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NOTE

From:	General Secretariat of the Council
To:	Permanent Representatives Committee (Part 2)
Subject:	Regulation 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 – Confirmation of the final compromise text with a view to agreement

2025/0311 (COD)

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

PUBLIC

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) in combination with Article 136 thereof,

Having regard to the proposal from the European Commission,

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

Having regard to the opinion of the European Central Bank[1],

Acting in accordance with the ordinary legislative procedure,

[1] OJ C , , p. .

Whereas:

(1) The Union's economic governance framework was reformed in 2024. The reform aimed to facilitate effective economic surveillance, anchored in a common framework that ensures equal treatment and multilateral policy coordination. The objectives of the reform were to further promote sound and sustainable public finances, sound and inclusive growth and resilience through reforms and investment, prevent the occurrence of excessive deficits, and strengthen national ownership. In order to achieve those objectives, the reform introduced new concepts and made changes to the structure of the Union's economic governance framework. The reform was implemented by the adoption of Regulation (EU) 2024/1263 of the European Parliament and of the Council[2], Council Regulation (EU) 2024/1264[3] and Council Directive (EU) 2024/1265[4].

(2) In its Communication of 11 February 2025 entitled 'A simpler and faster Europe: Communication on implementation and simplification'[5], 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.

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2 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).

3 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).

4 Council Directive (EU) 2024/1265 of 29 April 2024 amending Directive 2011/85/EU on requirements for budgetary frameworks of the Member States (OJ L, 2024/1265, 30.4.2024, ELI: http://data.europa.eu/eli/dir/2024/1265/oj).

5 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.

(3) In the context of the 2024 reform of the Union's economic governance framework and with the view to simplifying, consolidating and codifying legislation, it is necessary to amend Regulations (EU) No 1173/2011[6] and (EU) No 473/2013 of the European Parliament and of the Council[7] in order to ensure consistency with other acts of the economic governance framework and contribute to its streamlining and simplification.

(4) Member States whose currency is the euro have a particular interest in and a responsibility to conduct economic policies that promote the proper functioning of the economic and monetary union and to avoid policies that jeopardise that functioning. Article 136 of the TFEU allows the adoption of specific measures in the euro area which go beyond the provisions applicable to all Member States, for the purpose of ensuring the proper functioning of the economic and monetary union, including the additional sanctions introduced by Regulation (EU) No 1173/2011 to enhance the credibility of the fiscal surveillance framework of the Union and to deter from the misrepresentation, whether intentional or due to serious negligence, of government deficit and debt data that is an essential input to economic policy coordination in the Union.

(5) One of the key goals of the 2024 reform of the Union's economic governance framework was to strengthen fiscal surveillance and enforcement procedures to deliver on the commitment of promoting sound and sustainable public finances and sustainable and inclusive growth. Enforcement mechanisms were thus reinforced, including by de-constraining the effective use of financial sanctions by lowering their amounts. In line with the 2024 reform, Regulation (EU) No 1173/2011 should be amended to ensure its consistency with other elements of the framework, namely the provisions of Regulation (EU) 2024/1263 and Regulation (EC) No 1467/97[8].

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6 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).

7 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).

8 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).

(6) The 2024 reform of the Union's economic governance framework eliminated the concept of a significant deviation and the related procedure from the requirements of Regulation (EU) 2024/1263, in line with the intention of the co-legislators to simplify the fiscal framework and to apply a risk-based approach. With the removal of the significant deviation procedure, the requirement for a Member State to lodge with the Commission an interest-bearing deposit, triggered by a failure to comply with a significant deviation procedure, should be deleted from Regulation (EU) No 1173/2011. Article 1, point (10), of Regulation (EU) 2024/1264 amended Regulation (EC) No 1467/97 by reducing the amount of financial sanctions allowed under the corrective arm, while making the imposition of those sanctions more gradual. ***Fines imposed under Regulation (EU) No 1173/2011 should no longer apply when the excessive deficit procedure is placed in abeyance or if the Commission proposes the imposition of fines under Article 126(11) TFEU, in accordance with Articles 11 and 12 of Regulation (EC) 1467/97.*** Regulation (EU) No 1173/2011 should be amended to reflect those principles for the imposition of financial sanctions with respect to the imposition of fines. ***Fines are entered in the general EU budget as revenue, in line with the principle of universality of the EU Budget, in accordance with Article 20 of Regulation (EU, Euratom) 2024/2509. Regulation (EU) No 1173/2011 should therefore be amended to remove references to the distribution of fines, which will by default follow the principle of universality.***

(7) Regulation (EU) No 1173/2011 allows for an economic dialogue between the institutions of the Union, upon the invitation of the competent committee of the European Parliament, to discuss decisions taken in relation to the imposition of financial sanctions due to non-compliance with the Union's fiscal rules. ▌

(7a) In order to preserve transparency, accountability and ownership for the decisions taken, the documents and acts to be provided by the Commission to the Council as specified in this Regulation should be made available to the European Parliament without undue delay.

PUBLIC

(8) The power to adopt delegated acts related to the imposition of sanctions concerning the manipulation of statistics, conferred on the Commission under Regulation (EU) No 1173/2011, is no longer needed and should be deleted.

(9) Regulation (EU) No 1173/2011 should be amended to clarify the deadline and the content of the Commission's report on the application of that Regulation.

(10) The national medium-term fiscal-structural plans, introduced by Regulation (EU) 2024/1263, are the cornerstone of the 2024 reform. They replaced the Stability and Convergence Programmes and the National Reform Programmes, thereby bringing together the fiscal, reform and investment commitments of each Member State within a common framework. Regulation (EU) No 473/2013 should be amended to take into account the introduction of the national medium-term fiscal-structural plans in the common framework.

(11) Regulation (EU) 2024/1263 established provisions to ensure consistency with Regulation (EU) No 1176/2011 of the European Parliament and of the Council[9], in particular by integrating in the procedure set out by Regulation (EU) 2024/1263 measures and reforms to be taken in the context of the procedure for prevention and correction of excessive macroeconomic imbalances. Specifically, in accordance with Article 31(1), point (a), of Regulation (EU) 2024/1263, an unsatisfactory implementation of reforms and investments included in a Member State's national medium-term fiscal-structural plan that are relevant for macroeconomic imbalances is to be taken into account by the Commission when undertaking in-depth reviews and when considering whether to establish the existence of an excessive imbalance under Regulation (EU) No 1176/2011. Moreover, in accordance with Article 17(2) of Regulation (EU) 2024/1263, when an excessive imbalance procedure is launched, the Member State is to submit a revised medium-term fiscal-structural plan, which is also to serve as its corrective action plan under Regulation (EU) No 1176/2011.

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[9] Regulation (EU) No 1176/2011 of the European Parliament and of the Council of 16 November 2011 on the prevention and correction of macroeconomic imbalances (OJ L 306, 23.11.2011, p. 25, ELI: http://data.europa.eu/eli/reg/2011/1176/oj).

(12) In order to simplify the Union's fiscal framework and increase transparency, the 2024 reform introduced a single operational indicator anchored in debt sustainability which serves as a basis for setting the fiscal path and for carrying out annual fiscal surveillance for each Member State. That single operational indicator, based on the net expenditure path, replaces the medium-term objective, the structural balance, the net expenditure benchmark and the debt reduction benchmark of the previous fiscal framework. Member States under an excessive deficit procedure (EDP) receive a corrective net expenditure path based on Council Regulation (EC) No 1467/97.

(13) In order to simplify the legal framework, the definition of an independent body in Regulation (EU) No 473/2013 should be amended to refer to Article 8a of Council Directive 2011/85/EU[10] which established provisions to ensure that the requirements for independence safeguards, resources and tasks apply to those independent bodies in all Member States. Moreover, Article 4(5) of Directive 2011/85/EU already provides for a technical dialogue between Member States and the Commission on the assumptions underpinning the macroeconomic and budgetary forecasts. It is therefore not necessary to include that provision in Regulation (EU) No 473/2013.

(14) Directive 2011/85/EU establishes the procedures for national medium-term budgetary frameworks providing for the adoption of multiannual fiscal planning. Moreover, Article 9(2), point (c), of that Directive sets the parameters for the national medium-term budgetary frameworks encompassing a description of envisaged medium-term policies, including reforms and investments, with an impact on general government finances and sustainable and inclusive growth. In order to simplify the legal framework, Regulation (EU) No 473/2013 should be amended to avoid a repetition of the provisions set out in Directive 2011/85/EU.

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[10] 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).

(15) ***Independent and effective fiscal institutions play an important role in the national budgetary frameworks of Member States and in the EU fiscal framework. Directive 2011/85/EU defines the minimum standards and tasks of independent fiscal institutions, including monitoring compliance with the national numerical fiscal rules. Member States may establish more than one such institutions.*** Regulation (EU) 2024/1263 provides that independent fiscal institutions may be asked to issue opinions on the macroeconomic forecast and on the macroeconomic assumptions underpinning the net expenditure path of the national medium-term fiscal-structural plan or of the revised national medium-term fiscal-structural plan. From 2032 onwards, the opinion of those institutions becomes mandatory, provided that they have built sufficient capacity. Moreover, independent fiscal institutions may be asked to provide an assessment of the budgetary outturns reported in the annual progress report with the net expenditure path as set by the Council. The relevant independent fiscal institutions may also be requested to analyse the factors behind a deviation from the set net expenditure path. ▌

(16) Regulation (EU) No 473/2013 should be amended to ensure that national budgetary procedures are consistent with the recommendations issued in the context of Regulation (EU) 2024/1263, with recommendations and decisions issued in the context of Regulation (EC) No 1467/1997, with decisions under Regulation (EU) No 1173/2011 where appropriate and with the rules and procedures laid down in Directive 2011/85/EU.

(17) Regulation (EU) No 473/2013 should be amended to prescribe that the draft budgetary plans ('DBPs') should be consistent and comply with the requirements resulting from the 2024 reform of the Union's governance framework. The DBPs should reflect the implementation of the Council Recommendations regarding the medium-term fiscal-structural plans. In that respect, they should set out how the fiscal policy strategy will be delivered in the next year, and present the ▌ expenditure and revenue measures that ensure compliance with the net expenditure path set by the Council under Regulation (EU) 2024/1263 or explain any deviations from that net expenditure path. If the Member State is under an EDP, the DBPs should present ***the*** expenditure and revenue measures that ensure compliance with the corrective path set under Regulation (EC) No 1467/97.

(18) At the same time, for simplification purposes and to reduce administrative burden, Regulation (EU) No 473/2013 should be amended to reduce the reporting obligation of Member States regarding data that in the past proved not to provide a clear value added. In addition, to reduce the reporting burden and considering that reporting to the Commission is sufficient to allow for the coordination of the national debt issuance of Member States on the Union's Sovereign Debt Markets, Regulation (EU) No 473/2013 should be amended to eliminate ex ante reporting by Member States on their public debt issuance plans to the Eurogroup.

(19) In order to simplify EU fiscal surveillance and to reduce administrative burden, the Commission should no longer report in its overall assessment of the budgetary situation and prospects in the euro area as a whole on elements that have not proven to provide added value in the surveillance process (such as a sensitivity analyses of the risks to public finance sustainability in the event of adverse economic, financial or budgetary developments or the methodology, models and assumptions of the most recent economic forecasts of the Commission services for each Member State.)

(20) In case a government is not in a position to prepare a draft budget law for adoption by the national parliament, the submission of a DBP at unchanged policies is also not needed and should be replaced by a technical exchange whereby Member States provide the Commission with information regarding the macroeconomic and budgetary positions which the Commission will include in its forecasts.

PUBLIC

(21) The 2012 Treaty on Stability, Coordination and Governance in the Economic and Monetary Union[11] has established the economic partnership programmes, which became part of the Union's economic governance framework in 2013 by virtue of Regulation (EU) No 473/2013. Their aim was to ensure a sustainable and lasting correction of the excessive deficits of Member States by requiring that Member States under EDP detail specific structural reforms designed to reduce their deficit and debt. The function of economic partnership programmes is ensured in the 2024 reform of the Union's governance framework through two main channels. The first is through the adoption of a medium-term and risk-based approach in the medium-term fiscal-structural plans, which include the impact of reforms and investments on fiscal sustainability. The second is through the reinforcement of the EDP through the introduction of clear activation and abrogation criteria for debt-based EDPs. Therefore, Regulation (EU) No 473/2013 should be amended to take into account that economic partnership programmes have become obsolete.

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[11] ELI: http://data.europa.eu/eli/agree_eums/2012/302

(22) Regulation (EU) No 473/2013 introduced additional reporting requirements for Member States whose currency is the euro and which were subject to an EDP under Regulation (EC) No 1467/97. The objective of those additional requirements was to allow for a better exchange of information between the Member States concerned and the Commission and to identify risks in the compliance with the deadline for the correction of the excessive deficit early on. The 2024 reform of the Union's economic governance framework introduced a single indicator for the assessment of compliance with the corrective net expenditure path under the EDP. Member States are to regularly report on it in their annual progress reports submitted under Regulation (EU) 2024/1263. Therefore, Regulation (EU) No 473/2013 should be amended to reduce the reporting burden and focus on implementing the 2024 reform. Member States subject to an EDP should only provide the information requested under Regulation (EU) 2024/1263, Regulation (EC) No 1467/97 and the subsequent effective action reports pertaining to Council recommendations under Article 126(7) TFEU or Council notices under Article 126(9) TFEU as foreseen in Regulation (EU) 473/2013, given that that information is sufficient to assess compliance with the corrective net expenditure path. The Commission should retain the right to request any additional information it deems necessary for budgetary surveillance purposes.

(23) As this additional reporting is no longer required, Regulation (EU) 473/2013 should be amended to remove the empowerment to adopt delegated acts to specify the content of the additional reporting.

PUBLIC

(24) In accordance with Council recommendations under Article 126(7) TFEU or notices under Article 126(9) TFEU, Member States are to report on action taken. In order to ensure an effective monitoring of action taken to correct the excessive deficit, Regulation (EU) 473/2013 should be amended to clarify the reporting obligations stemming from those Council recommendations and to oblige Member States to submit follow-up reports to the Commission and the Council on effective action every six months when they are subject to a Council Recommendation under Article 126(7) TFEU until the Council abrogates the decision on the existence of an excessive deficit. Moreover, the Member State should submit follow-up reports on effective action to the Council and the Commission on a quarterly basis when it is the subject of a Council notice under Article 126(9) TFEU until the Council abrogates the decision on the existence of an excessive deficit. In order to reduce the reporting burden on Member States, it should be possible to include such effective action reports in the annual progress reports as defined under Regulation (EU) 2024/1263 and in the DBP, where possible. Since the EDP monitoring is to be replaced by the reporting specified under Regulation (EC) No 1467/97, the Commission should take into account all effective action reports transmitted by the Member State when making its assessment of effective action.

(25) Regulation (EU) No 473/2013 should be amended to simplify existing procedures and eliminate those that have not proven useful and are not in line with the overall approach of the revised framework. In particular, the provisions requiring the Commission to address to the Member State a recommendation in case of a risk of non-compliance with the deadline to correct the excessive deficit should be deleted, ***reflecting the more*** medium-term ***focus*** of the ***new framework***.

PUBLIC

(26) Article 2(3) of Regulation (EC) No 1467/97 requires that all relevant factors as indicated in Article 126(3) TFEU be taken into account when preparing a report under Article 126(3) TFEU on the existence of an excessive deficit. An explicit requirement for the Commission opinion under Article 7(1) of Regulation (EU) No 473/2013 to be taken into account when drafting a report under Article 126(3) TFEU or when taking a decision on the existence of an excessive deficit under Article 126(6) TFEU is therefore not necessary. Moreover, taking into account the Commission opinion under Article 7(1) of Regulation (EU) No 473/2013 when recommending the imposition of a non-interest bearing deposit under Article 5 of Regulation (EU) No 1173/2011 is outdated given the deletion of that Article.

(27) In order to increase transparency, accountability and ownership for the decisions taken in the context of Regulation (EU) No 473/2013, an economic dialogue may take place between the European Parliament, the Council and the Commission on the specification of the content of the DBPs, the results of the discussion of the Eurogroup on the Commission DBP opinions to the extent that they have been made public, and the overall assessment of the budgetary situation and prospects in the euro area as a whole. ▌

(28) The Union's strategy for growth and jobs is implemented through the ***delivery of reforms and investments addressing the main challenges identified in the context of the European Semester and focusing*** on the improvement of social and economic resilience and sustainable and inclusive growth by boosting competitiveness, productivity, growth potential, social cohesion and economic convergence, thereby helping to address the medium- and long-term challenges facing the Union. ***Specifically, Article 13 of Regulation (EU) 2024/1263 requires that Member States explain in their medium-term fiscal-structural plans how the delivery of reforms and investments respond to the main challenges identified in the context of the European Semester, in particular in the country-specific recommendations, and how the Member State will address the following common priorities of the Union : a fair green and digital transition including the climate objectives set out in Regulation (EU) 2021/1119; social and economic resilience including the European pillar of social rights; energy security, and, where necessary the build-up of defence capabilities.***

(29) Regulation (EU) No 473/2013 should be amended to clarify the deadline and the content of the Commission reports on the application of that Regulation.

(30) Regulations (EU) 473/2013 and (EU) No 1173/2011 should therefore be amended accordingly,

HAVE ADOPTED THIS REGULATION:

PUBLIC

Article 1

Amendments to Regulation (EU) No 1173/2011

Regulation (EU) No 1173/2011 is amended as follows:

(1) in Article 1, paragraph 1 is replaced by the following:

'1. This Regulation sets out a system of sanctions for enhancing the enforcement of the ***corrective arm of the*** Stability and Growth Pact in the euro area.;'

(2) Article 2 is amended as follows:

(a) point 1 is deleted;

(b) point 2 is replaced by the following:

'(2) 'corrective part of the Stability and Growth Pact' means the procedure for the avoidance and correction of Member States' excessive deficit as regulated by Article 126 TFEU and Regulation (EC) No 1467/97.;'

(c) point 3 is deleted;

(3) in Article 3, the first paragraph is replaced by the following:

'In order to enhance the dialogue between the institutions of the Union, in particular the European Parliament, the Council and the Commission, and to ensure greater transparency and accountability, 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 appear before the committee to discuss decisions taken pursuant to Article 6 of this Regulation.;'

(4) Articles 4 and 5 are deleted;

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(5) Article 6 is replaced by the following:

‘Article 6

Fines

1. If the Council, acting under Article 126(8) TFEU, decides that a Member State has not taken effective action to correct its excessive deficit, the Commission shall, within 20 days of that decision, recommend that the Council, by a further decision, impose a fine, amounting to up to 0,02 % of the latest estimate of the previous year’s GDP of that Member State. The fine shall be paid every six months until the Council assesses that the Member State concerned has taken effective action in response to the decision issued under Article ***126(9)*** TFEU.

2. The decision imposing a fine shall be deemed to be adopted by the Council unless it decides by a qualified majority to reject the Commission’s recommendation within 10 days of the Commission’s adoption thereof.

3. The Council, acting by a qualified majority, may amend the Commission’s recommendation and adopt the text so amended as a Council decision.;’

(6) Article 7 is deleted;

(7) in Article 8, paragraph 4 is deleted;

(8) Articles 9 is replaced by the following:

‘Article 9

Administrative nature of the sanctions

The sanctions imposed pursuant to Articles 6 and 8 shall be of an administrative nature.;’

(9) Articles 10 and 11 are deleted;

PUBLIC

(10) in Article 12, paragraph 1 is replaced by the following:

‘1. For the measures referred to in Articles 6 and 8, only members of the Council representing Member States whose currency is the euro shall vote, and the Council shall act without taking into account the vote of the member of the Council representing the Member State concerned.;’

(11) Article 13 is replaced by the following:

‘Article 13

Report

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

The report referred to in the first subparagraph shall review:

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

(b) the progress in ensuring closer coordination of economic policies and sustained convergence of economic performances of the Member States in accordance with the TFEU;

(c) the contribution of this Regulation to achieving sustainable and inclusive growth and social and economic resilience.

2. The report shall be transmitted to the European Parliament and the Council..’

PUBLIC

Article 2

Amendments to Regulation (EU) No 473/2013

Regulation (EU) No 473/2013 is amended as follows:

(1) Article 1(1) is amended as follows:

(a) points (a), (b) and (c) are replaced by the following:

‘(a) complementing the European Semester, as established in Regulation (EU) 2024/1263 of the European Parliament and of the Council[12], with a common budgetary timeline;

(b) complementing the procedure for the prevention and correction of macroeconomic imbalances, as established by Regulation (EU) No 1176/2011;

(c) complementing the multilateral surveillance system of budgetary policies, as established by Regulation (EU) 2024/1263, with additional monitoring requirements in order to ensure that Union policy recommendations in the budgetary area are appropriately integrated in the national budgetary preparations;

(b) point (e) is deleted;

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[12] 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).;’

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(2) Article 2 is amended as follows:

(a) paragraph 1 is amended as follows:

(i) the first subparagraph is amended as follows:

- point (a) is replaced by the following:

‘(a) ‘independent body’ means an independent fiscal institution established in accordance with Article 8a of Directive 2011/85/EU;;’

- point (d) is replaced by the following:

‘(d) ‘national medium-term fiscal-structural plan’ means the national medium-term fiscal-structural plan as defined in Article 2, point (6), of Regulation (EU) 2024/1263;;’

- the following points (e) and (f) are added:

‘(e) ‘net expenditure path’ means the net expenditure path as defined in Article 2, point (5), of Regulation (EU) 2024/1263;

(f) ‘corrective net expenditure path’ means the corrective net expenditure path referred to in Article 3(4) of Regulation (EC) No 1467/97.;’

(ii) the second subparagraph is deleted;

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(b) paragraph 2 is replaced by the following:

'2. The definitions of 'general government sector' and of 'subsectors of the general government sector' set out in Annex A to Regulation (EU) No 549/2013 of the European Parliament and of the Council[13] shall also apply to this Regulation.

(3) Article 3 is replaced by the following:

'Article 3

Consistency with the framework for economic policy coordination

The Member States' budgetary procedure shall be consistent with all of the following:

(1) the recommendations issued in the context of Regulation (EU) 2024/1263;

(2) where appropriate, the Council recommendations and decisions issued in the context of Regulation (EC) No 1467/97;

(3) where appropriate, decisions under Regulation (EU) No 1173/2011;

(4) the rules and procedures laid down in Directive 2011/85/EU.;'

(4) Article 4 is amended as follows:

(a) paragraph 1 is deleted;

[13] Regulation (EU) No 549/2013 of the European Parliament and of the Council of 21 May 2013 on the European system of national and regional accounts in the European Union (OJ L 174, 26.6.2013, p. 1, ELI: http://data.europa.eu/eli/reg/2013/549/oj).;'

(b) paragraph 4 is replaced by the following:

'4. National multi-annual fiscal planning under Directive 2011/85/EU and draft budgets referred to in paragraph 2 of this Article shall be based on independent macroeconomic forecasts, and shall indicate whether the budgetary forecasts have been produced or endorsed by an independent body. Those forecasts shall be made public together with the relevant national multi-annual fiscal planning documents under Directive 2011/85/EU and the draft budgets that they underpin.;'

(5) Article 5 is amended as follows:

(a) paragraph 1 is replaced by the following:

'1. ▌ Member States shall have in place Independent ***Fiscal Institutions as referred to in Articles 5, 6 and 8a of Directive 2011/85/EU, as well as in Articles 11, 15 and 23 of Regulation (EU) 2024/1263.***

(a) ***deleted***

(b) ***deleted'***

(b) ▌ deleted ▌

(6) Article 6 is replaced by the following:

'Article 6

Monitoring requirements

1. Member States shall submit annually to the Commission and to the Eurogroup a draft budgetary plan for the forthcoming year by 15 October. That draft budgetary plan shall be consistent with the framework set out in Article 3.

2. As soon as the draft budgetary plans referred to in paragraph 1 have been submitted to the Commission, they shall be made public.

3. The draft budgetary plan shall contain the following information for the year covered by the draft budget and the previous one:

(a) the growth rate of net expenditure, as defined in Article 2, point (2) of Regulation (EU) 2024/1263, and the breakdown of its components implied by the draft budget;

(b) a description and quantification of the revenue and expenditure measures included in the draft budget;

(c) a quantification of the expenditure on programmes of the Union fully matched by revenue from Union funds, as well as national expenditure on co-financing of programmes funded by the Union included in the draft budget;

(d) the projections at unchanged policies for expenditure and revenue as a percentage of GDP for the general government and their main components, including gross fixed capital formation;

(e) the macroeconomic projections underpinning the draft budget, including the main assumptions and important economic developments relevant for the draft budget;

(f) revenue and expenditure projections for the general government and their main components, based on the most recent available outcome data and consistent with the growth rate of net expenditure, the revenue and expenditure measures, the expenditure on programmes of the Union fully matched by revenue from Union funds and the macroeconomic projections, as referred to in points (a) to (e);

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(g) the budget balance for the general government, implied by the revenue and expenditure projections, broken down by subsector of general government, as well as the general government debt;

(h) relevant information on the general government expenditure by ***function***, including on education, healthcare ▌ and defence, including investment in defence***, and on general government expenditure on employment***;

(i) the underlying assumptions and methodologies used to estimate the budgetary impact of expenditure and revenue measures;

(j) indications on how commitments for reforms and investments set out in the draft budgetary plan, including in particular public investment, address the current recommendations to the Member State concerned in accordance with Articles 121 and 148 TFEU ▌ .;

The description of revenue and expenditure measures referred to in the first subparagraph, point (b), may be less detailed for measures with a budgetary impact estimated to be lower than 0.1% of GDP. Particular and explicit attention shall be paid to major fiscal policy reform plans, including those with potential spill-over effects for other Member States whose currency is the euro.

4. The draft budgetary plan shall explain how the draft budget for the forthcoming year ensures compliance with the net expenditure path set by the Council under Regulation (EU) 2024/1263, or, where applicable, possible deviations from that net expenditure path. For Member States in an excessive deficit procedure under Regulation (EC) No 1467/97, the draft budgetary plan shall explain how the draft budget for the forthcoming year ensures compliance with the corrective net expenditure path.

5. The specification of the content of the draft budgetary plan shall be set out in a harmonised framework established by the Commission in cooperation with the Member States.;'

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(7) Article 7 is amended as follows:

(a) paragraph 2 is replaced by the following:

‘2. Notwithstanding paragraph 1, where, in exceptional cases, after consulting the Member State concerned within one week of submission of the draft budgetary plan, the Commission identifies particularly serious non-compliance of the draft budgetary plan with the net expenditure path set by the Council under Regulation (EU) 2024/1263 or with the corrective net expenditure path under the excessive deficit procedure established under Regulation (EC) No 1467/97, the Commission shall adopt its opinion within two weeks of submission of the draft budgetary plan. In its opinion, the Commission shall request that a revised draft budgetary plan be submitted as soon as possible and in any event within three weeks of the date of its opinion. The Commission's request shall be reasoned and shall be made public.

Article 6(2), (3) and (4) shall apply to revised draft budgetary plans submitted pursuant to the first subparagraph of this paragraph.

The Commission shall adopt a new opinion on the revised draft budgetary plan as soon as possible and in any event within three weeks of submission of the revised draft budgetary plan.;’

(b) paragraph 4 is replaced by the following:

‘4. The Commission shall make an overall assessment of the budgetary situation and prospects in the euro area as a whole, on the basis of the national budgetary prospects and their interaction across the area, relying on the most recent economic forecasts of the Commission services.

It shall, as appropriate, outline measures to reinforce the coordination of budgetary and macroeconomic policy at the euro area level.

The overall assessment shall be made public and shall be taken into account in the annual general guidance to Member States issued by the Commission.;’

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(8) in Article 8, paragraph 1 is replaced by the following:

‘1. Member States shall report to the Commission, ex ante and in a timely manner, on their national debt issuance plans.;’

(9) Article 9 is deleted;

(10) Article 10 is replaced by the following:

‘Article 10

Reporting requirements for Member States in excessive deficit procedure

(1) Where the Council makes recommendations to the Member State concerned in accordance with Article 126(7) TFEU, following the submission of the first report on action taken referred to in Article 3(5) of Regulation (EC) No 1467/97, the Member State shall submit follow-up reports on effective action to the Council and the Commission on a six-monthly basis until the Council abrogates the decision on the existence of an excessive deficit. The content of those follow-up reports on effective action shall be as specified in Article 3(5) of Regulation (EC) No 1467/97.

(2) Where the Council gives notice to the Member State concerned in accordance with Article 126(9) TFEU, following the submission of the first report on action taken referred to in Article 5(1a) of Regulation (EC) No 1467/97, the Member State shall submit follow-up reports on effective action on a quarterly basis until the Council abrogates the decision on the existence of an excessive deficit. The content of those follow-up reports on effective action shall be as specified in Article 5(1a) of Regulation (EC) No 1467/97.

(3) The reports on effective action referred to in paragraphs 1 and 2 may be included in the annual progress report as defined under Regulation (EU) 2024/1263, and in the draft budgetary plan, where possible.

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(4) When assessing whether the Member State is taking effective action under the excessive deficit procedure, as established by a Council recommendation under Article 126(7) TFEU or a Council decision to give notice under Article 126(9) TFEU, the Commission shall base its assessment, inter alia, on the reports submitted by the Member States in accordance with paragraphs 1 and 2 of this Article.

(5) The Commission may request additional information from Member States if it deems it necessary for budgetary surveillance purposes.

(6) The monitoring established under this Article shall be an integral part of the regular monitoring as provided for in Article 10(1) of Regulation (EC) No 1467/97, of the implementation of action taken by the Member State concerned in response to Council recommendations under Article 126(7) TFEU or Council decisions to give notice under Article 126(9) TFEU to correct the excessive deficit.;'

(11) Articles 11 and 12 are deleted;

(12) Article 13 is replaced by the following:

'Article 13

Consistency with Regulation (EU) No 472/2013 of the European Parliament and of the Council[14]

Member States subject to a macroeconomic adjustment programme shall not be subject to Articles 6, 7, 8 and 10 of this Regulation.

(13) Article 14 is deleted;

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[14] 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).;'

(14) Article 15 is amended as follows:

(a) paragraph 1 is amended as follows:

(i) point (b) is replaced by the following:

‘(b) the results of the discussion of the Eurogroup on the Commission opinions adopted in accordance with Article 7(1) and (2), to the extent that they have been made public;;’

(ii) point (d) is ***replaced by the following:***

(iia) ‘(d) Council acts adopted pursuant to Article 126(8) and Article 126(11) TFEU.’;

(b) ***paragraph 2 is amended as follows:***

2. The competent committee of the European Parliament may offer the opportunity to the Member State that is the subject of the Council acts referred to in paragraph 1, point (d), to participate in an exchange of views.’;

(15) Article 16 is replaced by the following:

‘Article 16

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. ▌

The report referred to in the first subparagraph shall review:

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

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(b) the progress in ensuring closer coordination of economic policies and sustained convergence of economic performances of the Member States in accordance with the TFEU;

(c) the contribution of this Regulation to achieving sustainable and inclusive growth and social and economic resilience.

(2) The report shall be transmitted to the European Parliament and the Council.;'

(16) Article 17 is deleted.

Article 3

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

This Regulation shall be binding in its entirety and directly applicable in the Member States in accordance with the Treaties.

Done at Brussels,

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

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