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COMMISSION STAFF WORKING DOCUMENT
Accompanying the document

Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

amending Regulations (EU) No 1173/2011 and (EU) No 473/2013 as regards alignment with the EU economic governance framework and further simplification of that framework

Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL
amending Regulation (EU) No 472/2013 as regards the economic and budgetary surveillance of Member States in the euro area experiencing or threatened with serious difficulties with respect to their financial stability

Proposal for a

COUNCIL REGULATION
amending Council Regulation (EC) No 332/2002 as regards funding arrangements and the use of a diversified funding strategy

{COM(2025) 591 final} - {COM(2025) 593 final} - {COM(2025) 595 final}

1. Introduction

This staff working document sets out the main changes being proposed by the Commission as part of a simplification package aimed at aligning remaining elements of legislation with the core reform of the EU economic governance framework, in place since April 2024. The 2024 reform was implemented with the adoption of Regulation (EU) No 2024/1263[1], which repealed and replaced Regulation (EU) No 1466/97, and the revisions of Regulation (EC) No 1467/97[2] and Directive 2011/85 on national budgetary frameworks[3]. To achieve this alignment, the Commission is proposing amendments to Regulation (EU) No 1173/2011[4], Regulation (EU) No 473/2013[5] and Regulation (EU) No 472/2013[6].

The Union economic governance framework was subject to a broad reform in 2024. The reformed framework aimed at promoting healthy and sustainable public finances, supporting inclusive growth through smart reforms and investments, preventing excessive public budget deficits, and bolstering Member States' ownership of the framework. The reform also reinforced economic oversight across the Union, ensuring that all Member States are treated fairly and equally while subject to policy coordination at the Union level.

To achieve those goals, the 2024 reform introduced a novel method of fiscal governance with new concepts and processes. A key change was the introduction of the national medium-term fiscal-structural plans, which focus on net expenditure paths and setting out national reform and investment commitments. This implemented a broader strategy to provide Member States with more ownership, while ensuring fiscal responsibility and strengthening compliance with the Union fiscal rules (also referred to as the Stability and Growth Pact).

The 2024 reform makes it necessary to align a number of elements in other pieces of legislation to ensure consistency of the entire governance framework. Given the priority for the co-legislators to agree on the core elements of the reform of the EU economic governance framework, the Commission at that time did not propose amendments to other pieces of legislation.

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

[2] Council Regulation (EC) No 1467/97 of 7 July 1997 on speeding up and clarifying the implementation of the excessive deficit procedure (OJ L 209, 2.8.1997, p. 6, ELI: http://data.europa.eu/eli/reg/1997/1467/oj).

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

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

[5] 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, ELI: http://data.europa.eu/eli/reg/2013/473/oj).

[6] 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, ELI: http://data.europa.eu/eli/reg/2013/472/oj).

This in particular concerns Regulation 1173/2011, Regulation 473/2013 and Regulation 472/2013. The Commission now proposes amendments to these regulations to address outstanding inconsistencies. Those amendments are mostly of technical nature but they **also seek to further simplify the EU economic governance framework.** In its Communication of 11 February 2025 entitled '*A simpler and faster Europe: Communication on implementation and simplification*',[7] the Commission set out a vision for an implementation and simplification agenda that aims to boost competitiveness and safeguard economic, social and environmental goals by reducing regulatory burdens and simplifying Union law, thereby making its implementation easier. They do not reduce the quality or the scope of the surveillance, but remove certain reporting requirements that do not add value.

The Commission also proposes to simplify the funding arrangements for non-euro-area Member States that are experiencing, or are seriously threatened with, difficulties in their balance of payments. Specifically, a transition from a back-to-back financing approach to a diversified funding strategy is proposed for Council Regulation (EC) No 332/2002[8], which establishes a medium-term financial assistance facility for Member States that have not adopted the euro and are experiencing, or are seriously threatened with, difficulties in their balance of current payments or capital movements.

The remainder of this staff working document is organised as follows: Section 2 sets out the proposed amendments to Regulation 1173/2011 and Regulation 473/2013, which form part of the Union fiscal rules. Section 3 sets out the proposed amendments to Regulation 472/2013. Section 4 sets out the proposed amendments to Council Regulation 332/2002.

2. Alignment and simplification of Union fiscal rules

The Commission proposes amendments to further streamline and simplify the fiscal surveillance elements of the Union economic governance framework. These amendments align Regulation 1173/2011 and Regulation 473/2013 with the 2024 reform of Union economic governance framework, thus ensuring consistency across all elements of the framework. Additionally, the amendments introduce several simplifications, reducing the administrative and reporting burden for euro area Member States, and contributing to the Commission's simplification agenda.

Regulation 1173/2011

Regulation 1173/2011 was designed in the aftermath of the 2011 euro area sovereign debt crisis to enforce budgetary surveillance in the euro area, with the aim of maintaining fiscal

[7] Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions of 11 February 2025, '[A simpler and faster Europe: Communication on implementation and simplification](#)', COM(2025) 47 final.
[8] Council Regulation (EC) No 332/2002 of 18 February 2002 establishing a facility providing medium-term financial assistance for Member States' balances of payments (OJ L 53, 23.2.2002, p. 1, ELI: http://data.europa.eu/eli/reg/2002/332/oj).

discipline and ensuring the proper functioning of economic and monetary union. The regulation outlines a system of sanctions to enhance compliance with both the preventive and corrective arms of the Stability and Growth Pact. It enables the imposition of fines and other penalties on Member States for failing to meet budgetary obligations or manipulating budgetary statistics. It incorporates dialogue with the European Parliament and allocates revenue from financial sanctions to stability mechanisms to support the euro area's financial stability. While the regulation's objectives remain relevant, its content is now partly inconsistent with the new EU economic governance framework adopted by the co-legislators in 2024.

The Commission's proposals aim to align the regulation with the reformed Stability and Growth Pact which reduced the amount of financial sanctions and made their implementation more gradual, while maintaining the current approach for sanctions related to the manipulation of statistics. The proposed changes seek to update or discard obsolete provisions, ensure compatibility with revised Regulation 1467/97, and reduce the magnitude of financial sanctions. With the elimination of the significant deviation procedure in the preventive arm of the Stability and Growth Pact, the related financial sanctions are outdated and should be deleted. Other elements of Regulation 1173/2011 are no longer aligned with the revised Regulation 1467/97, particularly regarding the magnitude of financial sanctions. Existing provisions also no longer respect the principle of a fair graduation of sanctions, as set out in Recital 22 of Regulation 1173/2011. It is thus proposed to delete financial sanctions related to Council decisions under Article 126(6) TFEU and revise those related to Council decisions under Article 126(8) TFEU. While it is not proposed to modify the application of sanctions related to the manipulation of statistics, the power to adopt delegated acts related to the imposition of those sanctions is no longer needed and should be deleted.

Regulation 473/2013

Regulation 473/2013 aims to enhance the monitoring and coordination of budgetary policies in the euro area to ensure fiscal discipline and economic policy alignment among Member States. The regulation established common provisions for assessing draft budgetary plans and correcting excessive deficits, thus strengthening the Stability and Growth Pact. It emphasises maintaining sound public finances, securing sustainable economic growth, and fostering macro-financial stability through coordinated economic policy and surveillance, with specific measures for euro area countries to prevent spill-over effects from individual fiscal policies. The regulation also promotes transparency and accountability by involving national parliaments and the European Parliament in economic dialogues, and coordinating with independent bodies for consistent macroeconomic forecasts. It still however entails some concepts that have become obsolete with the adoption of the new EU economic governance framework.

The proposed amendments to Regulation 473/2013 fully align it with the new EU economic governance framework. The proposals address three main inconsistencies with the new framework: (i) references to Stability Programmes and National Reform Programmes, which have been merged into the national medium-term fiscal-structural plans; (ii) outdated references to concepts, such as the medium-term objective and the adjustment path towards it, that should be replaced with concepts introduced by the 2024 reform; and (iii) a number of cross-references to other elements of the framework that have become outdated. The proposal also eliminates inconsistencies with the reformed Council Directive 2011/85 on national budgetary frameworks and, for simplification purposes, avoids repeating the provisions of that Directive. The proposal also ensures consistency with the proposed amendments to Regulation 1173/2013.

The proposed amendments also seek to streamline processes and reduce the reporting burden on Member States. These changes will lead to savings for Member States in relation to administrative costs associated with compliance with those reporting requirements. The proposed amendments include the deletion of the economic partnership programmes for Member States in the excessive deficit procedure, certain data and reporting requirements that have not provided value-added to surveillance processes in the past, and additional reporting obligations required for euro area Member States under the excessive deficit procedure. With regard to the latter, it is instead proposed that Member States subject to a recommendation under Article 126(7) TFEU or a notice under Article 126(9) TFEU submit effective action reports to the Commission and the Council every six and three months, respectively, until the abrogation of the excessive deficit procedure. These effective action reports can be included in the Annual Progress Reports defined in Regulation 2024/1263, to further reduce the reporting burden on Member States. The Commission nevertheless retains the right to ask for any additional information it deems necessary for budgetary surveillance purposes. The proposal also eliminates obsolete requirements such as the need to propose additional corrective measures when there are risks of non-compliance with the excessive deficit procedure. Overall, these amendments will contribute to a more coherent, efficient, and transparent economic governance framework.

3. Alignment and simplification of surveillance for situations of threats to financial stability

Regulation 472/2013 strengthens the economic and budgetary surveillance for euro-area Member States that: (a) experience or are threatened by serious difficulties with respect to their financial stability, leading to potential spill-over effects on other euro area Member States; or (b) request or receive financial assistance. The regulation consists of three main elements:

- It empowers the Commission to subject a euro area Member State to enhanced surveillance in case of threats to its financial stability that are likely to have adverse spill-overs on other euro area Member States, or when it is in receipt of precautionary financial assistance.
- It sets out the legal framework for macroeconomic adjustment programmes associated with financial assistance, thus ensuring that they are properly aligned and synchronised with the EU economic governance framework.
- It establishes the rules governing post-programme surveillance, applicable once a macroeconomic adjustment programme ends and until 75% of the received assistance is repaid.

The Commission is proposing amendments to Regulation 472/2013 to enhance the coherence and efficiency of the procedures for euro area Member States experiencing or threatened with serious difficulties with respect to their financial stability and with a risk of adverse spill overs on other members of the euro area. These amendments align the Regulation with the updated EU economic governance framework and institutional developments since the Regulation was adopted, ensuring a unified and consistent approach across all elements of the framework. Additionally, building on evaluations[9] and experience, the proposed changes introduce several targeted simplifications, designed to lighten the administrative and reporting obligations for euro area Member States, and contribute to the Commission's simplification agenda.

Since its adoption in 2013, the institutional and regulatory context for the application of Regulation 472/2013 has significantly evolved, in part due to the review of the EU economic governance framework. In addition, during this period, the Commission has gained valuable insights and experience regarding the activation of both enhanced surveillance when a euro area Member State is in receipt of precautionary financial assistance, and post-programme surveillance when a Member State exits a macroeconomic adjustment programme. In particular, experience has shown that the current design of enhanced surveillance may have a deterrent effect on Member States seeking precautionary financial assistance and may result in the application of additional surveillance when not warranted. In addition, the European Court of Auditors, in its Special Report No 18/2021 [10], has identified certain shortcomings in the effectiveness of post-programme surveillance, including a lack of clear focus and objectives, as well as overlaps and duplication with other economic surveillance processes, such as the European Semester.

The proposed amendments to Regulation 472/2013 therefore fully align it with the new EU economic governance framework by merging references to Stability Programmes and National Reform Programmes into the national medium-term fiscal-structural plans, and addressing any remaining inconsistency with the reformed framework. The proposed amendments also align the provision of the Regulation with the division of tasks introduced by Regulation (EU) 1024/2013, which conferred specific prudential supervision responsibilities to the European Central Bank.

Building on experience and past evaluations, supplementary changes to Regulation 472/2013 are proposed to optimise and fine-tune the processes of enhanced surveillance and post-programme surveillance. Those changes introduce a series of targeted improvements and simplifications to Regulation 472/2013, thereby contributing to the Commission's simplification agenda.

The proposal first clarifies the mandatory application of enhanced surveillance when a euro area Member State is in receipt of precautionary financial assistance, explicitly linking its application to precautionary support that requires new policy measures. These changes

[9] European Court of Auditors Special Report 18/2021: Commission’s surveillance of Member State exiting a macroeconomic adjustment programme: an appropriate tool in need of streamlining.

should enable a more targeted application of enhanced surveillance in the context of requests for precautionary financial assistance, limiting its application only to cases when it is actually necessary. In doing so the proposed amendments are expected to reduce the reporting burden on Member States requesting precautionary financial assistance that does not require new policy measures.

Second, the proposed amendments also clarify the scope and objective of post-programme surveillance, with post-programme surveillance focusing on monitoring and assessing the repayment capacity of Member States that have received financial assistance and the implementation of relevant reforms not already covered by the national medium-term fiscal-structural plan.

To ensure that surveillance is well defined and proportionate, the amendments also introduce a tiered system that differentiates the level of scrutiny according to repayment risk and the need for corrective measures. A key feature of this system is a specific assessment of the Member State's capacity to repay the financial assistance received carried out by the Commission, which would occur after five years of continuous application of post programme surveillance, in order to verify that the level of scrutiny of post-programme surveillance continues to be aligned with the assessed repayment risk. If the assessment of the Member State's capacity to repay the financial assistance received concludes that there are no material risks to repayment, and following an opinion from the Economic and Financial Committee, there would be the possibility to suspend regular assessments for a period of five years. These changes streamline surveillance when warranted, reducing the administrative and reporting burden on Member States, and allow for budgetary savings as missions to Member States under post-programme surveillance as well as the accompanying reports would be suspended Furthermore, this revised approach should ensure that post-programme surveillance is fully aligned with the EU's economic governance framework, eliminating unnecessary duplication of monitoring and reporting requirements. As a result, these changes are expected to reduce the administrative and reporting burden on national authorities, while maintaining the effectiveness of post-programme surveillance in assessing potential risks to the repayment of financial assistance received by Member States.

4. Alignment and simplification of the funding arrangements for the balance of payments facility

Council Regulation 332/2002 establishes a medium-term financial assistance facility enabling loans to be granted to one or more Member States that have not adopted the euro and are experiencing, or are seriously threatened with, difficulties in their balance of current payments or capital movements. The facility’s funding method set out in Council Regulation 332/2002 is based on back-to-back financing. Under this funding method each specific borrowing transaction by the Commission is directly linked to a disbursement, with a pass through of the same conditions.

Since the adoption of Council Regulation 332/2002, the Commission has been authorised to implement a different funding method to fund programmes of financial assistance such as the Macro-Financial Assistance (MFA)+ for Ukraine through a diversified funding strategy. Specifically, Article 224 of Regulation (EU, Euratom) 2024/2509 provides for the implementation of a diversified funding strategy. This method of funding allows the Commission to decouple the timing and the maturity of single funding transactions from the disbursements to beneficiaries. A common liquidity pool financed by the issuance of short-term funding enables the Commission to organise payments independently of the exact timing of the bond issuance.

This diversified funding strategy offers several advantages over the back-to-back approach. First, it avoids the need to contract a fixed amount of EU borrowings on capital markets or from financial institutions in volatile or adverse conditions to fund programme of financial assistance, allowing for payments to Union programme beneficiaries to be made independently of the market conditions prevailing at the time of the disbursement. This is beneficial since financial assistance available to Member States under the facility is meant to be disbursed rapidly in order to restore financial stability, and as such assistance is often disbursed in volatile and adverse market conditions. Second, it enables the Commission to consolidate the financial needs of multiple assistance programmes, preventing individual programmes from competing for a limited pool of funding opportunities. This consolidation simplifies management of funding operations, reduces costs, and avoids the fragmentation of Union debt securities, thereby enhancing their liquidity. Consequently, the cost-effectiveness of financing for financial assistance programmes is enhanced, benefiting both the Union and the beneficiaries.

Building on the experience gained and the benefits of a diversified funding strategy, which offers a more streamlined and cost-effective solution compared to traditional back-to-back funding methods, it is proposed to clarify the funding arrangements for utilizing the balance of payments facility. This amendment would allow the Commission to further consolidate the financing of EU financial programmes by incorporating the facility's funding requirements into its general funding strategy. This would in turn enable the realization of budgetary savings and further simplify the funding process, thereby enhancing the overall efficiency of the facility, and contribute to the Commission’s simplification agenda. The proposal therefore makes technical targeted changes to Council Regulation 332/2002 in order to organise the financial assistance under the diversified funding strategy provided for in Article 224 of the Regulation (EU, Euratom) 2024/2509.