/97 on speeding up and clarifying the implementation of the excessive deficit procedure (OJ L, ..., ELI: ...).

<sup>+</sup> OJ: please insert the number of the Regulation contained in document ST 6919/24 [corrective arm] and complete the date, title and OJ reference of that Regulation in the corresponding footnote.

<sup>20</sup> Council Directive (EU) 2024/... of ... amending Directive 2011/85/EU on requirements for budgetary frameworks of the Member States (OJ L, ..., ELI: ...).

<sup>++</sup> OJ: please insert the number, date and OJ reference of the Directive contained in document ST 6920/24 and complete the corresponding footnote.

<sup>21</sup> [https://www.consilium.europa.eu/media/20399/st00tscg26\\_en12.pdf](https://www.consilium.europa.eu/media/20399/st00tscg26_en12.pdf).



As in the Fiscal Compact, temporary deviations from the medium-term plan are only permitted in exceptional circumstances in accordance with this Regulation and in line with the provisions on the control account. In a similar vein to the Fiscal Compact, in the event of significant deviations from the medium-term plan, measures should be implemented to correct the deviations over a defined period. The economic governance framework reform 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 Fiscal Compact.

- (43) In order to ensure the 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 national medium-term fiscal-structural plans and in their annual progress reports. That guidance should be made public.
- (44) 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<sup>22</sup>.

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<sup>22</sup> 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).

- (45) Since the objectives of this Regulation to ensure effective coordination of economic policies and multilateral budgetary surveillance, cannot be sufficiently achieved by the Member States, but can rather, by reason of the scale or effects of the coordination and surveillance, be better achieved at Union level, the Union may adopt measures, in accordance with the principle of subsidiarity as set out in Article 5 TEU. In accordance with the principle of proportionality as set out in that Article, this Regulation does not go beyond what is necessary in order to achieve those objectives.
- (46) In view of the existing deadline under the Stability and Growth Pact, this Regulation should enter into force as a matter of urgency on the day of its publication in the Official Journal of the European Union,

HAVE ADOPTED THIS REGULATION:

# Chapter I

## Subject matter and definitions

### *Article 1*

#### *Subject matter*

1. This Regulation lays down rules to ensure the effective coordination of sound economic policies of the Member States, thereby supporting the achievement of the Union's objectives of sustainable and inclusive growth and employment.
2. This Regulation lays down detailed rules on 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 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 TFEU;

- (2) '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;
- (3) 'reference trajectory' means the multiannual net expenditure trajectory transmitted by the Commission to frame the dialogue with Member States where government debt exceeds 60 % of gross domestic product (GDP) or where the government deficit exceeds 3 % of GDP when drawing up their national medium-term fiscal-structural plans;
- (4) 'technical information' means the guidance transmitted by the Commission upon request to Member States with government debt not exceeding 60 % of GDP and government deficit not exceeding 3 % of GDP before Member States draw up their national medium-term fiscal-structural plans;
- (5) 'net expenditure path' means the multi-annual trajectory for net expenditure of a Member State;
- (6) 'national medium-term fiscal-structural plan' means the document containing the fiscal, reform and investment commitments of a Member State, covering a period of four or five years depending on the regular length of the legislative term of that Member State;

- (7) ‘annual progress report’ means a report of a Member State on the implementation of the national medium-term fiscal-structural plan, including the net expenditure path as set by the Council and the reforms and investments;
- (8) ‘adjustment period’ means the period over which the fiscal adjustment of a Member State takes place, covering a period of four years or, in the case of an extension, a period of four years plus an additional period of up to three years;
- (9) ‘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 as set by the Council;
- (10) ‘structural balance’ means the cyclically adjusted general government balance net of one-offs and other temporary measures;
- (11) ‘structural primary balance’ means the structural balance net of interest expenditure.

## Chapter II

### European Semester

#### *Article 3*

#### *The European Semester*

1. 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 27 of this Regulation, shall conduct multilateral surveillance in the context of the European Semester in accordance with the objectives and requirements set out in the TFEU.
2. Multilateral surveillance shall rely on high quality and independent statistics, produced in accordance with the principles laid down in Regulation (EC) No 223/2009.
3. 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 its headline targets, via the social scoreboard and a framework to identify risks to social convergence;
- (c) the submission, assessment and endorsement of national medium-term fiscal-structural plans of the Member States, as well as the monitoring of their implementation through the annual progress reports;
- (d) surveillance in order to prevent and correct macroeconomic imbalances pursuant to Regulation (EU) No 1176/2011.

#### *Article 4*

##### *Implementation of the European Semester*

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

2. Member States shall take due account of the broad guidelines for their economic policies and of the recommendations and employment guidelines as referred to in Article 3(3), points (a) and (b), respectively, 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 guidelines and recommendations referred to in paragraph 2 may result in:
  - (a) further recommendations;
  - (b) a Commission warning or a Council recommendation pursuant to Article 121(4) TFEU;
  - (c) measures under this Regulation, Regulation (EC) No 1467/97 or Regulation (EU) No 1176/2011.



## Chapter III

### The reference trajectory

#### Article 5

##### *Reference trajectory*

Where the general government debt exceeds 60 % of GDP or the general government deficit exceeds 3 % of GDP, 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 four years and its possible extension by up to three years pursuant to Article 14.

#### 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, assuming that there are 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 60 % of GDP over the medium-term;
- (b) the projected general government deficit is brought below 3 % of GDP over the adjustment period and is maintained below that reference value over the medium-term assuming that there are 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 3(4) of Regulation (EC) No 1467/97, where applicable.

### *Article 7*

#### *Debt sustainability safeguard*

1. 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 points of GDP as long as the general government debt-to-GDP ratio remains between 60 % and 90 %.
2. The average decrease referred to in paragraph 1 of this Article 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 pursuant to Regulation (EC) No 1467/97, whichever occurs later, until the end of the adjustment period.

*Article 8*  
*Deficit resilience safeguard*

1. The reference trajectory shall ensure that fiscal adjustment continues, where needed, until the Member State concerned reaches a deficit level that provides a common resilience margin in structural terms of 1,5 % of GDP relative to the deficit reference value of 3 % of GDP.
2. The annual improvement in the structural primary balance to achieve the required margin shall be 0,4 percentage points of GDP, which shall be reduced to 0,25 percentage points of GDP in the case of an extension of the adjustment period referred to in Article 14.

*Article 9*  
*Prior guidance by the Commission*

1. By 15 January of the year in which the Member States have to submit their national medium-term fiscal-structural plans pursuant to Article 11 or, within three weeks of the request of the Member State to submit a revised plan pursuant to Article 15, 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 3 of this Article, and the corresponding structural primary balance, including spreadsheet templates and other relevant information required to ensure its full replicability.
2. During the month before the deadline by which the Commission is to transmit to a Member State the prior guidance as referred to in paragraph 1 of this Article, the Member State may request a technical exchange with the Commission. Such technical exchange shall provide an opportunity to discuss the latest statistical information available and the economic and fiscal outlook of the Member State concerned.
3. For Member States that have a general government deficit not exceeding 3 % of GDP and general government debt not exceeding 60 % of GDP, 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 3 % of GDP assuming that there are no additional policy measures over the medium and long-term and indicating whether that implies fiscal adjustment needs. Such technical information shall also be consistent with the deficit resilience safeguard referred to in Article 8.

*Article 10*  
*Plausibility assessment*

1. To assess the plausibility of whether the projected general government debt ratio of a Member State 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) general government debt ratio declines or stays at prudent levels, under the deterministic scenarios of the Commission's medium-term government debt projection framework;
  - (b) the risk of the general government debt ratio not decreasing in the five years following the adjustment period of the national medium-term fiscal-structural plan is sufficiently low, the assessment of which shall be based on 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 economic dialogue referred to in Article 28.
3. The Commission shall make public its plausibility assessment and the spreadsheet templates containing the underlying data as well as other relevant information to ensure the replicability of results at the time of the submission of the national medium-term fiscal-structural plan pursuant to Article 11.

## Chapter IV

### National medium-term fiscal-structural plans

#### *Article 11*

##### *Submission of the national medium-term fiscal-structural plans*

1. 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. A Member State and the Commission may, where necessary, agree to extend that deadline by a reasonable period.
2. A Member State may ask the relevant independent fiscal institution to issue an opinion on the macroeconomic forecast and the macroeconomic assumptions underpinning the net expenditure path, providing sufficient time for the independent fiscal institution to prepare its opinion.

As of ... [eight years from the date of entry into force of this Regulation], the relevant independent fiscal institutions shall issue those opinions, provided that they have built up sufficient capacity. Failure by an independent fiscal institution to issue its opinion within a reasonable timeframe shall not prevent a Member State from submitting its national medium-term fiscal-structural plan. Where available, the opinion of the independent fiscal institution shall be attached to the national medium-term fiscal-structural plan submitted to the Commission.

3. Prior to the submission of its national medium-term fiscal-structural plan, each Member State shall conduct, in accordance with its national legal framework, a consultation of civil society, social partners, regional authorities and other relevant stakeholders.
4. Prior to the submission of its national medium-term fiscal-structural plan, each Member State may debate its draft national medium-term fiscal-structural plan with its national parliament, in accordance with its national legal framework.
5. Each Member State shall make its national medium-term fiscal-structural plan public upon its submission to the Council and the Commission.

*Article 12*  
*Technical dialogue*

Prior to the submission of its national medium-term fiscal-structural plan, each Member State shall hold with the Commission a technical dialogue with the objective of ensuring that the national medium-term fiscal-structural plan complies with Articles 13 and 15.

### *Article 13*

#### *Requirements for national medium-term fiscal-structural plans*

A national medium-term fiscal-structural plan shall:

- (a) contain a 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 16(2) and (3);
- (b) include the reference trajectory or the technical information transmitted by the Commission pursuant to Article 5 or Article 9(3), respectively; 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 concerned shall provide in its plan sound and data-driven economic arguments explaining the difference;
- (c) explain how the Member State concerned will ensure the delivery of reforms and investments responding to the main challenges identified in the context of the European Semester, in particular in the country-specific recommendations, and how that Member State will address the following common priorities of the Union:
  - (i) a fair green and digital transition, including the climate objectives set out in Regulation (EU) 2021/1119;



- (ii) social and economic resilience, including the European Pillar of Social Rights;
  - (iii) energy security; and
  - (iv) where necessary, the build-up of defence capabilities;
- (d) describe the action of the Member State concerned to address the country-specific recommendations addressed to it that are relevant for the macroeconomic imbalances procedure under Regulation (EU) No 1176/2011, and, where applicable, the Commission warnings or the Council recommendations pursuant to Article 121(4) TFEU;
- (e) where applicable, explain how the Member State concerned will ensure the delivery of a relevant set of reforms and investments as referred to in Article 14, underpinning an extension of the Member State's adjustment period by up to of three years;
- (f) include the impact of reforms and investments already implemented by the Member State concerned, paying particular attention to the impact on fiscal sustainability through future government revenue, expenditure and potential growth, based on sound and data-driven economic evidence;
- (g) contain information on:
  - (i) the main macroeconomic and budgetary assumptions,
  - (ii) implicit and contingent liabilities,

- (iii) the expected impact of reforms and investments underpinning the extension of the adjustment period,
- (iv) the forecasted level of nationally-financed public investment throughout the period covered by the national medium-term fiscal-structural plan,
- (v) public investment needs including those related to the common priorities of the Union referred to in point (c) of this Article,
- (vi) the consultation of national parliaments and the consultation referred to in Article 11,
- (vii) the consistency and, where appropriate, complementarity with the cohesion policy funds as well as the recovery and resilience plan of the Member State concerned during the period of operation of the Recovery and Resilience Facility pursuant to Regulation (EU) 2021/241.

#### *Article 14*

##### *Criteria 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 up to three years.

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:
- (a) it entails, based on credible and prudent assumptions, an improvement of the growth and resilience potential of the economy of the Member State concerned in a sustainable manner;
  - (b) it supports fiscal sustainability, with a structural improvement of government finances over the medium term, such as reducing the government expenditure-to-GDP ratio or increasing the government revenue-to-GDP ratio;
  - (c) it addresses the common priorities of the Union referred to in Article 13, point (c);
  - (d) it addresses the relevant country-specific recommendations addressed to the Member State concerned, including, where applicable, recommendations issued under the macroeconomic imbalances procedure;
  - (e) it ensures that the planned overall level of nationally financed public investment over the period covered by the national medium-term fiscal-structural plan is not lower than the medium-term level before that period, taking into account the scope and scale of the country-specific challenges.

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 comply with the following criteria:
- (a) the description of the reform and investment commitments shall be clear and allow the Commission to assess them against the criteria set out in paragraph 2;
  - (b) the reforms shall be implemented within the period covered by the national medium-term fiscal-structural plan;
  - (c) significant progress in the implementation of the investments shall be achieved by the end of the adjustment period;
  - (d) the description of the reforms and investments shall include indicators, where relevant, to allow the assessment of their implementation and monitoring.
4. The set of reform and investment commitments underpinning 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 period of operation of the Recovery and Resilience Facility pursuant to Regulation (EU) 2021/241, and the Partnership Agreement agreed under the Multiannual Financial Framework with the Member State concerned.

## *Article 15*

### *Revised national medium-term fiscal-structural plan*

1. No later than twelve 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 within that period. In that case, the revised national medium-term fiscal-structural plan shall cover the period running until the end of the initial period of the plan.
2. In the case of a newly appointed government, a Member State may submit a revised national medium-term fiscal-structural plan covering a new period of four or five years depending on the regular term of its legislature.
3. A Member State may ask the relevant independent fiscal institution to issue an opinion on the macroeconomic forecast and the macroeconomic assumptions underpinning the net expenditure path, providing sufficient time for the independent fiscal institution to prepare its opinion.

As of ... [eight years from the date of entry into force of this Regulation], the relevant independent fiscal institutions shall issue those opinions, provided that they have built up sufficient capacity. Failure by an independent fiscal institution to deliver its opinion within a reasonable timeframe shall not prevent a Member State from submitting its revised national medium-term fiscal-structural plan. Where available, the opinion of the independent fiscal institution shall be attached to the revised national medium-term fiscal-structural plan submitted to the Commission.

4. For the purpose of preparing a revised national medium-term fiscal-structural plan by a Member State in accordance with paragraph 1 or 2, the Commission shall transmit to that Member State and to the Economic and Financial Committee a new reference trajectory or, at the request of that Member State, new technical information.
5. Taking into account the past adjustment of the Member State concerned or the lack thereof, the new reference trajectory shall not backload the fiscal adjustment effort and shall, as a rule, not lead to a lower fiscal adjustment effort.
6. If a revised national medium-term fiscal-structural plan is submitted, Articles 12, 13, 14 and 16 to 20 shall apply.

7. Where applicable, the Commission shall assess, in particular, 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 national medium-term fiscal-structural plan and the changes in terms of public debt challenges under the revised national medium-term fiscal-structural plan.

### *Article 16*

#### *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 that period, if necessary, as a rule, for up to two weeks.
2. When assessing a national medium-term fiscal-structural plan, the Commission shall examine for each Member State whether 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 or it remains at prudent levels below 60 % of GDP, and it brings and maintains the government deficit below 3 % of GDP over the medium term.

3. When assessing the national medium-term fiscal-structural plan the Commission shall examine for the Member States that have received a reference trajectory whether their net expenditure paths comply with the requirements set out in Articles 6, 7 and 8.
4. The Commission shall examine for all Member States whether their national medium-term fiscal-structural plans comply with the requirements set out in Article 13.
5. The Commission shall examine whether, in respect of the Member State concerned, the set of reforms and investments underpinning an extension of the adjustment period complies with Article 14.

### *Article 17*

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

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



2. 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 31, the Council shall also endorse in its recommendation the reforms and investment necessary to correct those imbalances.

#### *Article 18*

##### *Council recommendation for a revised national medium-term fiscal-structural plan*

Where it considers that a national medium-term fiscal-structural plan does not comply with the requirements set out in Article 16(2), (3) and (5), taking into account the Commission's assessment, the Council shall, on a recommendation from the Commission, recommend that the Member State concerned submit a revised national medium-term fiscal-structural plan.

#### *Article 19*

##### *Council recommendation in the case of non-compliance by a 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 Council recommendation referred to in Article 18;

- (b) the Council considers that the revised national medium-term fiscal-structural plan does not comply with the requirements set out in Article 16(2), (3) and (5), with due justification of its position;
- (c) the Member State fails to submit its first 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 11(1).

In the situation referred to in point (a) of the first subparagraph, the Member State concerned and the Commission may agree to extend that deadline by, as a rule, up to one month.

#### *Article 20*

##### *Non-compliance by a Member State with the investment and reform commitments 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 reform and investment commitments underpinning the extension as referred to in Article 14, the Council may on a recommendation from the Commission and in accordance with Article 29, recommend a revised net expenditure path with a shorter adjustment period, unless there are objective circumstances preventing the implementation by the initial deadline.

## **Chapter V**

### **Implementation**

### **of the national medium-term fiscal-structural plans**

#### *Article 21*

#### *Annual progress report*

1. Each Member State shall submit to the Commission an annual progress report, by 30 April of each year.
2. The annual progress report shall contain, in particular, information about the progress in the implementation of the net expenditure path as set by the Council, the implementation of broader reforms and investments in the context of the European Semester and, where applicable, in the implementation of the set of reforms and investments underpinning an extension of the adjustment period.
3. Each Member State shall make its annual progress report public.
4. The Commission shall use the information provided by Member States in their 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 made public.

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

## *Article 22*

### *Monitoring by the Commission*

1. The Commission shall monitor the implementation of the national medium-term fiscal-structural plan, and in particular, the net expenditure path as set by the Council and the reforms and investments underpinning the extension of the adjustment period.
2. The Commission shall set up a control account to keep track of cumulative upward and downward deviations of observed net expenditure from the net expenditure path as set by the Council, which shall be reset after the endorsement by the Council of a new national medium-term fiscal-structural plan.
3. The control account shall record a debit when the observed net expenditure in the Member State concerned in a given year is above the net expenditure path as set by the Council.
4. The control account shall record a credit when the observed net expenditure in the Member State concerned in a given year is below the net expenditure path as set by the Council.
5. The cumulated balance of the control account shall be the sum of the yearly debits and credits referred to in paragraphs 3 and 4. It shall be expressed as a percentage of GDP.

6. Debits and credits shall be recorded annually on the basis of outturn data.
7. Where the Council has adopted a recommendation pursuant to Article 25 or 26, the control account of the Member State concerned shall not record deviations.

### *Article 23*

#### *Role of independent fiscal institutions*

1. Member States may request the relevant independent fiscal institution as referred to in Article 8a of Directive 2011/85/EU to provide an assessment of the compliance of the budgetary outturns data reported in the annual progress report with the net expenditure path as set by the Council.
2. Where applicable, Member States may request the relevant independent fiscal institution to analyse the factors underlying a deviation from the net expenditure path as set by the Council. Such analysis shall be non-binding and additional to that of the Commission.

### *Article 24*

#### *The European Fiscal Board*

1. The European Fiscal Board established by Commission Decision (EU) 2015/1937<sup>23</sup> shall advise on the exercise of the Commission's and Council's functions in the multilateral fiscal surveillance set out in Articles 121, 126 and 136 TFEU.

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<sup>23</sup> Commission Decision (EU) 2015/1937 of 21 October 2015 establishing an independent advisory European Fiscal Board (OJ L 282, 28.10.2015, p. 37).

2. In the performance of its tasks, the European Fiscal 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, Union institutions or bodies or from any other public or private body.
3. For the purposes of paragraph 1, the tasks of the European Fiscal Board shall include:
  - (a) providing a timely ex post evaluation of the implementation of the Union fiscal governance framework;
  - (b) advising 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) providing advice, at the request of the Commission or the Council, on the implementation of the Stability and Growth Pact, including on the extension of the general escape clause in accordance with Article 25(3) of this Regulation;
  - (d) cooperating closely with independent fiscal institutions as referred to in Article 8a of Directive 2011/85/EU, with a view to promoting exchanges of best practices;
  - (e) making suggestions for the future evolution of the fiscal framework.
4. The European Fiscal Board shall be comprised of a Chair and four Members.

5. The Chair and the Members of the European Fiscal Board shall be selected and appointed by the Commission, after consultation of the European Parliament and the Council, 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 European Fiscal Board shall be appointed for a period of three years with a possibility of one renewal for an additional period of three years.
6. The European Fiscal Board shall establish its own Rules of Procedure.
7. The European Fiscal Board shall report once a year on its activities to the European Parliament, the Council and the Commission. All reports and advice of the European Fiscal Board shall be made public.

#### *Article 25*

##### *General escape clause*

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

2. 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.
3. The Council, on a recommendation from the Commission, may extend the period during which Member States may deviate from their net expenditure paths as set by the Council, 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 up to one year.

### *Article 26*

#### *National escape clauses*

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



2. Following a request from the Member State concerned and on a recommendation by the Commission, the Council may extend the period during which that Member State may deviate from the net expenditure path as set by the Council, provided that the exceptional circumstances persist. An extension may be granted more than once. However, each extension shall be for an additional period of up to one year.

## **Chapter VI**

### **Transparency and accountability**

#### *Article 27*

##### *Role of the European Parliament*

1. The European Parliament shall be involved in a regular and structured manner 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 Article 28.
2. 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 national medium-term fiscal-structural plans. The competent committee of the European Parliament may by means of the economic dialogue referred to in Article 28 request the Commission to appear before it. On such occasions, the Commission may be invited to present its assessment of the national medium-term fiscal-structural plans.
3. The President of the Council and the Commission shall regularly inform the European Parliament on the results of the multilateral surveillance under this Regulation.

4. 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 under this Regulation.
5. The President of the Eurogroup shall report each year to the European Parliament on developments in the area of multilateral surveillance pertaining to the euro area.
6. The Commission shall prepare and transmit to the Council at least the following information and make that information available to the European Parliament without undue delay:
  - (a) the debt sustainability assessments and its methodological framework, once published;
  - (b) the national medium-term fiscal-structural plans submitted by the Member States, including the reference trajectories and the net expenditure paths, and any revisions thereof;
  - (c) the annual progress reports submitted by the Member States;
  - (d) the Commission assessments and recommendations to the Council pursuant to Articles 17 to 20 of this Regulation;
  - (e) where relevant, the Commission's analysis of the economic and social developments published as part of the European Semester;

- (f) Commission warnings pursuant to Article 121(4) TFEU;
- (g) in the case of activation of the escape clauses pursuant to Article 25 or 26 of this Regulation, the Commission's analysis establishing that fiscal sustainability over the medium term will not be endangered.

7. The competent committee of the European Parliament may invite the Commission at least twice a year to provide information on the results of multilateral surveillance in the economic dialogue referred to in Article 28 of this Regulation.

### *Article 28*

#### *Economic dialogue*

1. 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 issued by the Commission to Member States, the conclusions of the European Council and the results of multilateral surveillance pursuant to this Regulation.
2. The Economic and Financial Committee, the Economic Policy Committee, the Employment Committee and the Social Protection Committee shall be consulted in the context of the European Semester where appropriate.

3. Relevant stakeholders, in particular the national parliaments and social partners, shall be involved in the context 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.
4. The competent committee of 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 discuss the national medium-term fiscal-structural plans, as well as the other information listed in Article 27(6).
5. The President of the Council, and the Commission in accordance with Article 121(5) TFEU, and, where appropriate, the President of the Eurogroup, shall report each year to the European Parliament and to the European Council on the results of the multilateral surveillance.

#### *Article 29*

#### *Comply or explain rule*

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

### *Article 30*

#### *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 31*

#### *Interaction with the macroeconomic imbalance procedure*

1. The unsatisfactory implementation, as assessed in accordance with Article 21 of this Regulation, of the reforms and investments included in a Member State's national medium-term fiscal-structural plan that are relevant for macroeconomic imbalances shall be taken into consideration:
  - (a) by the Commission when undertaking in-depth reviews in accordance with Article 5(2) of Regulation (EU) No 1176/2011; and
  - (b) by the Council and the Commission for their respective recommendations, when considering whether to establish the existence of an excessive imbalance and recommend that the Member State concerned take corrective action in accordance with Article 7(2) of Regulation (EU) No 1176/2011.

The Commission shall take into account any information that the Member State concerned considers relevant.

2. A Member State in respect of which an excessive imbalance procedure is opened in accordance with Article 7(2) of Regulation (EU) No 1176/2011, shall submit a revised national medium-term fiscal-structural plan in accordance with Article 15 of this Regulation. That revised national medium-term fiscal-structural plan shall follow the Council recommendation adopted in accordance with Article 7(2) of Regulation (EU) No 1176/2011. The submission of the revised national medium-term fiscal-structural plan shall be subject to the endorsement of the Council in accordance with Articles 17 to 20 of this Regulation. The revised national medium-term fiscal-structural plan shall be assessed in accordance with Article 16 of this Regulation.
3. Where a Member State submits a revised national medium-term fiscal-structural plan pursuant to paragraph 2 of this Article, 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 that Member State has implemented or intends to implement, and shall include a timetable for those actions.
4. The Council shall, in accordance with Article 8(2) of Regulation (EU) No 1176/2011, on the basis of a Commission report, assess the revised national medium-term fiscal-structural plan within two months of its submission. The monitoring and assessment of the implementation of the revised plan shall be done in accordance with Article 22 of this Regulation and Articles 9 and 10 of Regulation (EU) No 1176/2011.



## Chapter VIII

### Interaction with Regulation (EU) No 472/2013

#### *Article 32*

##### *Interaction with the enhanced surveillance procedure*

1. By way of derogation from Articles 11 and 21 of this Regulation, a Member State shall not be required to submit a national medium-term fiscal-structural plan or an annual progress report, where it is subject to a macroeconomic adjustment programme pursuant to Article 7 of Regulation (EU) No 472/2013 of the European Parliament and of the Council<sup>24</sup>.
2. Where a Member State has an active national 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, that national medium-term fiscal-structural plan shall be taken into account in the design of the macroeconomic adjustment programme.

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<sup>24</sup> Regulation (EU) No 472/2013 of the European Parliament and of the Council of 21 May 2013 on the strengthening of economic and budgetary surveillance of Member States in the euro area experiencing or threatened with serious difficulties with respect to their financial stability (OJ L 140, 27.5.2013, p. 1).

## Chapter IX

### Common provisions

#### *Article 33*

##### *Dialogue with the Member States*

The Commission shall ensure an ongoing dialogue with Member States. 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 concerned and the identification of any risks or difficulties in complying with this Regulation. For the purposes of that dialogue, the Commission may seek the views of relevant stakeholders based in the Member State concerned.

#### *Article 34*

##### *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 the exchange-rate mechanism in the third stage of economic and monetary union (ERM II) as established by Resolution of the European Council of 16 June 1997<sup>25</sup>, the Commission may, where appropriate, invite representatives of the European Central Bank to participate in those monitoring missions.

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<sup>25</sup> OJ C 236, 2.8.1997, p. 5.

## *Article 35*

### *Report*

1. By 31 December 2030 and every five years thereafter, the Commission shall publish a report on the application of this Regulation accompanied, where appropriate, by a proposal to amend this Regulation.
2. The report referred to in paragraph 1 shall review:
  - (a) the effectiveness of this Regulation in achieving its objectives as set out in 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 transmitted to the European Parliament and the Council.

## *Article 36*

### *Transitional provisions*

1. For the first national medium-term fiscal-structural plans, the following provisions shall apply:
  - (a) by way of derogation from Article 9(1), the Commission shall transmit prior guidance to the Member States concerned by 21 June 2024 based on the latest Commission forecast, and Member States shall submit their national medium-term fiscal-structural plans by 20 September 2024, in accordance with Article 11, unless the Member State and the Commission agree to extend that deadline by a reasonable period;

- (b) by way of derogation from Article 9(2), Member States may request a technical exchange with the Commission during the month before 21 June 2024;
- (c) by way of derogation from Article 11(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 out in Article 11, with appropriate deadlines;
- (d) during the period of operation of the Recovery and Resilience Facility, 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 14, provided that the recovery and resilience plan contains significant reforms and investments aimed at improving fiscal sustainability and enhancing the growth potential of the economy, and that the Member State concerned commits to continue the reform effort over the remainder of the period covered by 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;

- (e) where a Member State requests an exception to the no-backloading safeguard referred to in Article 6, point (c), projects supported by loans from the Recovery and Resilience Facility as well as national co-financing of programmes funded by the Union in 2025 and 2026 shall be taken into account, provided that such exception does not endanger fiscal sustainability over the medium term;
  - (f) 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 that such use is duly justified by economic arguments and that the cumulated growth over the projection horizon remains broadly in line with the results of that methodology.
2. By 31 December 2028, the Commission shall communicate to the European Parliament and to the Council its preliminary findings on the application of this Regulation.

*Article 37*  
*Repeal of Regulation (EC) No 1466/97*

Regulation (EC) No 1466/97 is repealed.

*Article 38*  
*Entry into force*

This Regulation shall enter into force on the day of 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.

Done at ...,

*For the European Parliament*  
*The President*

*For the Council*  
*The President*

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