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REGULATION (EU) 2024/1263 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

of 29 April 2024

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

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

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

thereof, Having regard to the proposal from the European Commission,

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

having regard to the opinion of the European Central Bank ([1]),

Acting in accordance with the ordinary legislative procedure ([2]),

Whereas:

(1) The coordination of Member States' economic policies at Union level, in accordance with the Treaty on the Functioning of the European Union (TFEU), entails compliance with certain guiding principles, namely price stability, sound public finances and monetary conditions, and a sustainable balance of payments.

(2) The Stability and Growth Pact, which originally comprised Council Regulations (EC) No 1466/97 ([3]) and (EC) No 1467/97 ([4]) and the European Council Resolution of 17 June 1997 ([5]), is based on the objective of sound and sustainable public finances as a means of strengthening the conditions for achieving price stability and sustained, sustainable and inclusive growth, supported by financial stability, thereby contributing to the achievement of the Union's objectives of sustainable growth and employment.

(3) The fiscal governance framework forms part of the European Semester, which also encompasses the coordination and surveillance of Member States' broader economic and employment policies, in accordance with Articles 121 and 148 of the TFEU, including the European Pillar of Social Rights and the related country-specific recommendations.

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

(5) The Union's economic governance framework should be adapted to better take account of the increased heterogeneity of budgetary positions, public debt and economic challenges, as well as other vulnerabilities across Member States. The strong policy response to the COVID-19 pandemic has proved highly effective in mitigating the economic and social consequences of the crisis caused by that pandemic, but has led to a significant increase in public and private debt ratios, underlining the importance of reducing debt ratios and deficits to prudent levels in a gradual, realistic, sustained and growth-friendly manner, ensuring room for manoeuvre for counter-cyclical policies and addressing macroeconomic imbalances, whilst giving due attention to social and employment objectives. At the same time, the Union's economic governance framework should be adapted to help address the challenges facing the Union in the medium and long term, 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 ([6]), ensuring energy security, promoting open strategic autonomy, addressing demographic change, strengthening social and economic resilience and achieving sustained convergence, as well as implementing the Strategic Compass for Security and Defence, all of which require reforms and high and sustained levels of investment in the coming years.

(1) OJ C 290, 18 August 2023, p. 17.
(2) Position of the European Parliament of 23 April 2024 (not yet published in the Official Journal) and Council Decision of 29 April 2024.
(3) 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).
(4) 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).
(5) European Council Resolution on the Stability and Growth Pact, Amsterdam, 17 June 1997 (OJ C 236, 2 August 1997, p. 1).
(6) 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 Union's economic governance framework should promote sound and sustainable public finances, as well as sustainable and inclusive growth, and should therefore distinguish between Member States, taking into account the challenges they face in terms of public debt as well as economic challenges, and allowing for country-specific multiannual budgetary trajectories, whilst ensuring effective multilateral surveillance and respecting the principle of equal treatment.

(7) Ensuring an adequate level of public investment is necessary to achieve the main objectives of the reform of the economic governance framework, as set out in this Regulation, and to address the Union's current and future priorities. The implementation of funding instruments, including 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 ([7]), the European Social Fund Plus (ESF+) established by Regulation (EU) 2021/1057 of the European Parliament and of the Council ([8]) and the Just Transition Fund established by Regulation (EU) 2021/1056 of the European Parliament and of the Council ([9]), under the European Union Recovery Facility established by Council Regulation (EU) 2020/2094 ([10]) or under the European Temporary Support Instrument to Mitigate Unemployment Risks in an Emergency established by Council Regulation (EU) 2020/672 ([11]), could provide lessons for improving the effectiveness and efficiency of investment and employment policies, as well as for any Union investment instrument addressing the Union's common priorities.

(8) The multilateral surveillance procedure provided for in Article 121(2), (3) and (4) and Article 148(4) of the TFEU should monitor the full range of economic and employment developments in each Member State and in the Union as a whole. The aim is to detect macroeconomic imbalances and to prevent and correct excessive imbalances as provided for in Regulation (EU) No 1174/2011 ([12]) and Regulation (EU) No 1176/2011 ([13]) of the European Parliament and of the Council, respectively. To monitor these economic and employment developments, Member States should provide information in the form of medium-term budgetary and structural plans covering a period of four or five years, depending on the normal duration 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 the risks to upward social convergence in the Member States and monitors progress in implementing the principles of the European Pillar of Social Rights on the basis of the Social Scoreboard and the principles of the social convergence framework.

(9) Detailed rules should be laid down regarding the content, presentation, assessment, approval and monitoring of national medium-term budgetary and structural plans, in order to promote sound and sustainable public finances and sustainable and inclusive growth in the Member States, as well as resilience through reforms and investment, including those contributing to the Union's common priorities, and to prevent the emergence of excessive government deficits.

(10) National medium-term budgetary and structural plans should bring together each Member State's budgetary policy, structural reforms and investments. Those plans should form the cornerstone of the Union's economic governance framework. Each Member State should submit a national medium-term budgetary and structural plan setting out its budgetary trajectory, as well as priority public investments and reforms which, taken together, ensure a sustained and gradual reduction in debt and sustainable and inclusive growth, whilst avoiding a pro-cyclical budgetary policy. Those plans should also include broader reforms and investments, including in relation to the Union's common priorities, namely the green transition, including the European Green Deal, and the transition to climate neutrality by 2050 in accordance with Regulation (EU) 2021/1119, as well as the implementation of the national energy and climate plans submitted pursuant to Regulation (EU) 2018/1999 of the European Parliament and of the Council ([14]), the digital transition, including the policy programme for

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

(8) 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 June 2021, p. 21).

(9) 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).

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

(11) Council Regulation (EU) 2020/672 of 19 May 2020 establishing a European Temporary Support Instrument to mitigate the risks of unemployment in an emergency (SURE) as a result of the COVID-19 pandemic (OJ L 159, 20 May 2020, p. 1).

(12) 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).

(13) 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).

(14) 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).

the 2030 Digital Decade established by Decision (EU) 2022/2481 of the European Parliament and of the Council ([15]), social and economic resilience and the implementation of the European Pillar of Social Rights, including the related objectives on employment, skills and the reduction of poverty by 2030, energy security and the gradual strengthening of defence capabilities, where appropriate, including the Strategic Compass for Security and Defence, or subsequent Union acts relevant to these priorities. During the period in which the Recovery and Resilience Facility established by Regulation (EU) 2021/241 of the European Parliament and of the Council ([16]), the commitments made in the national recovery and resilience plans should be duly taken into account when drawing up national medium-term budgetary and structural plans.

(11) Cohesion policy funds are also aligned with the European Semester. As instruments of the Union budget's long-term investment policy, the reforms and investments under those funds should also be duly taken into account when drawing up national medium-term budgetary and structural plans, with a view to ensuring consistency and, where appropriate, complementarity.

(12) The submission of a national medium-term budgetary and structural plan should be preceded by a technical dialogue with the Commission to ensure compliance with this Regulation. The Commission's assessment of the national medium-term budgetary and structural plans should include a summary of that technical dialogue. On the basis of a Commission recommendation, the Council should adopt a recommendation setting out the net expenditure path and, where appropriate, endorsing the reforms and investments underpinning any extension of an adjustment period.

(13) To simplify the Union's budgetary framework and enhance transparency, a single operational indicator based on debt sustainability should serve as the basis for setting the budgetary path and for carrying out annual budgetary surveillance for each Member State. This single operational indicator should be based on net primary expenditure financed at national level, namely public expenditure excluding interest expenditure, discretionary revenue measures, expenditure on Union programmes that is fully covered by revenue from Union funds, national expenditure on co-financing of Union-funded programmes, as well as the cyclical components of expenditure on unemployment benefits. In accordance with the guiding principles used by the Commission for classifying transactions as one-off and other temporary measures, such one-off and other temporary measures should also be excluded from the net expenditure indicator. That indicator, which is unaffected by the operation of automatic stabilisers and other fluctuations in expenditure beyond the direct control of the general government, provides room for manoeuvre for counter-cyclical macroeconomic stabilisation.

(14) In order to establish the framework for the dialogue leading to the submission of national medium-term budgetary and structural plans, the Commission should address Member States whose public debt exceeds 60 % of GDP or whose government deficit exceeds 3 % of GDP, as provided for in Article 126(2) of the TFEU in conjunction with Protocol (No 12) on the excessive deficit procedure annexed to the Treaty on European Union (TEU) and to the TFEU ['Protocol (No 12)'], a reference path covering a four-year adjustment period, with the possibility of extending it by up to three years. That trajectory should be risk-based, country-specific and debt-sustainability-oriented, in order to ensure a more forward-looking approach tailored to both current and future challenges.

(15) At the request of a Member State whose public debt does not exceed 60 % of GDP and whose government deficit does not exceed 3 % of GDP, the Commission should provide that Member State with guidance in the form of technical information.

(16) In the month preceding the deadline by which the Commission is required to provide a Member State with the reference trajectory or technical information, that Member State should have the opportunity to request an exchange of technical information with the Commission. That exchange of technical information should provide an opportunity to discuss the latest available statistical data and the economic and budgetary outlook for the Member State concerned, whilst ensuring equal treatment of Member States.

(17) The Union's multilateral framework for budgetary surveillance is based on statistical data provided by Eurostat, which is responsible, on behalf of the Commission, for ensuring the quality of fiscal and budgetary data compiled in accordance with the European System of National and Regional Accounts. Eurostat must establish a framework for Member States to report statistical data on national co-financing of Union-funded programmes which are necessary for the implementation of this Regulation and which are not currently collected by Eurostat. Until such time as the framework for the collection and provision of such data is established, Member States should be permitted to rely on estimates. The format, scope, frequency and timetable for the provision of such data by Member States are to be determined by the relevant Union statistical bodies.

(15) Decision (EU) 2022/2481 of the European Parliament and of the Council of 14 December 2022 establishing the 2030 Digital Decade policy programme (OJ L 323, 19.12.2022, p. 4).
(16) 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).

(18) The reference path should ensure that, by the end of the adjustment period, public debt is on a plausible downward trajectory or remains at prudent levels, even under adverse scenarios. Furthermore, it should ensure that the government deficit is brought and kept below the 3 % of GDP reference value, whilst taking into account that Member States may face additional costs after the end of the adjustment period, such as those related to population ageing. Finally, it should ensure consistency with the corrective path set out in Regulation (EC) No 1467/97.

(19) In order to improve predictability regarding the outcomes of the Union's multilateral fiscal surveillance framework and to enhance equal treatment among Member States, the reference path should be subject ex ante to a debt sustainability safeguard. That safeguard should ensure, during the preparation of national medium-term budgetary and structural plans, that the projected debt-to-GDP ratio falls by a minimum annual average. This would serve as a minimum requirement for the effort underpinning the reference path and the net expenditure path. Given the specific structure of Greece's outstanding public debt, a significant amount of deferred interest payments is due to fall due in 2033. The resulting exceptional increase in Greece's public debt-to-GDP ratio should therefore not be taken into account for the purposes of applying the debt sustainability safety net.

(20) It is expected that the risk-based requirements for the reference path will be sufficient to reduce government deficit levels well below the 3 % of GDP reference value. However, in order to enhance the robustness of the multilateral fiscal surveillance framework in the face of uncertain developments in macro-fiscal variables, the reference path should also provide for a common resilience margin in relation to the deficit reference value referred to in Article 126(2) of the TFEU, read in conjunction with Protocol (No 12), or convergence towards that deficit reference value. That common resilience buffer should ensure the build-up of budgetary reserves in anticipation of adverse circumstances and shocks, thereby facilitating the conduct of counter-cyclical policies within the Union's budgetary framework.

(21) For the first national medium-term budgetary and structural plans, the plausibility of a reduction in public debt over the medium term should be based on the methodology described in the Commission's 2023 Debt Sustainability Monitor. A working group on debt sustainability analysis should explore possible methodological improvements, including with regard to the underlying assumptions. That working group should be composed of experts from the Member States and representatives of 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 opportunity 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 necessary at the end of the four- or five-year implementation period of the national medium-term budgetary and structural plan, the Commission should reassess the situation and present a new reference path if the Member State's public debt continues to exceed 60 % of GDP or its public deficit exceeds 3 % of GDP.

(23) Each national medium-term budgetary and structural plan should specify its status within the context of national procedures, in particular whether the plan has been submitted to the national parliament and whether it has been approved by the national parliament. The national medium-term budgetary and structural plan should also indicate whether the national parliament has had the opportunity to debate the Council's recommendation on the previous plan and, where applicable, any other Council recommendation or decision, or any warning from the Commission. Where available, the opinion of the independent fiscal and budgetary institution established in accordance with Council Directive 2011/85/EU ([17]) should be annexed to the national medium-term budgetary and structural plan submitted to the Commission. Before submitting the second and subsequent national medium-term budgetary and structural plans, each Member State should, in accordance with its national legal framework, consult the social partners, regional authorities, civil society organisations and other relevant stakeholders at national level. Information on the consultation of national parliaments and the consultation process should be included in the national medium-term budgetary and structural plan. Given the tighter timetable set for the preparation of the first national medium-term budgetary and structural plans, Member States could carry out a consultation in the run-up to this, with appropriate deadlines.

(24) Where a new government has been appointed, a Member State should be able to submit a revised national medium-term budgetary and structural plan to the Commission. If there are objective circumstances preventing the implementation of a national medium-term budgetary and structural plan, a Member State should be able to request to submit a revised plan to the Commission at least 12 months before the expiry of the current plan.

(17) Council Directive 2011/85/EU of 8 November 2011 on requirements for Member States' budgetary frameworks (OJ L 306, 23.11.2011, p. 41).

(25) Where Member States use assumptions in their national medium-term budgetary and structural plans that differ from the framework for medium-term public debt projections, they should explain and justify the differences in the technical dialogue and in their national medium-term budgetary and structural plans, in a transparent manner and on the basis of sound economic arguments.

(26) Where the Council considers that a Member State's revised national medium-term budgetary and structural plan does not meet the requirements of this Regulation, it should, as a rule, recommend the initial reference path previously communicated by the Commission as the net expenditure path.

(27) To allow for appropriate interaction between the Union's common framework and national budgetary frameworks, the Commission should base its assessment of Member States' compliance with the net expenditure trajectories, as set by the Council, solely on the evolution of net expenditure. Member States should be able to set their national budgetary targets in the form of a different indicator, such as the structural balance, if required by their national budgetary framework.

(28) The Commission's assessment of medium-term budgetary and structural plans should examine, in particular, the plausibility of the macroeconomic and budgetary assumptions, insofar as these differ from those underpinning the reference path. In particular, the projections for public debt under current policies, to be included in the plan, should be comparable with the Commission's projections.

(29) To ensure the implementation of national medium-term fiscal and structural plans, the Commission and the Council should monitor the reforms and investments included in those plans within the context of the European Semester, on the basis of the annual progress reports submitted by Member States and in accordance with Articles 121 and 148 of the TFEU. To this end, the Commission and the Council should engage in an economic dialogue with the European Parliament.

(30) The European Parliament should be involved in an appropriate, regular and structured manner in the European Semester in order to enhance transparency, accountability and engagement regarding 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 multilateral surveillance under this Regulation. The 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 reduction in debt, the adjustment period may be extended by up to three years if the Member State bases its national medium-term budgetary and structural plan on a set of verifiable reforms and investments with clear timelines which, taken as a whole and as a general rule, stimulate growth and resilience; support fiscal sustainability; address the Union's common priorities; follow the relevant country-specific recommendations under the European Semester, including, where applicable, those issued under the macroeconomic imbalances procedure, as well as the investment priorities of the Member State concerned, without leading to a reduction in the level of nationally financed public investment over the period covered by the plan, relative to the medium-term level recorded prior to the start of the plan, taking into account the nature and scale of the country-specific challenges.

(32) The set of reforms and investments underpinning an extension of the adjustment period should be aligned with the commitments included in the approved recovery and resilience plan of the Member State concerned throughout the period during which the Recovery and Resilience Facility operates and the partnership agreement concluded under the multiannual financial frameworkannual framework. Where recovery and resilience plans include ambitious reforms and investments, in particular with regard to economic growth and medium-term fiscal sustainability, they should be deemed to meet the requirements for an extension of the adjustment period for the first national medium-term budgetary and structural plans.

(33) The set of reforms and investments set out in the national medium-term budgetary and structural plans should be aligned with the Union's common priorities, which include achieving the following objectives: 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 appropriate, the strengthening of defence capabilities. The Commission should pay particular attention to these priorities when assessing national medium-term budgetary and structural plans. That set of reforms and investments should also be consistent with the implementation of the national strategies established by the Member State concerned to address those Union priorities.

(34) With a view to promoting growth-friendly fiscal consolidation strategies, due account should be taken, when drawing up future plans, of the impact of reforms and investments once these have been implemented within the framework of national medium-term fiscal and structural plans. Particular attention should be paid to the impact on fiscal sustainability through future public revenue, expenditure and potential growth, as well as to the contribution to the Union's common priorities, taking into account robust, data-driven economic evidence.

(35) Where a Member State fails to satisfactorily implement the set of reforms and investments with clear deadlines underpinning the more gradual net expenditure path established by the Council by the specified deadline, the Council, on a recommendation from the Commission, should be able to recommend shortening the extension of the adjustment period, namely accelerating the annual adjustment effort, unless there are objective circumstances preventing implementation by the original deadline.

(36) The Commission should establish a tracking account for each Member State to record annual and cumulative deviations, both upward and downward, in net expenditure observed in relation to the net expenditure path set by the Council. The tracking account should not record deviations whilst the derogation clauses remain in force. In accordance with Article 2(3) of Regulation (EC) No 1467/97, when preparing the report pursuant to Article 126(3) of the TFEU, the Commission should take into account, as relevant factors, progress made in implementing reforms and investments, including, in particular, policies to implement the Union's common strategy for growth and employment, and pay particular attention to financial contributions towards the achievement of the Union's common priorities, as set out in this Regulation.

(37) Independent fiscal and budgetary institutions have demonstrated their ability to promote fiscal discipline and strengthen the credibility of Member States' public finances. In order to enhance national ownership, the advisory role of independent fiscal and budgetary institutions should be maintained within the Union's reformed economic governance framework, with a view to gradually strengthening their capacities.

(38) A permanent European Fiscal Council, which would be more independent, should play a more prominent advisory role within the Union's economic governance framework. It should continue to assess the implementation of the Stability and Growth Pact, evaluate the future budgetary stance for the euro area as a whole, and advise the Commission and the Council, whilst respecting the Commission's role and prerogatives as set out in the TEU and the TFEU. Its independence and access to information should be improved. The Council and the European Parliament should be consulted in the process of appointing its Chair and members. Those appointments should, as far as possible, ensure an appropriate geographical and gender balance.

(39) When issuing an opinion on the draft budgetary plans submitted pursuant to Regulation (EU) No 473/2013 of the European Parliament and of the Council ([18]), the Commission should assess whether the draft budgetary plans comply with the net expenditure trajectories set by the Council pursuant to this Regulation.

(40) In the event of major shocks affecting the euro area or the Union as a whole, a general escape clause is necessary to address a severe economic downturn in the euro area or the Union as a whole, allowing for a deviation from the net expenditure path set by the Council, provided that such a deviation does not jeopardise medium-term budgetary sustainability. The activation and extension of the general escape clause are subject to a Council recommendation, which the Council should endeavour to adopt within four weeks of a recommendation from the Commission. The European Fiscal Board should issue an opinion on the extension of the general derogation clause.

(41) In addition to the general derogation clause, there should also be a country-specific derogation clause to allow for a deviation from the net expenditure path set by the Council, in the event of exceptional circumstances, such as unforeseeable exogenous events beyond the Member State's control, which have a major impact on its public finances and require counter-cyclical budgetary measures, provided that such a deviation does not jeopardise medium-term budgetary sustainability. The activation and extension of country-specific derogation clauses are subject to a Council recommendation, which the Council should endeavour to adopt within four weeks of a recommendation from the Commission, taking into account the request from the Member State concerned to activate or extend the country-specific derogation clause.

(18) 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 deficits of Member States in the euro area (OJ L 140, 27.5.2013, p. 11).

(42) This Regulation forms part of a package that also includes Council Regulation (EU) 2024/1264 ([19]) and Council Directive (EU) 2024/1265 ([20]). Together, these three legislative acts (hereinafter referred to as 'the reform of the economic governance framework') reform the Union's economic governance framework, incorporating into Union law the content of Title III (the Fiscal Compact) of the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union ([21]) of 2 March 2012 (TSCG), in accordance with Article 16 of that Treaty. Building on the experience of Member States' implementation of the TSCG, the reform of the economic governance framework maintains the medium-term orientation of the Fiscal Compact as an instrument for achieving budgetary discipline and promoting growth. The reform of the economic governance framework includes a strengthened country-specific dimension, designed to enhance national ownership, including by maintaining the advisory role of independent fiscal, which is based in particular on the common principles of the Fiscal Compact regarding national fiscal correction mechanisms, as proposed in the Commission Communication of 20 June 2012 in accordance with Article 3(2) of the TSCG. An analysis of expenditure, excluding discretionary revenue measures, for the overall assessment of compliance required by the Fiscal Compact is provided for in this Regulation. As in the Fiscal Compact, temporary deviations from the medium-term plan are permitted only in exceptional circumstances in accordance with this Regulation and in accordance with the provisions on the control account. Similarly to the Fiscal Compact, in the event of significant deviations from the medium-term plan, measures should be implemented to correct the deviations within a set timeframe. The reform of the economic governance framework strengthens budgetary surveillance and enforcement procedures, with a view to fulfilling the commitment to promote sound and sustainable public finances and sustainable, inclusive growth. The reform of the economic governance framework thus maintains the fundamental objectives of budgetary discipline and debt sustainability set out in the Fiscal Compact.

(43) To ensure the effective implementation and proper monitoring of this Regulation, the Commission should provide timely guidance, following a request for an opinion from the Economic and Financial Committee, on the information that Member States are required to provide in their national medium-term budgetary and structural plans and in their annual progress reports. Those guidelines should be made public.

(44) Multilateral surveillance should be based on independent, high-quality statistics, compiled in accordance with the principles set out in Regulation (EC) No 223/2009 of the European Parliament and of the Council ([22]),

(45) Whereas the objectives of this Regulation concerning the effective coordination of economic policies and multilateral budgetary surveillance cannot be sufficiently achieved by the Member States, but, given the scale or effects of such coordination and surveillance, they can 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 to achieve those objectives.

(46) In view of the deadline laid down under the Stability and Growth Pact, this Regulation should enter into force as a matter of urgency on the date of its publication in *the Official Journal of the European Union*,

HAS ADOPTED THIS REGULATION:

CHAPTER I

SUBJECT MATTER AND DEFINITIONS

Article 1

Subject

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

(19) Council Regulation (EU) 2024/1264 of 29 April 2024 amending Regulation (EC) No 1467/97 on speeding up and clarifying the implementation of the excessive deficit procedure (OJ L, 2024/1264, 30.4.2024, ELI: http://data.europa.eu/eli/reg/2024/1264/oj).

(20) Council Directive (EU) 2024/1265 of 29 April 2024 amending Directive 2011/85/EU on requirements for Member States' budgetary frameworks (OJ L, 2024/1265, ELI: http://data.europa.eu/eli/dir/2024/1265/oj).

(21) https://www.consilium.europa.eu/media/20399/st00tscg26_en12.pdf.

(22) 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 confidential statistical data 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).

(2) This Regulation lays down detailed rules on the content, presentation, assessment and monitoring of national medium-term budgetary and structural plans, as part of the multilateral budgetary surveillance by the Council and the Commission, with a view to promoting sound and sustainable public finances, sustainable and inclusive growth and resilience through reforms and investment, and to preventing excessive government deficits.

Article 2

Definitions

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

1. ‘country-specific recommendations’ means the guidance addressed annually by the Council to a Member State on economic, budgetary, employment and structural policies, in accordance with Articles 121 and 148 of the TFEU;

2. ‘net expenditure’ means public expenditure, excluding interest expenditure, discretionary revenue measures, and expenditure on Union programmes that is fully covered by revenue from Union funds, national expenditure on the co-financing of Union-funded programmes, the cyclical components of expenditure on unemployment benefits and one-off measures, as well as other temporary measures;

3. ‘reference path’ means the multiannual path for net expenditure provided by the Commission to set the framework for dialogue with Member States where public debt exceeds 60 per cent of gross domestic product (GDP) or where the government deficit exceeds 3 per cent of GDP when drawing up their medium-term national-national medium-term structural plans;

4. ‘technical information’ means the guidance provided by the Commission, upon request, to Member States whose public debt does not exceed 60 % of GDP and whose government deficit does not exceed 3 % of GDP, before those Member States draw up their national medium-term budgetary plans;

5. ‘net expenditure path’ means the multiannual path for a Member State’s net expenditure;

6. ‘national medium-term budgetary and structural plan’ means the document setting out a Member State’s commitments in the areas of the budget, reforms and investment, covering a period of four or five years, depending on the normal duration of the legislative term of the Member State concerned;

7. ‘annual progress report’ means a report by a Member State on the implementation of the national medium-term budgetary and structural plan, including the net expenditure path set by the Council, as well as on reforms and investments;

8. ‘adjustment period’ means the period during which a Member State’s budgetary adjustment takes place, covering a period of four years or, in the event of an extension, a period of four years plus an additional period of no more than three years;

9. ‘monitoring account’ means a record of the cumulative upward and downward deviations of a Member State’s observed net expenditure from the net expenditure path set by the Council;

10. ‘structural balance’ means the cyclically adjusted general government balance, net of one-off and other temporary measures;

11. ‘structural primary balance’ means the structural balance net of interest expenditure.

CHAPTER II

THE EUROPEAN SEMESTER

Article 3

The European Semester

(1) In order to ensure closer coordination of economic policies and sustainable convergence of the economic and social performance of the Member States, the Council and the Commission, with the participation of the European Parliament in accordance with Article 27 of this Regulation, shall ensure 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 be based on independent, high-quality statistics, compiled in accordance with the principles laid down in Regulation (EC) No 223/2009.

(3) The European Semester comprises:

(a) the formulation and monitoring 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) of the TFEU, the country-specific recommendations and the recommendation on the economic policy of the euro area;

(b) the formulation, as well as the drafting and monitoring of the implementation of the employment guidelines which Member States are required to take into account in accordance with Article 148(2) of the TFEU, including the principles of the European Pillar of Social Rights, as well as the related country-specific recommendations; The Commission’s monitoring of implementation includes progress made in implementing the principles of the European Pillar of Social Rights and its key objectives, through the Social Scoreboard and a framework for identifying risks to social convergence;

(c) the submission, assessment and approval of Member States’ national medium-term budgetary and structural plans, as well as the monitoring of their implementation through annual progress reports;

(d) oversight aimed at preventing and correcting macroeconomic imbalances in accordance with Regulation (EU) No 1176/2011.

Article 4

Implementation of the European Semester

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

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

(3) Failure by a Member State to comply with the guidelines and recommendations referred to in paragraph 2 may lead to:

(a) the formulation of new recommendations;

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

(c) the adoption of measures under this Regulation, Regulation (EC) No 1467/97 or Regulation (EU) No 1176/2011.

CHAPTER III

REFERENCE PATH

Article 5

Reference Path

Where government debt exceeds 60 % of GDP or where the government deficit exceeds 3 % of GDP, the Commission shall provide the Member State concerned and the Economic and Financial Committee with a reference path for net expenditure covering a four-year adjustment period and any extension thereof by up to three years pursuant to Article 14.

Article 6

Risk-based requirements for the reference path

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

(a) by the end of the adjustment period, assuming no additional budgetary measures are taken, the projected public debt ratio is on, or remains on, a plausible downward trajectory or remains at prudent levels below 60 per cent of GDP in the medium term;

(b) the projected general government deficit falls below 3 % of GDP during the adjustment period and is maintained below that reference value in the medium term, assuming no additional budgetary measures;

(c) the fiscal adjustment effort over the period covered by the national medium-term budgetary and structural plan is, as a rule, linear 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

The debt sustainability safety net

(1) The reference path shall ensure that the projected ratio of public debt to GDP declines by an average annual amount of at least:

(a) one percentage point of GDP, as long as the ratio of public debt to GDP exceeds 90 per cent;

(b) 0.5 percentage points of GDP, as long as the ratio of public debt to GDP remains between 60 % and 90 %.

(2) The average reduction referred to in paragraph 1 of this Article shall be calculated from the year preceding the start of the reference path or from the year in which the excessive deficit procedure is expected to be abrogated pursuant to Regulation (EC) No 1467/97, whichever is the later, up to the end of the adjustment period.

Article 8

The deficit resilience safety net

(1) The reference path ensures that the fiscal adjustment continues, if necessary, until the Member State concerned reaches a deficit level that ensures a common resilience margin in structural terms of 1.5 % of GDP relative to the 3 % of GDP deficit reference value.

(2) The annual improvement in the structural primary balance required to achieve the prescribed margin shall be 0.4 percentage points of GDP and shall be reduced to 0.25 percentage points of GDP in the event of an extension of the adjustment period referred to in Article 14.

Article 9

Preliminary guidance from the Commission

(1) By 15 January of the year in which Member States are required to submit their national medium-term budgetary and structural plans in accordance with Article 11, or within three weeks of a Member State’s request to submit a revised plan pursuant to Article 15, the Commission shall provide the Member State concerned and the Economic and Financial Committee with:

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

(b) its macroeconomic forecasts and assumptions;

(c) the reference path, where required under Article 5, or the technical information, where requested by a Member State under paragraph 3 of this Article, as well as the corresponding structural primary balance, including the spreadsheet models and other relevant information necessary to ensure its full reproducibility.

(2) During the month preceding the deadline by which the Commission is required to provide a Member State with the ex ante guidance referred to in paragraph 1 of this Article, the Member State may request an exchange of technical information with the Commission. That exchange of technical information shall provide an opportunity to discuss the latest available statistical information and the economic and budgetary outlook for the Member State concerned.

(3) For Member States with a government deficit not exceeding 3 % of GDP and government debt not exceeding 60 % of GDP, the Commission shall, at the request of the Member State, provide technical information on the structural primary balance required to ensure that the overall deficit is kept below 3 % of GDP, assuming no further medium- and long-term policy measures, and shall also indicate whether this implies the need for a budgetary adjustment. That technical information must also be consistent with the deficit resilience safeguard referred to in Article 8.

Article 10

Assessment of plausibility

(1) In order to assess whether it is plausible that a Member State’s projected ratio of public debt to GDP is on a downward path or remains at a prudent level, the Commission shall apply a reproducible, predictable and transparent methodology based on the following conditions:

(a) the government debt-to-GDP ratio is falling or remains at prudent levels, in line with the deterministic scenarios of the Commission’s medium-term government debt projection framework;

(b) the risk that the ratio of public debt to GDP will not fall in the five years following the adjustment period of the national medium-term budgetary and structural plan is sufficiently low, with the assessment of this risk being based on the debt sustainability analysis carried out by the Commission.

(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 publish its assessment of plausibility and the spreadsheet models containing the data on which it is based, as well as other relevant information to ensure the reproducibility of the results, at the time of the submission of the national medium-term budgetary and structural plan pursuant to Article 11.

CHAPTER IV

NATIONAL MEDIUM-TERM FISCAL AND STRUCTURAL PLANS

Article 11

Submission of national medium-term budgetary and structural plans

(1) Each Member State shall submit a national medium-term budgetary and structural plan to the Council and the Commission by 30 April of the final year of the current plan. A Member State and the Commission may, where appropriate, agree to extend that deadline by a reasonable period.

(2) A Member State may request the relevant independent fiscal and budgetary institution to issue an opinion on the macroeconomic forecasts and the macroeconomic assumptions underpinning the net expenditure path, allowing sufficient time for the independent fiscal and budgetary institution to prepare its opinion.

From 1 May 2032, the relevant independent fiscal institutions shall issue such opinions, provided they have built up sufficient capacity. The fact that an independent fiscal institution does not issue an 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 and budgetary institution should be annexed to the national medium-term fiscal and structural plan submitted to the Commission.

(3) Before submitting its national medium-term budgetary and structural plan, each Member State shall, in accordance with its national legal framework, consult civil society, the social partners, regional authorities and other relevant stakeholders.

(4) Before submitting its national medium-term budgetary and structural plan, each Member State may debate its draft national medium-term budgetary and structural plan with its national parliament, in accordance with its national legal framework.

(5) Each Member State shall publish its medium-term budgetary and structural plan at the time of its submission to the Council and the Commission.

Article 12

Technical dialogue

Before submitting its national medium-term budgetary and structural plan, each Member State shall engage in a technical dialogue with the Commission with a view to ensuring that the national medium-term budgetary and structural plan complies with Articles 13 and 15.

Article 13

Requirements for national medium-term budgetary and structural plans

A national medium-term budgetary and structural plan shall:

(a) shall contain a net expenditure path, as well as the underlying macroeconomic assumptions and the planned fiscal and structural measures, to demonstrate compliance with the budgetary requirements set out in Article 16(2) and (3);

(b) includes the reference path or the technical information provided by the Commission pursuant to Article 5 or Article 9(3); where the national medium-term budgetary and structural plan envisages a net expenditure path higher than the reference path established by the Commission pursuant to Article 5, the Member State concerned shall provide in its plan sound, data-driven economic arguments explaining the difference;

(c) explain how the Member State concerned will ensure the implementation of reforms and investments in response to the main challenges identified in the context of the European Semester, in particular in the country-specific recommendations, as well as how that Member State will address the following common priorities of the Union:

(i) a fair green and digital transition, including the climate targets 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 applicable, the strengthening of defence capabilities;

(d) describe the actions taken by the Member State concerned to address the country-specific recommendations addressed to it and relevant to the macroeconomic imbalances procedure under Regulation (EU) No 1176/2011, as well as, where appropriate, the Commission's warnings or the Council's recommendations made pursuant to Article 121(4) of the TFEU;

(e) where appropriate, explain how the Member State concerned will ensure the implementation of the relevant set of reforms and investments, as referred to in Article 14, justifying an extension of up to three years of the adjustment period granted to the Member State;

(f) include the impact of the reforms and investments already implemented by the Member State concerned, paying particular attention to the impact on fiscal sustainability through public revenue, expenditure and future potential growth, taking into account robust, data-driven economic evidence;

(g) contains information on:

(i) the main macroeconomic and budgetary assumptions;

(ii) implicit and contingent liabilities;

(iii) the expected impact of the reforms and investments underpinning the extension of the adjustment period;

(iv) the projected level of nationally financed public investment over the period covered by the national medium-term budgetary and structural plan;

(v) public investment needs, including those relating to the common priorities of the Union referred to in point (c) of this Article;

(vi) consultation with national parliaments and the consultation referred to in Article 11;

(vii) coherence and, where appropriate, complementarity with cohesion policy funds, as well as with the recovery and resilience plan of the Member State concerned during the period in which the Recovery and Resilience Facility operates pursuant to Regulation (EU) 2021/241.

Article 14

Criteria for extending the adjustment period

(1) Where a Member State commits to implementing 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) As a general rule, the set of reform and investment commitments underpinning an extension of the adjustment period must, taken as a whole, meet the following criteria:

(a) it must, on the basis of credible and prudent assumptions, lead to a sustainable improvement in the growth potential and resilience of the economy of the Member State concerned;

(b) support fiscal sustainability through a structural improvement in public finances over the medium term, such as a reduction in the ratio of public expenditure to GDP or an increase in the ratio of public revenue to GDP;

(c) to address the common priorities of the Union referred to in Article 13(c);

(d) to follow up on the relevant country-specific recommendations addressed to the Member State concerned, including, where appropriate, recommendations issued under the macroeconomic imbalances procedure;

(e) ensure that the planned overall level of publicly funded investment over the period covered by the national medium-term budgetary and structural plan is not lower than the medium-term level prior to that period, taking into account the nature and scale of the country-specific challenges.

(3) Each of the reform and investment commitments underpinning an extension of the adjustment period must be sufficiently detailed, front-loaded, have clear deadlines and be verifiable, and must comply with the following criteria:

(a) the description of the reform and investment commitments must be clear and enable the Commission to assess them against the criteria set out in paragraph 2;

(b) the reforms must be implemented during the period covered by the national medium-term budgetary and structural plan;

(c) significant progress must be made in implementing the investments by the end of the adjustment period;

(d) the description of the reforms and investments must include indicators, where appropriate, to enable their implementation and monitoring to be assessed.

(4) The set of reform and investment commitments underpinning the extension of the adjustment period must be aligned with the commitments included in the approved Recovery and Resilience Plan of the Member State concerned during the period in which the Recovery and Resilience Facility operates pursuant to Regulation (EU) 2021/241 and the Partnership Agreement concluded with the Member State concerned under the multiannual financial framework.

Article 15

Revised national medium-term budgetary and structural plan

(1) At least 12 months before the expiry of the current national medium-term budgetary and structural plan, a Member State may request to submit to the Commission a revised national medium-term budgetary and structural plan before the end of the period covered by the national medium-term budgetary and structural plan if there are objective circumstances preventing its implementation within that period. In that case, the revised national medium-term budgetary and structural plan shall cover the remaining period until the end of the plan’s original duration.

(2) Where a Member State has a newly appointed government, it may submit a revised national medium-term budgetary and structural plan covering a new period of four or five years, depending on the normal duration of its parliamentary term.

(3) A Member State may request the relevant independent fiscal institution to issue an opinion on the macroeconomic forecasts and the macroeconomic assumptions underpinning the net expenditure path, allowing sufficient time for the independent fiscal institution to prepare its opinion.

From 1 May 2032, the relevant independent fiscal institutions shall issue such opinions, provided they have built up sufficient capacity. The fact that an independent fiscal institution does not issue an opinion within a reasonable timeframe shall not prevent a Member State from submitting its revised national medium-term structural budget plan. Where available, the opinion of the independent fiscal and budgetary institution should be annexed to the revised national medium-term budgetary and structural plan submitted to the Commission.

(4) For the purposes of a Member State drawing up a revised national medium-term budgetary and structural plan in accordance with paragraph 1 or 2, the Commission shall provide the Member State concerned and the Economic and Financial Committee with a new reference trajectory or, at the request of the Member State concerned, new technical information.

(5) Taking into account whether or not the Member State concerned has previously undertaken an adjustment, the new reference path shall not concentrate the fiscal adjustment effort at the end of the period and, as a rule, shall not result in a lower fiscal adjustment effort.

(6) Where a revised national medium-term budgetary and structural plan is submitted, Articles 12, 13, 14 and Articles 16 to 20 shall apply.

(7) Where appropriate, the Commission shall assess, in particular, whether it is appropriate for any extension of the adjustment period to apply or to continue to apply within the revised national medium-term budgetary and structural plan. The Commission's assessment shall take into account the implementation of the set of reform and investment commitments that formed the basis for the extension provided for in the original national medium-term budgetary and structural plan, and the changes in the public debt challenges under the revised national medium-term budgetary and structural plan.

Article 16

Commission assessment of national medium-term budgetary and structural plans

(1) The Commission shall assess each national medium-term budgetary and 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 by up to two weeks.

(2) When assessing a national medium-term budgetary and structural plan, the Commission examines, for each Member State, whether the net expenditure path complies with the requirements for placing or maintaining public debt on a plausible downward trajectory by the end of the adjustment period, or whether it remains at prudent levels below 60 per cent of GDP and brings and maintains the government deficit below 3 per cent of GDP over the medium term.

(3) When assessing the national medium-term budgetary and structural plan, the Commission shall examine, for Member States that have been assigned a reference trajectory, whether the net expenditure trajectory complies 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 budgetary and structural plans comply with the requirements set out in Article 13.

(5) The Commission shall examine whether, for the Member State concerned, the set of reforms and investments underpinning an extension of the adjustment period complies with Article 14.

Article 17

Approval by the Council of the national medium-term budgetary and structural plan

(1) On a recommendation from the Commission, the Council shall adopt a recommendation setting out the net expenditure path for the Member State concerned and, where appropriate, endorsing the set of reform and investment commitments underpinning the extension of the adjustment period included in its national medium-term budgetary and structural plan. The Council's recommendation shall, as a rule, be adopted within six weeks of the adoption of the Commission's recommendation.

(2) Where the national medium-term budgetary and structural plan serves as the corrective action plan required to correct excessive macroeconomic imbalances, as provided for in Article 31, the Council shall also, in that recommendation, endorse the reforms and investments necessary to correct those imbalances.

Article 18

Council recommendation on a revised national medium-term budgetary and structural plan

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

Article 19

Council recommendation in the event of non-compliance by a Member State

On a recommendation from the Commission, the Council shall recommend to the Member State concerned that the reference path issued by the Commission should, as a rule, be the Member State's net expenditure path where:

(a) the Member State concerned fails to submit a revised national medium-term budgetary and structural plan within one month of the Council's recommendation referred to in Article 18;

(b) the Council considers that the revised national medium-term budgetary and structural plan does not comply with the requirements set out in Article 16(2), (3) and (5), and duly justifies its position;

(c) the Member State fails to submit its first national medium-term budgetary and structural plan or a new national medium-term budgetary and structural plan in the final year covered by the current national medium-term budgetary and structural plan, in accordance with Article 11(1).

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

Article 20

Failure by a Member State to comply with the reform and investment commitments underpinning an extension of the adjustment period

Where a Member State has been granted an extension of its adjustment period but fails to satisfactorily fulfil the 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 implementation by the original deadline.

CHAPTER V

IMPLEMENTATION OF NATIONAL MEDIUM-TERM FISCAL AND STRUCTURAL PLANS

Article 21

Annual progress report

(1) Each Member State shall submit to the Commission, by 30 April of each year, an annual progress report.

(2) The annual progress report shall contain, in particular, information on progress made in implementing the net expenditure path set by the Council, in implementing broader reforms and investments in the context of the European Semester and, where applicable, on the implementation of the set of reforms and investments underpinning the extension of the adjustment period.

(3) Each Member State shall publish its annual progress report.

(4) The Commission shall use the information provided by Member States in their annual progress reports, together with other relevant information, for the purpose of carrying out the assessment referred to in Article 4(1). The Commission's assessment shall be published.

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

Article 22

Monitoring by the Commission

(1) The Commission shall monitor the implementation of the national medium-term budgetary and structural plan and, in particular, the net expenditure path set by the Council and the reforms and investments underpinning the extension of the adjustment period.

(2) The Commission shall establish a control account to record the cumulative upward and downward deviations of observed net expenditure from the net expenditure path set by the Council, which shall be reset following the Council's approval of a new national medium-term budgetary and structural plan.

(3) The control account records a debit when the observed net expenditure in the Member State concerned in a given year exceeds the net expenditure trajectory set by the Council;

(4) The control account shall show a credit when the observed net expenditure in the Member State concerned in a given year is below the net expenditure path set by the Council.

(5) The cumulative balance of the control account is the sum of the annual debits and credits referred to in paragraphs (3) and (4). It is expressed as a percentage of GDP.

(6) Debits and credits shall be recorded annually on the basis of data on budgetary outcomes.

(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 any deviations.

Article 23

The role of independent fiscal institutions

(1) Member States may request the competent independent fiscal and budgetary institution referred to in Article 8a of Directive 2011/85/EU to provide an assessment of the compliance of the budgetary outturn data presented in the annual progress report with the net expenditure path set by the Council.

(2) Where appropriate, Member States may request the relevant independent fiscal and budgetary institution to analyse the factors underlying any deviation from the net expenditure path set by the Council. Such an analysis is optional and is in addition to the Commission's analysis.

Article 24

The European Fiscal Board

(1) The European Fiscal Board, established by Commission Decision (EU) 2015/1937 ([23]), provides advice on the exercise of the functions of the Commission and the Council in the context of multilateral fiscal surveillance, as provided for in Articles 121, 126 and 136 of the TFEU.

(2) In carrying out its tasks, the European Fiscal Board enjoys full independence in the exercise of its functions, performing its duties impartially and exclusively in the interests of the Union as a whole. It shall neither seek nor accept instructions from any Member State government, from the institutions or bodies of the Union, 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 assessment of the implementation of the Union's budgetary governance framework;

(b) to provide advice on the appropriate future budgetary stance for the euro area as a whole, as well as on the appropriate national budgetary stances that are consistent with the rules of the Stability and Growth Pact;

(c) at the request of the Commission or the Council, to provide advice on the implementation of the Stability and Growth Pact, including on the extension of the general derogation clause in accordance with Article 25(3) of this Regulation;

(23) Commission Decision (EU) 2015/1937 of 21 October 2015 establishing an independent European Fiscal Council with an advisory role (OJ L 282, 28.10.2015, p. 37).

(d) to cooperate closely with independent fiscal and budgetary institutions, as referred to in Article 8a of Directive 2011/85/EU, with a view to promoting the exchange of best practices;

(e) to make suggestions on the future development of the budgetary framework.

(4) The European Fiscal Council consists of a chair and four members.

(5) The Chair and members of the European Fiscal Board shall be selected and appointed by the Commission, after consulting the European Parliament and the Council, following a transparent process and on the basis of proven experience and analytical skills in the field of public finance and macroeconomics. The Chair and members of the European Fiscal Board are appointed for a term of three years, with the possibility of renewal for a further term of three years.

(6) The European Fiscal Board shall adopt 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 opinions of the European Fiscal Board shall be made public.

Article 25

General escape clause

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

(2) For as long as the severe economic recession in the euro area or in the Union as a whole persists, the Commission shall continue to monitor debt sustainability and ensure policy coordination and a coherent policy mix that takes account of the scale of the euro area and the Union.

(3) The Council, on a recommendation from the Commission, may extend the period during which Member States may deviate from their net expenditure trajectories set by the Council, provided that the severe economic downturn persists in the euro area or in the Union as a whole. The European Fiscal Board shall issue an opinion on the extension of the general derogation clause. An extension may be granted on several occasions. However, each extension shall be granted for an additional period of no more than one year.

Article 26

National derogations

(1) At the request of a Member State and on the recommendation of the Commission, based on the Commission’s analysis, the Council may, within four weeks of the Commission’s recommendation, a recommendation allowing a Member State to deviate from its net expenditure path set by the Council where exceptional circumstances beyond its control lead to a major impact on the public finances of the Member State concerned, provided that this does not jeopardise medium-term budgetary sustainability. The Council shall set a time limit for such a deviation.

(2) At the request of the Member State concerned and on the recommendation of the Commission, the Council may extend the period during which that Member State may deviate from the net expenditure path set by the Council, provided that the exceptional circumstances persist. An extension may be granted on several occasions. However, each extension shall be granted for an additional period of no more than one year.

CHAPTER VI

TRANSPARENCY AND ACCOUNTABILITY

Article 27

The 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 enhance transparency, accountability and engagement regarding the decisions taken, in particular through the economic dialogue referred to in Article 28.

(2) The Commission shall forward to the European Parliament the national medium-term budgetary and structural plans submitted by the Member States. The Commission shall inform the European Parliament of its overall assessment of those national medium-term budgetary and structural plans. The competent committee of the European Parliament may, through 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 budgetary and structural plans.

(3) The President of the Council and the Commission shall regularly inform the European Parliament of the results of the multilateral surveillance carried out pursuant to 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 pursuant to this Regulation.

(5) The President of the Eurogroup shall report annually to the European Parliament on developments in the field of multilateral surveillance in the euro area.

(6) The Commission shall prepare and submit to the Council at least the following information and shall make this information available to the European Parliament without undue delay:

(a) debt sustainability assessments and the related methodological framework, upon publication;

(b) the national medium-term budgetary and structural plans submitted by Member States, including the reference trajectories and net expenditure trajectories, as well as any revisions thereto;

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

(d) the Commission's assessments and recommendations to the Council pursuant to Articles 17 to 20 of this Regulation;

(e) where applicable, the Commission's analysis of economic and social developments published as part of the European Semester;

(f) the Commission's warnings pursuant to Article 121(4) of the TFEU;

(g) where the derogation clauses under Articles 25 or 26 of this Regulation are activated, the Commission's analysis establishing that medium-term budgetary sustainability will not be jeopardised.

(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 within the framework of the economic dialogue referred to in Article 28 of this Regulation.

Article 28

Economic dialogue

(1) In order to strengthen the dialogue between the Union institutions, in particular between 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 guidelines presented by the Commission to the Member States, the conclusions of the European Council and the results of multilateral surveillance under 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 necessary.

(3) Relevant stakeholders, in particular national parliaments and the social partners, are involved in the context of the European Semester with regard to the main policy elements, where appropriate, in accordance with the provisions of the TFEU and national legal and political provisions.

(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 budgetary and 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) of the TFEU, and, where appropriate, the President of the Eurogroup, shall submit an annual report to the European Parliament and the European Council on the results of multilateral surveillance.

Article 29

The 'comply or explain' principle

As a rule, the Council is expected to follow the Commission's recommendations and proposals or, if it does not, to publicly justify its position.

Article 30

Dialogue with a Member State

The competent committee of the European Parliament may offer a Member State to which a Council recommendation under Article 121(4) TFEU relates the opportunity to take part in an exchange of views.

CHAPTER VII

INTERACTION WITH REGULATION (EU) No 1176/2011

Article 31

Interaction with the macroeconomic imbalances procedure

(1) Unsatisfactory implementation, assessed as such in accordance with Article 21 of this Regulation, of the reforms and investments included in a Member State's national medium-term budgetary and structural plan that are relevant to macroeconomic imbalances shall be taken into account:

(a) by the Commission when carrying out in-depth reviews in accordance with Article 5(2) of Regulation (EU) No 1176/2011; and

(b) by the Council and the Commission in their respective recommendations, when assessing whether to determine the existence of an excessive imbalance and to 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 initiated in accordance with Article 7(2) of Regulation (EU) No 1176/2011 shall submit a revised national medium-term budgetary and structural plan in accordance with Article 15 of this Regulation. The revised national medium-term budgetary and 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 budgetary and structural plan is subject to approval by the Council in accordance with Articles 17 to 20 of this Regulation. The revised national medium-term budgetary and structural plan shall be assessed in accordance with Article 16 of this Regulation.

(3) Where a Member State submits a revised national medium-term budgetary and structural plan in accordance with paragraph 2 of this Article, that revised plan shall replace the corrective action plan referred to in Article 8(1) of Regulation (EU) No 1176/2011, set out the specific policy actions that the Member State concerned has implemented or intends to implement, and include a timetable for those actions.

(4) In accordance with Article 8(2) of Regulation (EU) No 1176/2011, the Council shall assess the revised plan, on the basis of a report from the Commission, within two months of its submission. The monitoring and assessment of the implementation of the revised plan shall be carried out 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 budgetary and 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 ([24]).

(24) 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).

(2) Where a Member State has an active national medium-term budgetary and structural plan, and that Member State is subject to a macroeconomic adjustment programme in accordance with Article 7 of Regulation (EU) No 472/2013, that national medium-term budgetary and structural plan shall be taken into account when drawing up the macroeconomic adjustment programme.

CHAPTER IX

COMMON PROVISIONS

Article 33

Dialogue with Member States

The Commission shall ensure a continuous dialogue with Member States. To that end, in particular, the Commission shall carry out missions to assess the socio-economic situation in the Member State concerned and to identify any risks or difficulties encountered in complying with the provisions of 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 carry out monitoring missions in Member States that are the subject of recommendations issued pursuant to Article 121(4) of the TFEU.

(2) Where the Member State concerned is a Member State whose currency is the euro or a Member State participating in the European Exchange Rate Mechanism in the third stage of economic and monetary union (ERM II), established by the Resolution of the European Council of 16 June 1997 ([25]), the Commission may, where appropriate, invite representatives of the European Central Bank to take part in those monitoring missions.

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 analyse:

(a) the effectiveness of this Regulation in achieving its objectives as set out in Article 1;

(b) the progress made in ensuring closer coordination of economic policies and sustainable convergence of the economic performance of the Member States.

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

Article 36

Transitional provisions

(1) For the first national medium-term budgetary and structural plans, the following provisions shall apply:

(a) by way of derogation from Article 9(1), the Commission shall provide the Member States concerned, by 21 June 2024, with ex ante guidance based on the Commission's most recent forecasts, and Member States shall submit their national medium-term budgetary and 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 preceding 21 June 2024;

(c) By way of derogation from Article 11(3), Member States may carry out a public consultation of the social partners, regional authorities, civil society organisations and other relevant stakeholders at national level, in accordance with the principles set out in Article 11, within appropriate timeframes;

(25) OJ C 236, 2 August 1997, p. 5.

(d) during the period in which the Recovery and Resilience Facility is in operation, the 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 economy’s growth potential, and that the Member State concerned commits to continuing its reform efforts during the remainder of the period covered by the-national medium-term structural framework, as well as to maintain the levels of nationally financed investment achieved on average over the period covered by the Recovery and Resilience Plan;

(e) where a Member State requests an exemption from the safety net concerning the prohibition on concentration at the end of the period referred to in Article 6(c), account shall be taken of projects supported by loans from the Recovery and Resilience Facility, as well as of national co-financing of programmes from Union funds in 2025 and 2026, provided that such an exemption does not jeopardise medium-term fiscal sustainability;

(f) taking into account the exceptional impact of recent economic shocks and the current uncertainty surrounding estimates of potential growth, Member States may use time series that are more stable than those resulting from the commonly agreed methodology, provided that their use is duly justified by economic arguments, and that the cumulative growth over the forecast period remains broadly in line with the results of that methodology.

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

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. Adopted in Brussels, 29 April 2024.

For the European Parliament The President	*For the Council The President*
R. METSOLA	M. MICHEL