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LEGISLATIVE ACTS AND OTHER INSTRUMENTS

Subject: COUNCIL DIRECTIVE amending Directive 2011/85/EU on requirements for budgetary frameworks of the Member States

COUNCIL DIRECTIVE (EU) 2024/...

of ...

**amending Directive 2011/85/EU
on requirements for budgetary frameworks of the Member States**

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 126(14), third subparagraph, thereof,

Having regard to the proposal from the European Commission,

Having regard to the opinion of the European Parliament¹,

Having regard to the opinion of the European Central Bank²,

¹ Opinion of 23 April 2024 (not yet published in the Official Journal).

² OJ C 290, 18.8.2023, p. 17.

Whereas:

- (1) In order to ensure Member States' compliance with the obligations under the Treaty on the Functioning of the European Union (TFEU) in the area of budgetary policy, and in particular with regard to avoiding excessive government deficits, Council Directive 2011/85/EU³ lays down detailed rules concerning the characteristics of the budgetary frameworks of the Member States.
- (2) Building upon the experience gained with the economic and monetary union since Directive 2011/85/EU came into force, it is necessary to amend its requirements regarding the rules and procedures forming the budgetary frameworks of the Member States.
- (3) In its Special Report No 22/2019 entitled 'EU requirements on national budgetary frameworks: need to further strengthen them and to better monitor their application', the European Court of Auditors examined the Union requirements on national budgetary frameworks and recommended the Commission to review those requirements, taking into account international standards and best practices. The European Court of Auditors proposed specific actions to improve the scope and effectiveness of national budgetary frameworks, particularly as regards medium-term budgetary frameworks and independent fiscal institutions.

³ Council Directive 2011/85/EU of 8 November 2011 on requirements for budgetary frameworks of the Member States (OJ L 306, 23.11.2011, p. 41).

- (4) In its communication of 5 February 2020 entitled ‘Economic governance review. Report on the application of Regulations (EU) No 1173/2011, 1174/2011, 1175/2011, 1176/2011, 1177/2011, 472/2013 and 473/2013 and on the suitability of Council Directive 2011/85/EU’, the Commission pointed out substantial but uneven progress in the development of national budgetary frameworks considering that Union law only sets minimum requirements and that implementation and compliance with national provisions had been very diverse. That communication also considered the extent to which the framework would support economic, environmental and social policy needs related to the transition towards a climate-neutral, resource-efficient and digital European economy, complementing the key role of the regulatory environment and structural reforms.

- (5) In its communication of 11 December 2019 entitled ‘The European Green Deal’, the Commission called for a greater use of ‘green budgeting’ tools to redirect public investment, consumption and taxation to green priorities and away from harmful subsidies. Regulation (EU) 2021/1119 of the European Parliament and of the Council⁴ sets a Union-wide climate neutrality objective by 2050 and requires Union institutions and Member States to make progress in enhancing adaptive capacity. The Commission committed to working with the Member States to screen and benchmark green budgeting practices. In its communication of 24 February 2021 entitled ‘Forging a climate-resilient Europe – the new EU Strategy on Adaptation to Climate Change’, the Commission pointed to the macro-fiscal relevance of climate change and highlighted the need to increase the Union’s resilience in relation to the impact of climate change. The European Semester provides an additional framework to support such efforts and the Technical Support Instrument, established by Regulation (EU) 2021/240 of the European Parliament and of the Council⁵, offers practical assistance for their implementation.

⁴ Regulation (EU) 2021/1119 of the European Parliament and of the Council of 30 June 2021 establishing the framework for achieving climate neutrality and amending Regulations (EC) No 401/2009 and (EU) 2018/1999 (‘European Climate Law’) (OJ L 243, 9.7.2021, p. 1).

⁵ Regulation (EU) 2021/240 of the European Parliament and of the Council of 10 February 2021 establishing a Technical Support Instrument (OJ L 57, 18.2.2021, p. 1).

- (6) In its communication of 9 November 2022 on orientations for a reform of the EU economic governance framework, the Commission highlighted the need to strengthen debt sustainability and reduce high public debt ratios while promoting sustainable and inclusive growth in all Member States. The key objectives of the orientations are to improve national ownership, simplify the framework and move towards a greater medium-term focus, combined with stronger and more coherent enforcement.
- (7) In order to enhance compliance with the provisions of the TFEU, and in particular to prevent excessive government deficits within the meaning of Article 126 TFEU, the laws of the Member States should contain specific provisions to strengthen national ownership, in accordance with the Commission communication of 9 November 2022 on orientations for a reform of the EU economic governance framework, beyond those currently required by Directive 2011/85/EU. Building on the evidence of the implementation of that Directive, amendments thereof should concern transparency, statistics, forecasts and medium-term budgeting to address weaknesses identified during its previous implementation.

- (8) This amending Directive is part of a package together with Regulation (EU) 2024/... of the Parliament and of the Council⁶⁺ and Council Regulation (EU) 2024/...⁷⁺⁺. Together, these three legislative acts (hereinafter jointly referred to as ‘the economic governance framework reform’) reform the economic governance framework of the Union, incorporating into Union law the substance of Title III (Fiscal Compact) of the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union⁸ of 2 March 2012 (the ‘TSCG’), in accordance with Article 16 of that Treaty. By building on the experience of the implementation of the TSCG by the Member States, the economic governance framework reform retains the Fiscal Compact’s medium-term orientation as a tool to achieve budgetary discipline and growth promotion. The economic governance framework reform includes a strengthened country-specific dimension aimed at enhancing national ownership, among others by maintaining the advisory role for independent fiscal institutions, which draws essentially on the Fiscal Compact’s common principles on national fiscal correction mechanisms proposed by the Commission in its communication of 20 June 2012 in accordance with Article 3(2) TSCG.

⁶ Regulation (EU) 2024/... of the Parliament and of the Council of ... on the effective coordination of economic policies and on multilateral budgetary surveillance and repealing Regulation (EC) No 1466/97 (OJ L, ..., ELI: ...).

⁺ OJ: please insert the number of the Regulation contained in document PE-CONS 51/24 and complete the date, title and OJ reference of that Regulation in the corresponding footnote.

⁷ Council Regulation (EU) 2024/... of ... amending Regulation (EC) No 1467/97 on speeding up and clarifying the implementation of the excessive deficit procedure (OJ L, ..., ELI: ...).

⁺⁺ OJ: please insert the number of the Regulation contained in document ST 6919/24 and complete the date, title and OJ reference of that Regulation in the corresponding footnote.

⁸ https://www.consilium.europa.eu/media/20399/st00tscg26_en12.pdf.

The analysis of expenditure net of discretionary revenue measures for the overall assessment of compliance required by the Fiscal Compact is set out in Regulation (EU) 2024/...⁺. As in the Fiscal Compact, temporary deviations from the medium-term plan are only permitted in exceptional circumstances in accordance with Regulation (EU) 2024/...⁺. In a similar vein to the Fiscal Compact, in the event of significant deviations from the medium-term plan, measures should be implemented to correct the deviations over a defined period. The economic governance framework reform strengthens fiscal surveillance and enforcement procedures to deliver on the commitment of promoting sound and sustainable public finances and sustainable and inclusive growth. The economic governance framework reform thus retains the fundamental objectives of budgetary discipline and debt sustainability set out in the Fiscal Compact.

- (9) Complete and reliable public accounting practices for all sub-sectors of general government are a precondition for the production of high-quality statistics that are comparable across Member States. The availability and quality of the European System of National and Regional Accounts ('ESA') based statistics is crucial to ensure the proper functioning of the Union's fiscal surveillance framework. ESA 2010 relies on information provided on an accrual basis. It is therefore desirable to improve the collection of accrual data and information needed to generate accrual-based statistics in a way that is comprehensive and consistent across all sub-sectors of general government.

⁺ OJ: please insert the number of the Regulation contained in document PE-CONS 51/24.

- (10) The availability of high frequency data can reveal patterns warranting closer surveillance and improve the quality of budgetary forecasts. Member States and the Commission (Eurostat) should publish quarterly deficit and debt data applying the definitions set out in Article 2 of the Protocol (No 12) on the excessive deficit procedure annexed to the Treaty on European Union (TEU) and to the TFEU. Publication of budgetary data with higher frequency that are tailored to national budgetary definitions should be determined on the basis of national transparency requirements and user needs, to improve national ownership.
- (11) Biased and unrealistic macroeconomic and budgetary forecasts for the annual and multiannual budget legislations can considerably hamper the effectiveness of fiscal planning and consequently impair commitment to budgetary discipline. To improve baseline assumptions, Member States should compare their macroeconomic and budgetary forecasts with the most updated ones of the Commission and, if appropriate, those of other independent bodies.
- (12) Macroeconomic and budgetary forecasts for annual and multiannual fiscal planning for the general government should be subject to regular, objective and comprehensive *ex post* evaluations performed by an independent body or other bodies with functional autonomy vis-à-vis the fiscal authorities of the Member States different from the one producing the forecast in order to enhance their quality. Those evaluations should include scrutiny of the economic assumptions, comparison with forecasts prepared by other institutions, and evaluation of past forecast performance.

- (13) Independent bodies charged with monitoring public finances in the Member States are an effective building block of budgetary frameworks. Regulation (EU) No 473/2013 of the European Parliament and of the Council⁹ requires Member States whose currency is the euro to have independent fiscal institutions tasked with the endorsement or production of macroeconomic forecasts and establishes specific safeguards regarding their independence and technical capacity. Without prejudice to the requirements under that Regulation, the task of the independent fiscal institutions to produce, assess or endorse macroeconomic forecasts in accordance with this Directive should take into account the established national procedures and practices in Member States, including those concerning at which point in time the task is undertaken.
- (14) In order to achieve strengthened responsibility in fiscal policy, independent fiscal institutions should have a high degree of operational independence, the necessary resources to perform their tasks and extensive and timely access to necessary information. Member States may establish more than one independent fiscal institution and each of them may discharge one or several of the tasks laid down by this amending Directive, as long as there is a clear allocation of responsibility and there is no overlap between them in terms of remit. Excessive institutional fragmentation of monitoring tasks should be avoided. The design of those monitoring bodies should take into account the existing institutional setting and the administrative structure of the Member State concerned.

⁹ 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).

- (15) To improve budgetary planning, due attention should be paid, to the extent possible, to the macrofiscal risks resulting from climate change, including its environmental and distributional impacts. Understanding the potential channels through which climate-related shocks affect public finance is key to national strategies to limit and manage fiscal risks stemming from climate change and related disasters.
- (16) Although the approval of annual budget legislation is a key step in the budget process as regards democratic accountability, a single-year perspective for budgetary planning provides a limited basis for sound fiscal policies, as most measures have implications that go well beyond the annual budgetary cycle. As such, effective medium-term fiscal planning strengthens the credibility of fiscal policy while taking into account debt sustainability. It should rest on a clear and consistent definition of national budgetary objectives over the medium term for the general government, which are presented in national medium-term plans. In order to enhance a multiannual budgetary perspective, the planning of annual budget legislation should be consistent with national budgetary objectives over the medium term.

- (17) To be effective in promoting budgetary discipline and the sustainability of public finances, budgetary frameworks should comprehensively cover public finances. For that reason, particular attention should be given to operations of those general government bodies and funds that do not form part of the regular budgets but are part of the general government, including sub-sectors, and that have an immediate or medium-term impact on Member States' budgetary positions. Member States should also publish values corresponding to the combined impact on general government balances and debts of those bodies and funds. Detailed information on the impact of tax expenditures on revenues should be published.
- (18) Green budgeting tools can help redirect public revenue and expenditure to green priorities. In that respect, the regular reporting of relevant information improves budget deliberations. Member States could publish information on how the relevant elements of their budgets contribute to achieving climate-related and environmental commitments at national and international level and the methodology used. Member States should publish data and descriptive information separately for expenditure, tax expenditure and revenue items. Member States could publish information on the distributional impact of budgetary policies and take into account employment-related, social and distributional aspects in the development of green budgeting as referred to in Regulation (EU) No 473/2013 and the communication of the Commission of 28 September 2022 entitled 'Better assessing the distributional impact of Member States' policies'.

- (19) Due attention should be paid to the existence of contingent liabilities. Contingent liabilities encompass possible obligations depending on the occurrence of an uncertain future event, or present obligations where payment is not probable or the amount of the probable payment cannot be measured reliably. They comprise, for instance, government guarantees, non-performing loans, liabilities stemming from the operation of public corporations and, to the extent possible, disaster- and climate-related contingent liabilities.
- (20) Natural disasters and extreme weather events have affected most Member States and climate change is expected to amplify the frequency and intensity of such events. Governments invest in climate adaptation measures and step in to cover disaster costs for emergency relief, recovery and reconstruction and to act as the insurer of last resort in some cases. Considering the existing and future challenges for the sustainability of public finances, particular attention should be paid to government obligations and risks to government finances stemming from natural disasters and climate-related shocks, starting with collecting and publishing information on the fiscal cost of past events to the extent possible.
- (21) Reporting on macrofiscal risks from climate change, climate-related contingent liabilities and fiscal costs of disasters is improving but remains at an incipient stage, with methodologies and indicators for such reporting still being developed. Implementing such reporting will require significant effort from public administration. Taking into account those challenges and, to the extent possible, reporting in those areas should be carried out and evolve in parallel to such methodological advances.

- (22) The Commission should continue to regularly monitor the implementation of Directive 2011/85/EU. Best practices concerning the implementation of that Directive should be identified and shared.
- (23) Directive 2011/85/EU should therefore be amended accordingly.
- (24) In view of the existing deadline under the Stability and Growth Pact, this Directive should enter into force as a matter of urgency on the day of its publication in the *Official Journal of the European Union*,

HAS ADOPTED THIS DIRECTIVE:

Article 1

Directive 2011/85/EU is amended as follows:

(1) Article 2 is amended as follows:

(a) in the first paragraph, the second sentence is replaced by the following:

‘The definition of sub-sectors of general government set out in Annex A to Regulation (EU) No 549/2013 of the European Parliament and of the Council* shall apply.

* 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).’;

(b) the second paragraph is amended as follows:

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

‘(a) systems of public accounting and statistical reporting by the general government.’;

(ii) point (c) is replaced by the following:

‘(c) country-specific numerical fiscal rules that contribute to the consistency of Member States’ conduct of fiscal policy with their respective obligations under the TFEU, and that are expressed in terms of an indicator of budgetary performance, such as the government budget deficit, borrowing, debt, or a major component thereof;’;

(iii) point (e) is replaced by the following:

‘(e) medium-term budgetary frameworks as a specific set of national budgetary procedures that extend the horizon for fiscal policy-making beyond the annual budgetary calendar, including the setting of policy priorities and of national budgetary objectives over the medium term;’;

(iv) the following point is added:

‘(h) independent fiscal institutions as bodies structurally independent or bodies endowed with functional autonomy as regards the budgetary authorities of the Member States established by national legal provisions in accordance with Article 8a.’;

(2) Article 3 is replaced by the following:

Article 3

1. As concerns national systems of public accounting, Member States shall have in place public accounting systems that comprehensively and consistently cover all sub-sectors of general government and that contain the information needed to generate accrual data with a view to preparing data based on the European System of National and Regional Accounts. Those public accounting systems by the general government shall be subject to internal control and independent audits.
2. Member States shall ensure timely and regular public availability of fiscal data for all sub-sectors of general government as set out by Regulation (EU) No 549/2013. In particular, Member States shall publish for central government, state government, local government and social security funds, quarterly debt and, unless they have in place integrated, comprehensive and nationally harmonised accrual financial accounting systems, deficit data separately, before the end of the following quarter or after publication of the relevant data by the Commission (Eurostat).
3. The Commission (Eurostat) shall publish the quarterly government finance statistics data in accordance with tables 25, 27 and 28 of Annex B to Regulation (EU) No 549/2013, every three months.?’;

(3) Article 4 is amended as follows:

(a) paragraph 1 is replaced by the following:

‘1. Member States shall ensure that annual and multiannual fiscal planning is based on realistic macroeconomic and budgetary forecasts using the most up-to-date information. Budgetary planning shall be based on the most likely macrofiscal scenario or on a more prudent scenario. The macroeconomic and budgetary forecasts shall be compared with the most updated forecasts of the Commission and, if appropriate, those of other independent bodies. Significant differences between the macroeconomic and budgetary forecasts of the Member State and the Commission’s forecasts shall be explained, including where the level or growth of variables in external assumptions departs significantly from the values contained in the Commission’s forecasts.’;

(b) paragraph 4 is deleted;

(c) paragraphs 5 and 6 are replaced by the following:

‘5. Member States shall specify which institution is responsible for producing macroeconomic and budgetary forecasts and shall make public the official macroeconomic and budgetary forecasts prepared for fiscal planning. At least annually, the Member States and the Commission shall engage in a technical dialogue concerning the assumptions underpinning the preparation of macroeconomic and budgetary forecasts.’

6. The macroeconomic and budgetary forecasts for annual and multiannual fiscal planning shall be subject to regular, objective and comprehensive *ex post* evaluation by an independent body or other bodies with functional autonomy vis-à-vis the fiscal authorities of the Member States different from the one producing the forecast. The result of that evaluation shall be made public and taken into account appropriately in future macroeconomic and budgetary forecasts. If the evaluation detects a significant bias affecting macroeconomic forecasts over a period of at least four consecutive years, the Member State concerned shall take the necessary action and make it public.’;

(d) paragraph 7 is deleted;

(4) Article 5 is replaced by the following:

‘Article 5

Each Member State shall establish its specific numerical fiscal rules to effectively promote compliance with its obligations deriving from the TFEU in the area of budgetary policy over a multiannual period for the general government as a whole. Such rules shall promote in particular:

(a) compliance with the reference values and provisions on deficit and debt set out in Article 1 of Protocol (No 12) on the excessive deficit procedure annexed to the TEU and to the TFEU;

- (b) the adoption of a medium-term fiscal planning horizon, consistent with Regulation (EU) 2024/... of the European Parliament and of the Council*+.

* Regulation (EU) 2024/... of the European Parliament and of the Council of ... on the effective coordination of economic policies and on multilateral budgetary surveillance and repealing Council Regulation (EC) No 1466/97 (OJ L, ..., ELI: ...).’;

(5) Article 6 is amended as follows:

(a) in paragraph 1, point (b) is replaced by the following:

‘(b) The effective and timely monitoring of compliance with the rules, based on reliable and independent analysis carried out by independent fiscal institutions established in accordance with Article 8a or other bodies with functional autonomy vis-à-vis the fiscal authorities of the Member States;’;

(b) paragraph 2 is replaced by the following:

‘2. If numerical fiscal rules contain escape clauses, such clauses shall set out a limited number of specific circumstances, consistent with Member States’ obligations under the TFEU and Regulation (EU) 2024/...+.’;

+ OJ: please insert the number of the Regulation contained in document PE-CONS 51/24 and complete the date, title and OJ reference of that Regulation in the corresponding footnote.

++ OJ: please insert the number of the Regulation contained in document PE-CONS 51/24.

(6) Article 7 is replaced by the following:

‘Article 7

The annual budget legislation of the Member States shall be consistent with the country-specific numerical fiscal rules in force.’;

(7) Article 8 is deleted;

(8) the title of Chapter V is replaced by ‘INDEPENDENT FISCAL INSTITUTIONS’;

(9) in Chapter V, the following Article is inserted:

‘Article 8a

1. Member States shall ensure that independent fiscal institutions are established by national laws, regulations or binding administrative provisions.
2. Member States may establish more than one independent fiscal institution.
3. Independent fiscal institutions shall be composed of members nominated and appointed on the basis of their experience and competence in public finances, macroeconomics or budgetary management, and by means of transparent procedures.
4. Independent fiscal institutions shall:
 - (a) not take instructions from the budgetary authorities of the Member State concerned or from any other public or private body;

- (b) have the capacity to communicate publicly about their assessments and opinions in a timely manner;
 - (c) have adequate and stable resources to carry out their tasks in an effective manner, including any type of analysis within their tasks;
 - (d) have adequate and timely access to the information needed to fulfil their tasks;
 - (e) be subject to regular external evaluations by independent evaluators.
5. Without prejudice to the tasks and functions attributed in accordance with Regulation (EU) No 473/2013 for Member States whose currency is the euro, all Member States shall ensure that the following tasks are undertaken by one of the independent fiscal institutions:
- (a) producing, assessing or endorsing annual and multiannual macroeconomic forecasts;
 - (b) monitoring compliance with country-specific numerical fiscal rules unless performed by other bodies in accordance with Article 6;
 - (c) undertaking tasks in accordance with Articles 11, 15(3) and 23 of Regulation (EU) 2024/...⁺ and Article 3(5) of Council Regulation (EC) No 1467/97*;

⁺ OJ: please insert the number of the Regulation contained in document PE-CONS 51/24.

- (d) assessing the consistency, coherence and effectiveness of the national budgetary framework;
 - (e) upon invitation, participate in regular hearings and discussions at the national Parliament.
6. Independent fiscal institutions shall issue assessments in the context of the tasks referred to in point (a), (b), (c) or (d) of paragraph 5 of this Article without prejudice to the tasks and functions attributed in accordance with Regulation (EU) No 473/2013. Member States shall comply with those assessments or shall explain why they are not following them. That explanation shall be public and be presented within two months from the date of issuance of such assessments.

* 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).’;

(10) Article 9 is amended as follows:

(a) paragraph 1 is replaced by the following:

- ‘1. Member States shall establish a credible, effective national medium-term budgetary framework providing for the adoption of a fiscal planning horizon of at least three years to ensure that national fiscal planning follows a multiannual fiscal planning perspective.’;

- (b) paragraph 2 is amended as follows:
- (i) the introductory wording is replaced by the following:

‘2. National medium-term budgetary frameworks shall include procedures for establishing the following items:’;
 - (ii) point (a) is replaced by the following:

‘(a) comprehensive and transparent national budgetary objectives over the medium term as referred to in point (e) of the second paragraph of Article 2 of this Directive in terms of the general government deficit, debt and any other fiscal indicator such as expenditure, ensuring that they are consistent with any country-specific numerical fiscal rules as provided for in Chapter IV of this Directive and the relevant provisions of Regulation (EU) 2024/...⁺;’;
 - (iii) points (c) and (d) are replaced by the following:

‘(c) a description of medium-term policies, including reforms and investment, envisaged with an impact on general government finances and sustainable and inclusive growth, broken down by major revenue and expenditure item, showing how the adjustment towards the national budgetary objectives over the medium term as referred to in point (e) of the second paragraph of Article 2 is achieved compared to projections under unchanged policies;

⁺ OJ: please insert the number of the Regulation contained in document PE-CONS 51/24.

(d) an assessment as to how, in the light of their direct medium-term and long-term impact on general government finances, the policies envisaged are likely to affect the medium-term and long-term sustainability of the public finances and sustainable and inclusive growth. To the extent possible, the assessment shall take into account the macrofiscal risks from climate change and its environmental and distributional impacts.’;

(c) paragraph 3 is deleted;

(11) Articles 10 and 11 are replaced by the following:

Article 10

Annual budget legislation shall be consistent with the national budgetary objectives over the medium term as referred to in point (e) of the second paragraph of Article 2. Any departure shall be duly explained.

Article 11

This Directive shall not prevent a Member State, in the case of a newly appointed government, from updating its medium-term budgetary plan to reflect its new policy priorities. In such case, the Member State shall indicate the differences between the previous and the new medium-term budgetary plan.’;

(12) the title of Chapter VI is replaced by ‘TRANSPARENCY OF GENERAL GOVERNMENT FINANCES’;

(13) Article 12 is replaced by the following:

Article 12

Member States shall ensure that any measures taken in compliance with Chapters II, III and IV are consistent across all sub-sectors of general government and comprehensively cover those sub-sectors. To that effect, Member States shall, in particular, have consistent accounting rules and procedures in place for the general government, and shall ensure the integrity of their underlying data collection and processing systems.’;

(14) Article 14 is replaced by the following:

Article 14

1. Within the framework of the annual and multiannual budgetary processes, Member States shall publish information on bodies and funds that do not form part of the regular budgets but are part of the general government, including sub-sectors of general government. Member States shall also publish amounts corresponding to the combined impact on general government balances and debts of those bodies and funds.
2. Member States shall publish detailed information on the impact of tax expenditure on revenues.

3. For all sub-sectors of general government, Member States shall publish relevant information on contingent liabilities with potentially large impact on public budgets, including government guarantees, non-performing loans, and liabilities stemming from the operation of public corporations, including the extent thereof. Member States shall also publish information on disaster and climate-related contingent liabilities to the extent possible. Published information shall, to the extent possible, take into account information on fiscal costs incurred due to disasters and climate-related shocks. Member States shall publish information on the participation of general government in the capital of private and public corporations in respect of economically significant amounts.’;

(15) Article 16 is replaced by the following:

Article 16

1. By 31 December 2025 and every five years thereafter, the Commission shall report on the state of play of:
 - (a) public accounting by the general government in the Union, taking into account the progress made since its 2013 assessment of the suitability of the International Public Sector Accounting Standards for the Member States;

- (b) the capacity and tasks of independent fiscal institutions in the Union, taking into account the progress made since the entry into force of this Directive, building on the findings of the Commission's Fiscal Governance Database and consultations with relevant stakeholders, with a view to explore minimum standards.
2. By 31 December 2030, and every five years thereafter, the Commission shall publish a review of the effectiveness of this Directive.'.

Article 2

1. Member States shall bring into force the laws, regulations and administrative provisions necessary to comply with this Directive by 31 December 2025.
2. When Member States adopt those laws, regulations and administrative provisions, they shall contain a reference to this Directive or be accompanied by such a reference on the occasion of their official publication. Member States shall determine how such reference is to be made.
3. Member States are encouraged to draw up, for themselves and in the interests of the Union, their own correlation tables which will, insofar as possible, illustrate the correlation between this Directive and the transposition measures, and to make them public.
4. Member States shall communicate to the Commission the text of the main provisions of national law which they adopt in the field covered by this Directive.

5. The Commission shall prepare an interim progress report on the implementation of the main provisions of this Directive on the basis of relevant information from Member States, which shall be submitted to the European Parliament and to the Council by 30 June 2025.

Article 3

This Directive shall enter into force on the day of its publication in the *Official Journal of the European Union*.

Article 4

This Directive is addressed to the Member States.

Done at ...,

For the Council

The President
