COUNCIL OF THE EUROPEAN UNION

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NOTE

from:	General Secretariat of the Council
to:	delegations
Subject:	Regulation (EU) No …/2012 of the European Parliament and of the Council 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

Delegations will find attached Regulation (EU) No …/2012 of the European Parliament and of the Council 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, as agreed in the final trilogue on 20 February 2013.

Encl:

ANNEX

DRAFT CONSOLIDATED VERSION OF THE TEXT, INCORPORATING THE OUTCOME OF THE TRILOGUE OF 20 FEBRUARY 2013 (NOT VERIFIED BY DLA)

PE-CONS No/YY - 2011/0386(COD)

REGULATION (EU) No …/2012 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

of

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

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 136 in combination with Article 121(6) thereof,

Having regard to the proposal from the European Commission,

Having regard to the opinion of the European Central Bank, After transmission of the draft legislative act to the national parliaments,

Acting in accordance with the ordinary legislative procedure,

Whereas:

(1) The Treaty requires that Member States regard their economic policies as a matter of common concern, that their budgetary policies are guided by the need for sound public finances and that their economic policies do not risk jeopardising the proper functioning of Economic and Monetary Union.

(1a) The Stability and Growth Pact aims at securing budgetary discipline across the Union and sets out the framework for preventing and correcting excessive government deficits. It is based on the objective of sound government finances as a means of strengthening the conditions for price stability and for strong sustainable growth underpinned by financial stability, thereby supporting the achievement of the Union's objectives for sustainable growth and jobs. The Stability and Growth Pact includes the multilateral surveillance system laid down in 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 as well as the procedure for the avoidance of Member States' excessive deficit laid down in Article 126 TFEU and further specified in Council Regulation (EC) No 1467/97 of 7 July 1997 on speeding up and clarifying the implementation of the excessive deficit procedure. The Stability and Growth Pact has been further strengthened, by Regulations (EU) No 1175/2011 and (EU) No 1177/2011 of the European Parliament and of the Council. Regulation (EU) No 1173/2011 of the European Parliament and of the Council on the effective enforcement of budgetary surveillance in the euro area added a system of effective, preventive and gradual enforcement mechanisms in the form of financial sanctions against Member States whose currency is the euro.

(2) ***Amendments to the Stability and Growth Pact have enhanced the guidance provided to Member States in terms of prudent fiscal policy-making, and, for the Member States whose currency is the euro, reinforced and made more automatic the sanctions for non-compliance with prudent budgetary policy-making, in order to avoid excessive government deficits. Those provisions have created a more comprehensive framework.***

(2a) ***In order to ensure closer coordination of economic policies and sustained convergence of economic performance, the European Semester, as defined Article 2-a of Regulation (EC) No 1466/97, provides a framework for economic policy coordination. The European Semester includes the formulation, and the surveillance of the implementation, of the broad guidelines of the economic policies of the Member States and of the Union (broad economic policy guidelines) in accordance with Article 121(2) TFEU; the formulation, and the examination of the implementation of the employment guidelines that must be taken into account by Member States in accordance with Article 148(2) TFEU (employment guidelines); the submission and assessment of Member States' stability or convergence programmes under that Regulation; the submission and assessment of Member States' national reform programmes supporting the Union strategy for growth and jobs and established in line with the broad economic guidelines, with the employment guidelines and with the general guidance to Member States issued by the Commission (i.e. the annual growth survey) and the European Council at the beginning of the annual cycle of surveillance; and surveillance to prevent and correct macroeconomic imbalances under 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. Where relevant, opinion issues within the context of an economic partnership programme as defined in this Regulation should also been taken into account.***

(3) ***To enable the Union to emerge stronger from the crisis, both internally and at the international level, by boosting, competitiveness, productivity, growth potential, social cohesion and economic convergence, the European Council, meeting on 17 June 2010, adopted a new Union strategy for growth and jobs. The Union strategy for jobs and smart, sustainable and inclusive growth also contains objectives in the fields of poverty, education, innovation and the environment.***

(3a) The TFEU allows the adoption of specific measures in the euro area which go beyond the provisions applicable to all Member States to strengthen the coordination and surveillance of their budgetary discipline, in order to ensure the proper functioning of the economic and monetary union. This reinforced coordination and surveillance should be accompanied by commensurate involvement of national and European Parliaments as appropriate. Active use, where appropriate and necessary, should be made of specific measures provided for in Article 136 of the Treaty on the Functioning of the European Union.

(3b) The application of this Regulation should fully observe Article 152 TFEU, and the recommendations issued under this Regulation should respect national practices and institutions for wage formation. This Regulation takes into account Article 28 of the Charter of Fundamental Rights of the European Union, and accordingly does not affect the right to negotiate, conclude or enforce collective agreements or to take collective action in accordance with national law and practices.

(3c) Article 9 TFEU provides that, in defining and implementing its policies and activities, the Union should take into account requirements linked to the promotion of a high level of employment, the guarantee of adequate social protection, the fight against social exclusion, and a high level of education, training and protection of human health.

(4) ***A gradually strengthened surveillance and coordination as set out in this Regulation will further complete the European Semester for economic policy coordination, will complement the existing provisions of the Stability and Growth Pact and strengthen the surveillance of budgetary and economic policies in Member States whose currency is the euro. A gradually enhanced monitoring procedure should contribute to better budgetary and economic outcomes, macro-financial soundness and economic convergence, to the benefit of all Member States whose currency is the euro. As part of a gradually strengthened procedure, a closer monitoring is particularly valuable to Member States that are subject to an excessive deficit procedure.***

(4a) Biased and unrealistic macroeconomic and budgetary forecasts can considerably hamper the effectiveness of budgetary planning and consequently impair commitment to budgetary discipline. Unbiased and realistic macroeconomic forecasts can be provided by independent bodies or bodies endowed with functional autonomy vis-à-vis the budgetary authorities of the Member State and which are underpinned by national legal provisions ensuring a high degree of functional autonomy and accountability. Such forecasts should be used throughout the budgetary procedure.

(4b) ***Strong public finances are best ensured at the planning stage and gross errors should be identified as early as possible. Member States should benefit not just from the setting of guiding principles and budgetary targets but also from a synchronised monitoring of their budgetary policies.***

(5) ***Setting-up a common budgetary timeline for Member States whose currency is the euro should better synchronize the key steps in the preparation of national budgets, thus contributing to the effectiveness of the European semester for economic and budgetary policy coordination. This should lead to stronger synergies by facilitating policy coordination among Member States whose currency is the euro and ensuring that the Council and Commission recommendations are appropriately integrated in the national process for budget adoption. The Member States' budgetary procedure should be consistent with the framework for economic policy coordination in the context of the annual cycle of surveillance, which includes, inter alia, the general guidance to Member States issued by the Commission and the European Council at the beginning of the cycle. Member States' budgetary polices should be consistent with the recommendations issued in the context of the Stability and Growth Pact and with, where relevant, recommendations issued in the context of the annual cycle of surveillance including the macroeconomic imbalances procedure as established by Regulation (EU) No 1176/2011 and opinions on an economic partnership programme as defined in this Regulation.***

(5a) ***As a first step of this common budgetary timeline, Member States should make public their national medium term fiscal plan at the same time as their stability programmes by mid-April and no later than 30 April. Such plans should include indications on how the reforms and measures that are foreseen are expected to contribute to the achievement of the targets and National commitments set in the framework of the Union's Strategy for growth and jobs. The national medium-term fiscal plan and the stability programme can be the same document.***

(6) ***One important milestone of this common budgetary timeline should be the publication of the draft central government budget by 15 October. Since compliance with the rules of the Stability and Growth Pact is to be ensured at the level of the general government and achievement of the budgetary objectives requires consistent budgeting across all subsectors of the general government, the publication of the draft central government budget should be accompanied by the publication of the main parameters of the budgets of all the other sub-sectors of the general government. Such parameters should include in particular the expected budgetary outcomes of the other subsectors, the main assumptions underlying these projections and the reasons for expected changes with respect to the Stability Programme assumptions.***

(6a) The common timeline also foresees that the budget should be adopted or fixed upon annually by 31 December together with the updated main budgetary parameters for the other sub-sectors of the general government. Where, for objective reasons beyond the control of the government, the budget is not adopted by 31 December, as provided for by this Regulation, reversionary budget procedures should be in place to ensure that the government remains able to discharge its essential duties. Such arrangements may include for instance the implementation of the government's draft budget or of the former year's approved budget or specific Parliament-approved measures.

(6b) With a view to better coordinating the planning of their national debt issuance, the Member States shall report ex-ante on their public debt issuance plans to the Eurogroup and to the European Commission.

(7) ***Adherence to effective*** rules-based fiscal frameworks ***can be important*** in supporting sound and sustainable fiscal policies. ***The Council Directive 2011/85/EU established that monitoring of compliance with national numerical fiscal rules should be supported by independent bodies or bodies endowed by functional autonomy. It is important to note that given the diversity of possible and existing arrangements, while not the preferred option, it should be permitted to have more than one independent body in charge of monitoring compliance with the rules, as long as there is a clear allocation of responsibility and as long as there is no overlap of competencies over specific aspects of the monitoring. Excessive institutional fragmentation of monitoring tasks should be avoided. In order for monitoring bodies to fulfil their mandate effectively, national legal provisions ensuring a high degree of functional autonomy and accountability should underpin such bodies. The design of these monitoring bodies should take into account the existing institutional setting and the administrative structure of the concerned Member State. It should notably be possible to endow a suitable entity of an existing institution with functional autonomy, provided that such entity is specifically designated to carry out the monitoring tasks, has a distinct statutory regime and complies with the principles mentioned above.***

(7a) ***Concerning national fiscal rules to be monitored by such bodies, this Regulation does not impose on Member States additional requirements or obligations with regard to those already existing in the law of the Union. Strong country-specific numerical fiscal rules consistent with the budgetary objectives at the level of the Union and monitored by independent bodies are a cornerstone of the strengthened budgetary surveillance framework of the Union. The rules that these independent bodies should adhere to are specified in this Regulation.***

(8) ***Member States whose currency is the euro share enhanced spillovers from their budgetary policy. Each of the Member States whose currency is the euro should consult the Commission and other Member States whose currency is the euro before the adoption of any major fiscal policy reform plans with potential spillover effects, so as to give the possibility for an assessment of possible impact for the euro area as a whole. They should consider their budgetary plans to be of common concern and submit them to the Commission for monitoring purposes in advance of the plans becoming binding. The Commission in cooperation with the Member States should propose guidelines in the form of an harmonised framework for the specification of the content of the draft budgetary plans.***

(9) ***In the exceptional cases where, after consultation of the Member State concerned, the Commission identifies in the draft budgetary plan particularly serious non-compliance with the budgetary policy obligations laid down in the Stability and Growth Pact, the Commission, in its opinion on the draft budgetary plan, should request a revised draft budgetary plan, in accordance with the provisions of this Regulation. This will be the case in particular where the implementation of the initial budgetary plan would put at risk the financial stability of the Member State concerned or risk jeopardising the proper functioning of the economic and monetary union or where the implementation of the initial budgetary plan would entail an obvious significant violation of the recommendations formulated by the Council under the Stability and Growth Pact.***

(10) ▌Member States ***are*** invited to take into account in the process of ***their*** budget law adoption ***the Commission opinion on their draft budgetary plan. This*** opinion should ***be adopted as soon as possible and no later than the end of November, taking into account as much as possible the specific national fiscal schedule and parliamentary procedures, in order to*** ensure that Union's policy guidance in the budgetary area ***can be*** appropriately integrated in the national budgetary preparations. In particular, this opinion should include an assessment of whether or not the budgetary plans appropriately address the recommendations issued in the context of the European semester in the budgetary area. ***At the request of*** the Parliament of the Member State concerned ***or of the European Parliament, the Commission should stand ready to present*** its ***opinion to the parliament making the*** request***, after it*** has been ***made public***.

(10a) The extent to which that opinion has been taken into account should be part of the assessment, if and when the conditions are met, leading to the decision to place the concerned Member State in excessive deficit procedure, where no follow-up to the early guidance from the Commission should be considered as an aggravating factor.

(10b) Also, based on an overall assessment of the plans by the Commission, the Eurogroup should discuss the budgetary situation and prospects for the euro area as a whole.

(10c) Member States whose currency is the euro and which are subject to an excessive deficit procedure should be monitored more closely, in order to secure a full, sustainable and timely correction of the excessive deficit. A closer monitoring thanks to additional reporting requirements should ensure prevention and early correction of any deviations from the Council recommendations to correct the excessive deficit. Such monitoring should complement the provisions set out in Regulation (EC) No 1467/97. The modalities of these additional reporting requirements should be graduated depending on the stage of the procedure the Member State is subject to, as provided for in Article 126 TFEU. As a first step, Member States concerned should carry out a comprehensive assessment of in-year budgetary execution for the general government and its sub-sectors, taking into account in particular financial risks associated to contingent liabilities with potentially large impacts on public budgets.

(11) ***These additional reporting requirements for*** Member States whose currency is the euro ▌subject to an excessive deficit procedure should ***allow*** a ***better exchange*** of ***information between the Member States concerned and the Commission, and, as a consequence, the identification of risks in the compliance of a Member State with the deadline which has been set by the Council to correct its*** excessive deficit. ***In the event of such risks being identified, the Commission should issue a recommendation to the Member State for measures to be taken as appropriate within a given timeframe, and may present it to the Parliament of the Member State concerned at its invitation. Compliance with this recommendation should lead to a prompt correction of any developments putting at risk the correction of the excessive deficit within the established deadline.***

(12) ▌Assessment of compliance with this Commission recommendation should be part of the continuous assessment made by the Commission of effective action to correct an excessive deficit. When deciding whether effective action to correct the excessive deficit has been taken, the Council should also base its decision on whether or not the Member State complied with the Commission recommendation***, while giving due consideration to Articles 3(5) and 5(2) of Regulation (EU) 1467/97***.

(12a) Indeed, the Stability and Growth Pact Regulation (EU) No 1467/97 of 7 July 1997 on speeding up and clarifying the implementation of the excessive deficit procedure, which details the excessive deficit procedure based on Article 126 TFEU, embeds elements of flexibility which allow taking into account unexpected adverse economic events: according to Articles 3(5) and 5(2), if effective action has been taken in compliance with, respectively, a recommendation under Article 126(7) TFEU (or a notice under Article 126(9) TFEU), and unexpected adverse economic events with major unfavourable consequences for government finances occur after the adoption of that recommendation (notice), the Council may decide, on a recommendation from the Commission, to adopt a revised recommendation under Article 126(7) TFEU (notice under Article 126(9) TFEU). The revised recommendation (notice), taking into account the relevant factors referred to in Article 2(3) of this Regulation may, in particular, extend the deadline for the correction of the excessive deficit by one year as a rule.

The Council shall assess the existence of unexpected adverse economic events with major unfavourable consequences for government finances against the economic forecasts in its initial recommendation (notice). In the case of a severe economic downturn in the euro area or in the Union as a whole, the Council may also decide, on a recommendation from the Commission, to adopt a revised recommendation under Article 126(7) TFEU (notice under Article 126(9) TFEU), on condition that this does not endanger fiscal sustainability in the medium term. In addition, Article 2(1a) of Regulation (EC) No 1467/97 foresees that, in implementing the debt ratio adjustment benchmark, account shall be taken of the influence of the cycle on the pace of debt reduction. Thus, a Member State would not be considered as having breached the debt rule if only due to negative cyclical conditions.

(12b) Also, since budgetary measures might be insufficient to ensure a durable correction of the excessive deficit, Member States whose currency is the euro and subject to an excessive deficit procedure should present an economic partnership programme detailing the policy measures and structural reforms needed to ensure an effectively durable correction of the excessive deficit, building on the latest update of its National Reform Programme and of its Stability Programme.

(13) ***Furthermore, strengthening economic governance has involved a closer dialogue with the European Parliament. While recognising that the counterparts of the European Parliament in the framework of the dialogue are the relevant institutions of the Union and their representatives, the competent committee of the European Parliament may offer an opportunity to participate in an exchange of views to a Member State which is the subject of a Commission recommendation or a Council opinion in accordance with this Regulation. The Member State's participation in such an exchange of views is voluntary.***

(13a) In order to specify the extent of the reporting obligations for Member States in excessive deficit procedure, the power to adopt acts in accordance with Article 290 of the Treaty on the Functioning of the European Union should be delegated to the Commission in respect of the content and scope of this reporting. It is of particular importance that the Commission carry out appropriate consultations during its preparatory work, including at expert level. The Commission, when preparing and drawing-up delegated acts, should ensure a simultaneous, timely and appropriate transmission of relevant documents to the European Parliament and Council.

(13b) The power to adopt the opinions on the economic partnership programmes provided for in this Regulation should be conferred on the Council. Said opinions are a supplementary part of the excessive deficit procedure laid down under Article 126 TFEU, where the Council decides on the existence of an excessive deficit as well as on the measures to put an end to it. Accordingly, the Council should be also entitled to adopt the opinions on the economic partnership programmes.

(13c) Recalling the importance of sound public finances, structural reform and targeted investment for sustainable growth, the Heads of State or Government signed a Compact for Growth and Jobs on 28-29 June 2012, demonstrating their determination to stimulate job-creating growth in parallel to their commitment to sound public finances. This Compact includes notably measures to boost the financing of the economy. EUR 120 billion (equivalent to around 1% of EU GNI) are being mobilised for fast-acting growth measures. As recommended in the Annual Growth Survey in 2012 and 2013, the Member States should strive maintaining an adequate fiscal consolidation pace while preserving investment aimed at achieving the Europe 2020 goals for growth and jobs.

(13d) The Commission is monitoring the impact of tight budget constraints on growth enhancing public expenditure and on public investment. The EU fiscal framework offers scope to balance the acknowledgement of productive public investment needs with fiscal discipline objectives: while fully respecting the Stability and Growth Pact, the possibilities offered by the EU's existing fiscal framework to balance productive public investment needs with fiscal discipline objectives can be exploited in the preventive arm of the SGP. The Commission has announced its intention to report on the scope for possible action within the boundaries of the existing EU fiscal framework.

(13e) The European Parliament adopted on 20 November its report "Towards a Genuine Economic and Monetary Union" and the Commission adopted its Communication "a blueprint for a deep and genuine EMU" on 28 November 2012. They both outlined their views on the steps to a deeper and better integrated EMU. Following the report "Towards a Genuine Economic and Monetary Union", the European Council in its conclusions in December 2012, set out its views on a number of issues with a view to the further strengthening of EMU.

HAVE ADOPTED THIS REGULATION:

Chapter I

General provisions

Article 1

Subject matter and scope

1. This Regulation sets out provisions for enhanced monitoring of budgetary policies in the euro area ***and ensuring that national budgets are consistent with the economic policy guidance issued in the context of the European semester for economic and budgetary policy surveillance,*** by:

(a) complementing the European semester as defined in Article 2a of Regulation (EC) No 1466/97 with a common budgetary timeline;

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

(b) complementing the multilateral surveillance system of budgetary policies as established by Regulation (EC) No 1466/97 with additional monitoring requirements in order to ensure that Union policy recommendations in the budgetary area are appropriately integrated in the national budgetary preparations;

(c) complementing the procedure for correction of a Member State's excessive deficit as established by Article 126 ***TFEU*** and ***by*** Regulation (EC) No 1467/97 ***with*** a closer monitoring of budgetary policies of Member States subject to an excessive deficit procedure in order to secure a timely durable correction of excessive deficits;

(ca) guaranteeing the consistency between budgetary policies and measures and reforms taken within the context of the procedure for prevention and correction of excessive macroeconomic imbalances as established by Regulation (EU) No 1176/2011 and, where relevant, within the context of an economic partnership programmes as defined in this Regulation.

1a. The application of this Regulation shall fully observe Article 152 TFEU, and the recommendations issued under this Regulation shall respect national practices and institutions for wage formation. This Regulation takes into account Article 28 of the Charter of Fundamental Rights of the European Union, and accordingly does not affect the right to negotiate, conclude or enforce collective agreements or to take collective action in accordance with national law and practices.

2. This Regulation shall apply to Member States whose currency is the euro.

Article 2

Definitions

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

(1) "independent ***bodies***" means ***structurally independent bodies or bodies*** endowed with functional autonomy vis-à-vis the ***budgetary*** authorities of the Member State***, which are underpinned by*** national ***legal provisions ensuring a high degree of functional autonomy and accountability, including:***

(i) a statutory regime grounded in national law, regulation or administrative rules of legal binding value;

(ii) freedom from interference, whereby the above bodies shall not take instructions, and shall be in a capacity to communicate publicly in a timely manner;

(iii) nomination procedures based on experience and competence;

(iv) adequacy of resources and appropriate access to information to carry out the given mandate;

(2) "independent macroeconomic forecasts" means ▌ macroeconomic ▌ forecasts produced ***or endorsed*** by ▌ independent ***bodies. In order to ensure consistency across the different forecasts, the Commission shall engage at least annually in a technical dialogue concerning the assumptions underpinning the preparation of macroeconomic and budgetary forecasts, as foreseen by Article 4(5) of Directive 2011/85/EU***;

(3) "medium-term budgetary framework" ***means medium-term budgetary framework within*** the meaning ***of*** point (e) of Article 2 of Directive 2011/85/EU;

(4) "stability programme" ***means stability programme within*** the meaning ***of*** Article 3 of Regulation (EC) No 1466/97;

▌

2. The definition of general government ***sector*** and of sub-sectors of ***the*** general government ***sector,*** set out in point 2.70 of Annex A to Regulation (EC) No 2223/96 shall also apply.

2a. The application of this Regulation is without prejudice to Article 9 TFEU.

Chapter Ia
Economic policy coordination

Article 2a
Consistency with the framework for economic policy coordination

The Member States' budgetary procedure shall be consistent with the framework for economic policy coordination in the context of the annual cycle of surveillance, which includes, inter alia, the general guidance to Member States issued by the Commission and the European Council at the beginning of the cycle and be consistent with the recommendations issued in the context of the Stability and Growth Pact and with, where relevant, recommendations issued in the context of the annual cycle of surveillance including the macroeconomic imbalances procedure as established by Regulation (EU) No 1176/2011 and opinions on an economic partnership programme as defined in this Regulation.

Chapter II

Common Budgetary Provisions

Article 3

Common Budgetary Timeline

1. Member States shall***, in the context of the European Semester,*** make public***, preferably by 15 April but no later than 30 April each year,*** their ***national*** medium-term fiscal plans in accordance with their medium-term budgetary framework***. Such plans shall include at least all the information to be provided in the stability programmes and be presented together with the national reform programmes and the stability programmes and shall be consistent with the framework for economic policy coordination in the context of the annual cycle of surveillance, which includes, inter alia, the general guidance to Member States issued by the Commission and the European Council at the beginning of the cycle and be consistent with the recommendations issued in the context of the Stability and Growth Pact and with, where relevant, recommendations issued in the context of the annual cycle of surveillance including the macroeconomic imbalances procedure as established by Regulation (EU) No 1176/2011 and opinions on an economic partnership programme as defined in this Regulation.***

The national medium-term fiscal plans and the National Reform Programmes shall include indications on how the reforms and measures that are foreseen are expected to contribute to the achievement of the targets and National commitments set in the framework of the Union's Strategy for growth and jobs. Furthermore, the national medium-term fiscal plans or the National Reform Programmes shall include indications on the expected economic returns on non-defence public investment projects having a significant budgetary impact. The national medium-term fiscal plan and the stability programme can be the same document.

2. ***The*** draft budget ▌ for ***the forthcoming year for the central government and the main parameters of the draft budgets for all the other sub-sectors of*** the general government shall be made public annually ***not*** later than 15 October ▌ .

3. ***The budget for the central*** government shall be adopted ***or fixed upon*** and made public annually ***not*** later than 31 December ***together with the updated main budgetary parameters for the other sub-sectors of the general government. Member States shall have in place reversionary budget procedures to be applied if, for objective reasons beyond the control of the government, the budget is not adopted or fixed upon and made public by 31 December***.

3a. National medium-term fiscal plans and draft budgets referred to in paragraphs 1 and 2 shall be based on independent macroeconomic forecasts, and indicate whether the budgetary forecasts have been produced or endorsed by an independent body. Those forecasts shall be made public together with the documents that they underpin.

Article 4

Rules on ▌ independent ***bodies monitoring*** fiscal ***rules***

1. Member States shall have in place ***independent bodies for monitoring compliance with:***

(i) numerical fiscal rules ***incorporating*** in the national budgetary processes their medium-term budgetary objective as defined in Article 2a of Regulation (EC) No 1466/97 ▌***;***

(ii) rules referred to in Article 5 of Directive 2011/85/EU.

2. Those bodies shall provide where appropriate public assessments with respect to national fiscal rules, including:

(i) over the occurrence of circumstances leading to the activation of the correction mechanism for cases of significant observed deviation from the medium-term objective or the adjustment path towards it as defined in Article 6(2) of Regulation (EC) No 1466/97;

(ii) of whether the correction is proceeding in accordance with national rules and plans;

(iii) and over the occurrence of circumstances in accordance with the last sub-paragraph of Article 5(1) of Regulation (EC) No 1466/97 for triggering, extending and exiting a situation which may allow a temporary deviation from the medium-term budgetary objective or the adjustment path towards it, provided that such deviation does not endanger fiscal sustainability in the medium term, as set out in Articles 5 and 6 of Regulation (EC) No 1466/97.

Chapter III

Monitoring and assessment of Member States draft budgetary plans

Article 5

Monitoring requirements

1. Member States shall submit annually to the Commission and the Eurogroup a draft budgetary plan for the forthcoming year no later than 15 October***, which shall be consistent with the recommendations issued in the context of the Stability and Growth Pact and with, where relevant, recommendations issued in the context of the annual cycle of surveillance including the macroeconomic imbalances procedure as established by Regulation (EU) No 1176/2011 and opinions on an economic partnership programme as defined in this Regulation***.

2. The draft budgetary plan***, as set out in this Article,*** shall be made public ***when submitted to the Commission***.

3. The draft budgetary plan shall contain the following information for the forthcoming year:

(a) the targeted budget balance for the general government as a percentage of Gross Domestic Product (GDP), broken down by sub-sector of general government;

(b) 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***;

(c) the targeted expenditure and revenue as a percentage of GDP for the general government and their main components, taking into account the conditions and criteria to establish the growth path of government expenditure net of discretionary revenue measures under Article 5(1) of Regulation (EC) No 1466/97;

(ca) relevant information on the general government expenditure by function, including on education, healthcare and employment, and, where possible, indications on the expected distributional impact of the main expenditure and revenue measures;

(d) a ▌ description and ▌ quantification of the ***expenditure and revenue*** measures to be included in the ***draft*** budget for the year to come ***at the level of all sub-sectors*** in order to bridge the gap between the targets referred to in point (c) and the projections at unchanged policies provided in accordance with point (b). The description 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 with potential spillover effects for other Member States whose currency is the euro;

(e) the main assumptions ***of the independent macro-economic forecasts*** and important economic ***developments*** which are relevant to the achievement of the budgetary targets. ***The methodology, economic models and*** assumptions***, as well as any other relevant parameters underpinning the budgetary forecasts*** shall be ***annexed to the draft budgetary plan; the estimated impact of aggregated budgetary measures*** on ***economic*** growth ***shall also be annexed to the draft budgetary plan***;

(f) ▌ indications on how ***reforms and measures in the draft budgetary plan, including in particular public investment, address*** the current recommendations ▌ to the Member State concerned in accordance with ***Article***s 121 ***and 148 TFEU and are instrumental to the achievement of the targets set by the Union's Strategy for growth and jobs***.

4. Where the budgetary targets reported in the draft budgetary plan in accordance with ▌ paragraph 3 or the projections at unchanged policies differ from those in the most recent stability programme, the differences shall be duly explained.

▌

6. 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***.

Article 6

Assessment of the draft budgetary plan

1. The Commission shall ▌ adopt an opinion on the draft budgetary plan ***as soon as possible and no later than end of*** November.

1a. By derogation to paragraph 1, in the exceptional cases where, after consultation of the Member State concerned within one week from the submission of the draft budgetary plan, the Commission identifies particularly serious non-compliance with the budgetary policy obligations laid down in the Stability and Growth Pact, the opinion referred to in paragraph 1 shall be adopted within two weeks from the submission of the draft budgetary plan and request a revised draft budgetary plan to be submitted as soon as possible and no later than within three weeks from the issuance of the opinion of the Commission. This request shall be motivated and made public.

Paragraphs 2 to 4 in Article 5 shall apply in case of revised draft budgetary plan.

The Commission shall adopt a new opinion on the basis of the revised draft budgetary plan as soon as possible and no later than within three weeks from the adoption of the revised draft budgetary plan.

2. The Commission opinion ***referred to in paragraph 1*** shall be made public and ***presented to the Eurogroup.*** At the request of the Parliament of the Member State concerned ***or of the European Parliament***, ***it*** shall be presented by the Commission to the parliament ***making the request after it has been made public***.

3. 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***.

The overall assessment shall include sensitivity analyses that provide an indication of the risks to public finance sustainability in the event of adverse economic, financial or budgetary developments. It shall also, 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 be taken into account in the annual general guidance to Member States issued by the Commission***.

The methodology (including models) and assumptions of the most recent economic forecasts of the Commission services for each Member State, including estimates of the impact of aggregated budgetary measures on economic growth, shall be annexed to the overall assessment.

4. The Eurogroup shall discuss opinions of the Commission on the national budgetary plans and the budgetary situation and prospects in the euro area as a whole on the basis of the overall assessment made by the Commission in accordance with paragraph 3. The ***results of these discussions of the Eurogroup*** shall be made public ***where appropriate***.

Article 6a
Reporting on debt issuance

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

2. The format and content of the reporting referred to in paragraph 1 shall be harmonised and laid down by the Commission in cooperation with the Member States.

Chapter IV

Ensuring the correction of excessive deficit

Article -7

Economic partnership programmes

1. If the Council, acting under Article 126(6) TFEU, decides that an excessive deficit exists in a Member State, the Member State concerned shall present to the Commission and to the Council an economic partnership programme describing the policy measures and structural reforms that are needed to ensure an effectively durable correction of the excessive deficit, as a development of its national reform programme and its stability programme and fully taking into account the Council recommendations on the implementation of the integrated guidelines for the economic and employment policies of the Member State concerned.

2. The economic partnership programme shall identify and select a number of specific priorities aiming at enhancing competitiveness and long-term sustainable growth and addressing structural weaknesses in the Member State concerned. Those priorities shall be consistent with the Union strategy for growth and jobs. Where relevant, potential financial resources shall be identified, including EIB credit lines and/or other relevant financial instruments as appropriate.

3. *The economic partnership programme shall be presented at the same time as the report provided for in Article 3(4a) of Regulation (EC) No 1467/97.*

4. *The Council, acting on a proposal from the Commission, shall adopt an opinion on the economic partnership programme.*

5. *If a corrective action plan exists in accordance with Article 8(1) of Regulation (EU) No 1176/2011, this plan may be amended as appropriate, in accordance with Article 9(4) of Regulation (EU) No 1176/2011, to replace the economic partnership programme envisaged by this Article. In case a corrective action plan is submitted by a Member State in accordance with Article 8(1) of Regulation (EU) No 1176/2011 after the adoption of an economic partnership programme as envisaged by this Article, the measures in the economic partnership programme may, as appropriate, be included in the corrective action plan.*

6. *The implementation of the programme, and the annual budgetary plans consistent with it, shall be monitored by the Commission and by the Council.*

Article 7

Reporting requirements for Member States in excessive deficit procedure

1. When the Council decides in accordance with Article 126(6) TFEU that an excessive deficit exists in a Member State, ***on a request from the Commission,*** the Member State concerned shall be subject to ***reporting requirements as defined in*** paragraphs 2 to 5 of this Article, until the abrogation of its excessive deficit procedure.

2. The Member State ▌ shall ▌ carry out a comprehensive assessment of in-year budgetary execution for the general government and its sub-sectors. The financial risks associated to ***contingent liabilities with potentially large impacts on public budgets, as defined in Article 14(3) of Directive 2011/85/EU*** shall also be covered by the assessment to the extent that they may contribute to the existence of an excessive deficit. The result of ***that*** assessment shall be included in the report submitted in accordance with Article 3(4a) or ***Article*** 5(1a) of Regulation (EC) No 1467/97 on action taken to correct the excessive deficit.

3. ***The*** Member State shall report regularly to the Commission and to the Economic and Financial Committee ▌, for the general government and its sub-sectors, the in-year budgetary execution, the budgetary impact of discretionary measures taken on both the expenditure and the revenue side, targets for the government expenditure and revenues, as well as information on the measures adopted and the nature of those envisaged to achieve the targets. The report shall be made public.

The Commission shall be empowered to adopt delegated acts in accordance with Article -11 specifying the content of the regular reporting referred to in this paragraph.

4. If the Member State concerned is subject of a Council recommendation under Article 126(7) ***TFEU***, the report in accordance with paragraph 3 of this Article shall be submitted for the first time 6 months after the initial report provided for in Article 3(4a) of Regulation (EC) No 1467/97, and thereafter on a ***six-monthly*** basis.

5. If the Member State concerned is subject of a Council notice under Article 126(9) ***TFEU***, the report in accordance with paragraph 3 of this Article shall also contain information on the actions being taken in response to the specific Council ***notice***. It shall be submitted for the first time 3 months after the initial report provided for in Article 5(1a) of Regulation (EC) No 1467/97, and thereafter on a quarterly basis.

6. On request and within the deadline set by the Commission, the Member State ***in an excessive deficit procedure*** shall:

(a) carry out and report on a comprehensive independent audit of the ***public accounts of all subsectors*** of the general government conducted ***preferably*** in coordination with national supreme audit institutions, aiming at assessing the reliability, completeness and accuracy of these public accounts for the purposes of the excessive ***deficit*** procedure. In this context, the Commission (Eurostat) shall assess the quality of ***statistical*** data reported by the Member State concerned in accordance with Regulation (EC) No ***479/2009 (amended*** 679/2010***)*** ▌;

(b) provide additional information ***available*** for the purposes of monitoring the progress towards the correction of the excessive deficit.

Article 8

Member States at risk of non-compliance with their obligation under their excessive deficit procedure

1. When assessing whether compliance with the deadline to correct the excessive deficit, as established by the current Council recommendation under Article 126(7) ***TFEU*** or Council notice under Article 126(9) ***TFEU***, is at risk, the Commission shall also base its assessment on the reports submitted by the Member States in accordance with Article 7(3) of this Regulation.

2. In case of risks of non-compliance with the deadline to correct the excessive deficit, the Commission shall address a recommendation to the Member State concerned for ***the full implementation of the measures provided for in the initial recommendations and/or the*** adoption of ***other*** measures within a timeframe consistent with the deadline for the correction of its excessive deficit referred to in paragraph 1. The recommendation by the Commission shall be made public and ***presented to the Economic and Financial Committee.*** At the request of the Parliament of the Member State concerned, ***it*** shall be presented by the Commission to the Parliament concerned.

3. Within the timeframe set by the Commission recommendation referred to in paragraph 2, the Member State concerned shall report to the Commission on measures adopted in response to this recommendation together with the reports provided for in Article 7(3). The report shall include the budgetary impact of all discretionary measures taken, targets for the government expenditure and revenues, information on the measures adopted and the nature of those envisaged to achieve the targets, as well as information on the other actions being taken in response to the Commission recommendation. The report shall be made public ***and presented to the Economic and Financial Committee***.

5. On the basis of the report referred to in paragraph 3, the Commission shall assess whether the Member State has complied with the recommendation made in accordance with paragraph 2.

Article 9

Impact on the excessive deficit procedure

1. The extent to which the opinion referred to in Article 6(1) has been taken into account by the Member State concerned shall be taken into account by:

(a) the Commission when conducting a report under Article 126(3) ***TFEU*** and when recommending the imposition of a non-interest bearing deposit in accordance with Article 5 of Regulation (EC) No XXX/2011;

(b) the Council when deciding whether an excessive deficit exists in accordance with Article 126(6) ***TFEU***.

2. The ▌ monitoring established by Articles 7 and 8 of this Regulation 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 recommendations made under Article 126(7) ***TFEU*** or notices given under Article 126(9) ***TFEU*** to correct the excessive deficit.

3. When considering whether effective action has been taken in response to the recommendations made in accordance with Article 126(7) ***TFEU*** or to the notices in accordance with 126(9) ***TFEU*** , the Commission shall take into account the assessment referred to in ***Article 8(4)*** in this Regulation and recommend, as appropriate, to the Council possible decisions under Article 126(8) or Article 126(11) ***TFEU, giving due consideration to Articles 3(5) and 5(2) of Regulation (EU) No 1467/97***.

Article 10

Consistency with Regulation ***(EU)*** No ***…/2012 [***on the strengthening of economic and budgetary surveillance of Member States experiencing or threatened with serious difficulties with respect to their financial stability in the euro area***]***

Member States subject to a macro-economic adjustment programme in accordance with Article 6 of Regulation ***(EU)*** No ***…/2012*** shall not be subject to ***Articles 5 to 9*** of this Regulation.

Chapter V

Final provisions

Article -11

Exercise of the delegation

1. The power to adopt delegated acts is conferred on the Commission subject to the conditions laid down in this Article.

2. The delegation of power referred to in Article 7(3) shall be conferred on the Commission for a period of three years from the date of entry into force of this Regulation. The Commission shall draw up a report in respect of the delegation of power not later than nine months before the end of the three-year period. The delegation of power shall be tacitly extended for periods of an identical duration, unless the European Parliament or the Council opposes such extension not later than three months before the end of each period.

3. ***The delegation of powers referred to in Article 7(3) may be revoked at any time by the European Parliament or by the Council. A decision of revocation shall put an end to the delegation of the power specified in that decision. It shall take effect the day following the publication of the decision in the Official Journal of the European Union or at a later date specified therein. It shall not affect the validity of any delegated acts*** already in force.

4. ***As soon as it adopts a delegated act, the Commission shall notify it simultaneously to the European Parliament and to the Council.***

5. ***A delegated act adopted pursuant to Article 7(3) shall enter into force only if no objection has been expressed either by the European Parliament or the Council within a period of two months of notification of that act to the European Parliament and the Council or if, before the expiry of that period, the European Parliament and the Council have both informed the Commission that they will not object. That period shall be extended by two months at the initiative of the European Parliament or the Council.***

Article -11a

Economic Dialogue

1. ***In order to enhance the dialogue between the Union institutions, 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, where appropriate, the President of the Council, the Commission, the President of the European Council or the President of the Eurogroup to appear before the committee to discuss:***

(a) ***the specification of the content of the draft budgetary plan as set out in a harmonised framework established in accordance with Article 5(6);***

(b) ***the results of the discussion of the Eurogroup on the Commission opinions in accordance with Article 6(1), to the extent that these results have been made public;***

(c) ***the overall assessment of the budgetary situation and prospects in the euro area as a whole made by the Commission in accordance with Article 6(3);***

(d) ***Council acts in accordance with Article -7(5) and Article 9(3).***

2. ***The competent committee of the European Parliament may offer the opportunity to the Member State concerned by a Commission recommendation in accordance with Article 8(2) or by Council acts referred to in paragraph (d) to participate in an exchange of views.***

3. ***The European Parliament shall be duly involved in the European Semester in order to increase the transparency and ownership of, and the accountability for the decisions taken, in particular by means of the economic dialogue carried out pursuant to this article.***

Article 11

Review ***on the application of this Regulation***

1. By ***14 December 2014,*** and every five years thereafter, the Commission shall publish a report on the application of this Regulation.

That report shall evaluate, inter alia:

(a) the effectiveness of this Regulation;

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

(ba) the contribution of this Regulation to the achievement of the Union strategy for growth and jobs.

2. Where appropriate, the ***reports*** referred to in paragraph 1 shall be accompanied by a proposal for amendments to this Regulation.

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

3a. By 31 July 2013, the Commission shall report on the possibilities offered by the EU's existing fiscal framework to balance productive public investment needs with fiscal discipline objectives in the preventive arm of the Stability of Growth Pact, while fully respecting it.

Article 12

Transitional provisions

1. ▌ Member States ▌ already subject to an excessive deficit procedure at the time of the entry into force of this Regulation ***shall comply with the regular reporting provisions foreseen in paragraphs, 3, 4 and 5 of Article 7 within 6 months of the entry into force of this Regulation***.

2. ***Article -7 paragraph 1 and Article 7 paragraph 2 shall apply to Member States that are already subject to an excessive deficit procedure at the time of the entry into force of this Regulation only when a Council recommendation in accordance with Article 126(7) TFEU or a Council notice in accordance with, Article 126(9) TFEU is taken after the entry into force of this Regulation.***

   In these cases, the economic partnership programme shall be presented at the same time as the report provided for in Articles 3(4a) or 5(1a) of Regulation (EC) No 1467/97.

3. Member States shall comply with Article 4 at the latest by 6 months after adoption of this Regulation.

Article 13

Entry into force

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

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