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LIMITE

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WORKING DOCUMENT

From:	General Secretariat of the Council
To:	Working Party of Financial Counsellors

Subject:	EGR - Second round of comments with color-coded changes (Preventive arm regulation)
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Delegates will find enclosed in view of the FiCo meeting of 28th September draft Presidency amendments (with the appropriate color code) on selected parts of the preventive arm regulation.

This document includes some technical draft suggestions to be considered by delegates in order to steer the debate in the Financial Counsellors Working Party. Due to the multiple cross-references in the proposal, these suggestions may imply changes in other articles or recitals, which could be amended in due time. As a rule, deletion or addition of provisions will not result in a change in the numeration of previous or subsequent articles in the drafts presented to the working party. “[...]” implies that the Presidency does not provide now a proposed draft for the article.

Blue reflects new amendments following the discussions and oral comments in FiCo WP. **Red** reflects the amendments already discussed in FiCo that remain in this proposal. As a rule, when the proposal has reverted to what was initially proposed by the Commission, it is shown in black.

CHAPTER I

SUBJECT MATTER AND DEFINITIONS

Article 1

Subject-matter

This Regulation sets out rules ensuring effective coordination of **sound** economic policies of the Member States, thereby supporting the achievement of the Union’s objectives for **inclusive** growth and employment.

It lays down detailed rules concerning the content, submission, assessment and monitoring of national medium-term fiscal-structural plans as part of multilateral budgetary surveillance by the Council and the Commission so as to promote debt sustainability, **sustainable public finances**, ~~and~~ inclusive growth in the Member States and prevent the occurrence of excessive government deficits, ~~by medium-term planning~~.

Article 2

Definitions

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

- (1) ‘country-specific recommendation’ means the ~~annual~~ guidance **annually addressed** by the Council to a Member State on economic, budgetary, employment and structural policies in accordance with Articles 121 and 148 of the Treaty on the Functioning of the European Union (TFEU);
- (2) [...]
- (3) ‘technical trajectory’ means the net expenditure trajectory put forward by the Commission to provide guidance **to frame the dialogue with those** Member States **where with** public debt ~~above exceeds~~ the 60% of gross domestic product (GDP) reference value **and/or where the** government deficit ~~exceeds above~~ the 3% of GDP reference value when drawing up their national medium-term fiscal-structural plans

- (3BIS) ‘technical information’ means the guidance put forward by the Commission to Member States with public debt below the 60% of GDP reference value and government deficit below the 3% of GDP reference value before Member States draw up their national medium-term fiscal structural plans.
- (4) ‘net expenditure path’ means the multi-annual trajectory for net expenditure of a Member State as **adopted** ~~set~~ by the Council;
- (5) ‘national medium-term fiscal-structural plan’ means the document containing the fiscal, reform and investment commitments of a Member State, **covering a period of 4 years or 5 years depending on the length of the national legislature**;
- (6) ‘annual progress report’ means the document of a Member State reporting on the implementation of **the national medium-term fiscal-structural plan, including** the net expenditure path, and on the reforms and investment commitments ~~included in its national medium-term fiscal-structural plan~~;
- (7) ‘adjustment period’ means the period of time over which the fiscal adjustment of a Member State takes place, covering a ~~minimum adjustment~~ period of 4 years ~~of the national medium-term fiscal-structural plan and its possible~~ **or, in the case of an extension, a period of 4 years plus an additional extended period of 3 years at the most**;
- (8) ‘control account’ means a record of the cumulated **upward and downward** deviations of the actual net expenditure in a Member State from the net expenditure path **adopted by the Council**
- (9) ‘structural balance’ means the cyclically adjusted general government balance net of **one-off and other** temporary measures;
- (10) ‘structural primary balance’ means the ~~cyclically-adjusted general government balance net of temporary measures and structural balance~~ net of interest expenditure

CHAPTER II

EUROPEAN SEMESTER

Article 3

The European Semester

In order to ensure closer coordination of economic policies and sustained convergence of the economic ~~and social~~ performance of the Member States, the Council and the Commission shall conduct multilateral surveillance within the European Semester in accordance with the objectives and requirements set out in the TFEU. Multilateral surveillance shall rely on high quality and independent statistics, produced in accordance with the principles laid down in Regulation (EC) No 223/2009 of the European Parliament and of the Council.

The European Semester shall include:

- (a) the formulation, and the surveillance of the implementation, of the broad guidelines for the economic policies of the Member States and of the Union in accordance with Article 121(2) TFEU, of country-specific recommendations and of the recommendation on the economic policy of the euro area;
- (b) the formulation, and the surveillance of the implementation, of the employment guidelines that are to be taken into account by Member States in accordance with Article

- 148(2) TFEU, **also considering including** the European Pillar of Social Rights, and of the related country-specific recommendations;
- (c) the submission, assessment and **adoption endorsement**, of **a recommendations on the** Member States' medium-term fiscal structural plans **in accordance with Article 16**, as well as their monitoring **of their implementation** via the annual progress reports;
 - (d) the surveillance to prevent and correct macroeconomic imbalances pursuant to Regulation (EU) No 1176/2011;
 - (e) ~~other multilateral surveillance procedures established by the European Parliament and the Council pursuant to Article 121(6) TFEU.~~

Article 4

Implementation of the European Semester

1. ~~Where necessary, if~~ Following the assessment pursuant to this Regulation of the medium-term fiscal-structural plans **and**, the annual progress reports, and **considering** the socio-economic situation of the Member States concerned, the Council shall, on the basis of recommendations from the Commission, address recommendations to those Member States making full use of the legal instruments provided in Articles 121 and 148 TFEU and related secondary legislation.
2. Member States shall take due account of the broad guidelines for the economic policies of the Member States, of the employment guidelines and of the recommendations referred to in Article 3, second paragraph, points (a) and (b) before taking key decisions in the development of their economic, employment and budgetary policies. Progress shall be monitored by the Commission.
3. Failure by a Member State to act upon the guidance received may result in:
 - (a) further country-specific recommendations **to take specific measures**;
 - (b) a warning by the Commission or a recommendation by the Council pursuant to Article 121(4) TFEU;
 - (c) measures under this Regulation, Council Regulation (EC) No 1467/9731 or Regulation (EU) No 1176/2011.

CHAPTER III

THE TECHNICAL TRAJECTORY

Article 5

Technical trajectory

[...]

Article 6

Requirements for the technical trajectory

[...]

Article 7

Prior guidance by the Commission

1. ~~At the latest b~~By 15 January ~~[1 March]~~ of the year ~~{xxx}~~ in which the Member States have to submit ~~for the first time~~ their medium-term fiscal-structural plans **pursuant to Article 9** or, ~~as appropriate~~, within 3 weeks from the request of the Member State to submit a **revised new** plan **pursuant to Article 14**, the Commission shall [...]:
 - a) the underlying medium-term public debt projection framework and results
 - b) its macroeconomic forecast and assumptions
 - c) the technical trajectory, if required under Article 5, and the corresponding structural primary balance.
2. [...]
3. ~~The Commission shall update the technical trajectories and the quantitative guidance technical information at least once every 4 years in time for the submission of the next cycle of medium-term fiscal-structural plans.~~

Article 8

Assessment of plausibility

[...]

CHAPTER IV

NATIONAL MEDIUM-TERM FISCAL-STRUCTURAL PLANS

Article 9

Submission of the national medium-term fiscal-structural plans

1. Each Member State shall submit to the Council and to the Commission a national medium-term fiscal-structural plan ~~before end by 30~~ April following the entry into force of this Regulation **and, subsequently, by 30 April of the last year of the plan in force.** The Member State concerned and the Commission may agree to extend this deadline by a reasonable period if necessary.
2. The Member State shall make its national medium-term fiscal-structural plan public

Article 10

Technical dialogue

Prior to the submission of its national medium-term fiscal-structural plan, the Member State concerned shall hold with the Commission a **non-binding** technical dialogue, with the objective of ensuring that the national medium-term fiscal-structural plan complies with Articles 11, 12 and 14.

Article 11

Content and requirements of the national medium-term fiscal-structural plans

1. The national medium-term fiscal-structural plan shall provide the information listed in Annex II. In particular, it shall present a net expenditure ~~trajectory path, as described in article 2(4) covering a period of at least 4 years~~, as well as the underlying macroeconomic assumptions and the planned fiscal-structural measures in order to demonstrate compliance with the ~~fiscal~~ requirements of Article ~~15(2)42~~. Where the national medium-term fiscal-structural plan includes a ~~higher~~ net expenditure ~~trajectory than in path that differs from the~~ technical trajectory issued by the Commission pursuant to Article 5, the Member State shall provide in its plan sound and verifiable economic arguments explaining the difference.
2. The national medium-term fiscal-structural plan shall explain how it will ensure the delivery of investment and reforms responding to the main challenges identified within the European Semester, ~~in particular in~~ in the country-specific recommendations, ~~correct the identified macroeconomic imbalances under the Macroeconomic Imbalances Procedure if applicable~~, and address the common priorities of the Union [referred to in Annex VI of this Regulation,] ~~including achieving a fair green and digital transition, ensuring energy security, strengthening social and economic resilience and, the where necessary, the build-up of defence capabilities the European Green Deal, European Pillar of Social Rights and the Digital Decade while being consistent with the updated National Energy and Climate Plans and the National Digital Decade Roadmaps;~~
3. The national medium-term fiscal-structural plan shall also describe the action of the Member State concerned to address the country-specific recommendations, ~~including those~~ that are relevant for the Macroeconomic Imbalances Procedure, and the warnings by the Commission, where applicable, or the recommendations by the Council, where applicable, made pursuant to Article 121(4) TFEU.
4. If applicable, the national medium-term fiscal-structural plan shall explain how it will ensure the delivery of a relevant set of reforms and investments referred to in Article 13, underpinning an extension of the Member State's adjustment period by 3 years at most;
5. The national medium-term fiscal-structural plan shall explain how it will ensure consistency with the Recovery and Resilience Plan of the Member State concerned during the period of availability of the Recovery and Resilience Facility in accordance with Regulation (EU) 2021/241.

Article 12

Requirements

~~The national medium-term fiscal-structural plan shall:~~

- ~~a) ensure the fiscal adjustment necessary to put or keep public debt on a plausibly downward path by the end of the adjustment period at the latest, or remain at prudent levels, and to bring and maintain the government deficit below the 3% of GDP reference value over the medium term;~~
- ~~b) explain how it will ensure the delivery of investment and reforms responding to the main challenges identified within the European Semester, in the country specific recommendations, correct the identified macroeconomic imbalances under the Macroeconomic Imbalances Procedure if applicable, and address the common priorities of the Union referred to in Annex VI of this Regulation, including the European Green Deal, European Pillar of Social Rights and the Digital Decade while being consistent with the updated National Energy and Climate Plans and the National Digital Decade Roadmaps;~~

- ~~e) if applicable, explain how it will ensure the delivery of a relevant set of reforms and investments referred to in Article 13, underpinning an extension of the Member State's adjustment period by 3 years at most;~~
- ~~d) explain how it will ensure consistency with the Recovery and Resilience Plan of the Member State concerned during the period of availability of the Recovery and Resilience Facility in accordance with Regulation (EU) 2021/241.~~

Article 13

Conditions for an extension of the adjustment

[...]

Article 14

Revised national medium-term fiscal-structural plan

1. A Member State may request to submit a revised national medium-term fiscal-structural plan to the Commission before the end of **the period covered by the national medium-term fiscal-structural plan its adjustment period** if there are objective circumstances preventing **its the** implementation ~~of the original national medium-term fiscal-structural plan or if the submission of a revised new national medium-term fiscal-structural plan is requested by a new government.~~
- 1bis. **If requested by a new government, a Member State may request to submit a revised national medium-term fiscal-structural plan covering a new period of 4 years or 5 years depending on the length of the national legislature.**
2. ~~Prior to the submission of the revised national medium-term fiscal-structural plan~~ **Following the request by the Member State under paragraph 1 or paragraph 1 bis,** the Commission shall [...].
3. Taking into account the past adjustment of the Member State concerned or the lack thereof, the new technical trajectory shall not allow backloading of the fiscal adjustment effort and shall not lead **as a rule** to a lower fiscal adjustment effort
4. ~~Where~~ **If** a revised national medium-term fiscal-structural plan is **to be** submitted, Articles ~~14 to 13 12~~ and 15 to 19 shall apply.
5. The Commission shall in particular assess, if applicable, whether any extension of the adjustment period is to **apply or** continue to apply under the revised national medium-term fiscal-structural plan. **The Commission's assessment shall take** ~~ing~~ into account the implementation of the set of reform and investment commitments underpinning the extension under the original plan and the changes in terms of public debt challenges under the revised national medium-term fiscal-structural plan.

Article 15

Assessment of national medium-term fiscal-structural plans by the Commission

1. The Commission shall assess each national medium-term fiscal-structural plan within **six weeks** ~~2 months~~ of its submission. The Member State concerned and the Commission may agree to extend **this period for up to two weeks as a rule, the period of assessment by a reasonable period** if necessary.
2. [...]
3. [...]

Article 16

~~Endorsement~~ Adoption of the national medium-term fiscal-structural plan by the Council

The Council, on a recommendation from the Commission, shall adopt a recommendation setting the net expenditure path of the Member State concerned and, if applicable, endorsing the set of reform and investment commitments underpinning an extension of the adjustment period included in its national medium-term fiscal-structural plan within **six** weeks of the adoption of the Commission recommendation as a rule.

Where the national medium-term fiscal-structural plan serves as the corrective action plan required for the correction of excessive macroeconomic imbalances, as provided for in Article 30, the Council shall also endorse in that recommendation the reforms and investment necessary to correct the imbalances.

Article 17

Recommendation for a revised national medium-term fiscal-structural plan

Where it considers that the plan does not comply with the requirements set out **in this Regulation, taking into account the Commission's assessment referred to in Article 15 (2) and (3) point (a),** the Council shall ~~on a recommendation from the Commission~~, recommend that the Member State concerned submits a revised national medium-term fiscal-structural plan.

Article 18

Council Recommendation in case of failure by the Member State

The Council shall, on a recommendation from the Commission, recommend to the Member State concerned ~~that the technical trajectory issued by the Commission be the~~ a net expenditure path **in compliance with the fiscal requirements of Article 15(2) of the Member State** where:

- (a) the Member State concerned fails to submit a revised national medium-term fiscal-structural plan within one month of the recommendation by the Council **referred to in Article 17. The Member State concerned and the Commission may agree to extend this deadline by a reasonable period, if necessary.**
- (b) the Council considers that the revised national medium-term fiscal-structural plan does not comply with the requirements **established in Article 15 (2) and (3)**
- (c) the Member State fails to submit **an initial national medium-term fiscal-structural plan or a new national medium-term fiscal-structural plan at the end of the period in the last year** covered by the **ongoing previous** national medium-term fiscal-structural plan, **in accordance with Article 9.1.**

Article 19

Failure by a Member State to satisfactorily comply with its commitments underpinning an extension of its adjustment period

[...]

CHAPTER V

IMPLEMENTATION OF THE NATIONAL MEDIUM-TERM FISCAL-STRUCTURAL PLANS

Article 20

Progress report

1. Each Member State shall submit to the Commission an annual progress report on the implementation of its national medium-term fiscal-structural plan, by ~~30~~³⁰ April each year at the latest.
2. The annual progress report referred to in paragraph 1 shall contain in particular information about the progress in the implementation of the net expenditure path, the implementation of broader reform and investment commitments in the European Semester context and, if applicable, in the implementation of the set of reform and investment commitments underpinning an extension of the adjustment period.
3. The annual progress report referred to in paragraph 1 shall also contain the information set out in Annex III.
4. Each Member State shall make its annual progress report public.

Article 21

Monitoring by the Commission

[...]

Article 22

Role of independent fiscal institutions

~~The relevant~~^{The relevant} ~~Each~~ national independent fiscal institution referred to in Article 8 of Council Directive [...]32 [on the national budgetary frameworks] ~~shall~~^{could} provide an assessment of compliance of the budgetary outturns data reported in the progress report referred to in Article 20 with the net expenditure path. Where applicable, ~~the relevant~~^{the relevant} ~~Each~~ national independent fiscal institution ~~shall~~^{could} also analyse the factors underlying a deviation from the net expenditure path. ~~These analyses will be non-binding and additional to those provided by the Commission.~~

~~*Article 23*~~

~~**Commission warning and Council recommendation for policy measures**~~

- ~~1. In the event of a significant risk of deviation from the net expenditure path or a risk that the government deficit may exceed the 3% of GDP reference value, the Commission may address a warning to the Member State concerned in accordance with Article 121(4) TFEU.~~
- ~~2. On the basis of a Commission recommendation, the Council shall, within one month of the Commission warning referred to in paragraph 1, adopt a recommendation to the~~

~~Member State concerned for the necessary policy measures, in accordance with Article 121(4) TFEU.~~

Article 24

Severe economic downturn in the euro area or the Union as a whole

[...]

Article 25

Exceptional circumstances outside the control of the Member State leading to a major impact on the public finances of the Member State concerned

[...]

CHAPTER VI

ECONOMIC DIALOGUE

Article 26

European Semester Dialogue

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 an economic dialogue. The Economic and Financial Committee, the Economic Policy Committee, the Employment Committee and the Social Protection Committee shall be consulted within the framework of the European Semester where appropriate. Relevant stakeholders, in particular **national parliaments and the** social partners, shall be involved within the framework of the European Semester, on the main policy issues where appropriate, in accordance with the provisions of the TFEU and national legal and political arrangements.

In order to enhance the dialogue between the institutions of the Union, in particular the European Parliament, the Council and the Commission, and to ensure transparency and accountability, the European Parliament may invite the President of the Council, the Commission and, where appropriate, the President of the European Council or the President of the Eurogroup to appear before it to discuss the policy guidance to Member States issued by the Commission, conclusions drawn by the European Council and the results of multilateral surveillance carried out under this Regulation.

The President of the Council, and the Commission in accordance with Article 121 TFEU, and, where appropriate, the President of the Eurogroup, shall report annually to the European Parliament and to the European Council on the results of the multilateral surveillance.

Article 27

Comply or explain rule

The Council is expected to, as a rule, follow the recommendations and proposals of the Commission or explain its position publicly.

*Article 28***Dialogue with a Member State**

~~Where the Council addresses a recommendation to a Member State pursuant to Article 23(2) in the event of a significant risk of deviation from the net expenditure path, the European Parliament may offer the opportunity to that Member State, to participate in an exchange of views~~

*Article 29***Regular information of the European Parliament**

1. The Council and the Commission shall regularly inform the European Parliament of the application of this Regulation.
2. The Council and the Commission shall include in their report to the European Parliament the results of the multilateral surveillance carried out pursuant to this Regulation

*CHAPTER VII**INTERACTION WITH REGULATION (EU) No 1176/2011**Article 30***Interaction with the Macro-Economic Imbalance Procedure**

1. The implementation of relevant reform and investment commitments included in the Member State's national medium term fiscal-structural that are relevant for macroeconomic imbalances shall be considered (i) by the Commission when undertaking in-depth reviews in accordance with Article 5 (2) of Regulation (EU) No 1176/2011, and (ii) by the Council, and the Commission for its recommendation, when considering whether to establish the existence of an excessive imbalance and recommend that the Member State take correction action in accordance with Article 7(2) of that Regulation. The Commission shall take into account any information that the Member State considers relevant.

~~Where a Member State fails to implement the reform and investment commitments included in its national medium term fiscal-structural plan to address the country-specific recommendations that are relevant for the Macroeconomic Imbalance Procedure established by Regulation (EU) No 1176/2011, and where the Commission considers that the Member State concerned is affected by excessive imbalances in accordance with Article 7(1) of that Regulation, the procedure laid down in Article 7(2) of Regulation (EU) No 1176/2011 shall apply.~~

2. ~~In that case,~~ The Member State for which an excessive imbalance procedure is opened in accordance with Article 7(2) of Regulation (EU) No 1176/2011, it shall submit a revised plan in accordance with Article 14 of this Regulation. The revised plan shall follow the Council recommendation adopted in accordance with Article 7(2) of Regulation (EU) No 1176/2011. The submission of the revised plan shall be subject to the endorsement by the Council in

accordance with Articles 16 to 19 of this Regulation. The revised plan shall be assessed in accordance with Article 15 of this Regulation.

3. Where a Member State submits a revised medium-term fiscal-structural plan pursuant to paragraph 2, that revised plan shall serve as the corrective action plan required under Article 8(1) of Regulation (EU) No 1176/2011 and shall set out the specific policy actions the Member State concerned has implemented or intends to implement and shall include a timetable for those actions.

In that case, in accordance with Article 8(2) of Regulation (EU) No 1176/2011, the Council, on the basis of a Commission assessment, shall assess the revised plan within ~~6 weeks~~ **2 months** of its submission. The monitoring and assessment of the implementation of the revised plan shall be made in accordance with Article 21 of this Regulation and Articles 9 and 10 of Regulation (EU) No 1176/2011.

CHAPTER VIII

INTERACTION WITH REGULATION (EU) No 472/2013

Article 31

Interaction with the Macro-Economic Imbalance Procedure

~~A Member State subject to enhanced surveillance under Article 2 of Regulation (EU) No 472/2013 of the European Parliament and of the Council³³ shall take into account any recommendations addressed to it under Article 23 of this Regulation when adopting measures aimed at addressing the sources or potential sources of difficulties pursuant to Article 3(1) of that Regulation.~~

Where a Member State is subject to a macroeconomic adjustment programme and the changes thereto in accordance with Article 7 of Regulation (EU) No 472/2013 **of the European Parliament and of the Council³³**, it shall not be required to submit a medium-term fiscal-structural plan pursuant to Article 9 of this Regulation and an annual progress report pursuant to Article 20 of this Regulation.

CHAPTER IX

DELEGATED POWERS

Article 32

Amendment of the annexes

[...]

Article 33

Exercise of delegation

[...]

CHAPTER X COMMON PROVISIONS

Article 34

Dialogue with Member States

The Commission shall ensure a permanent dialogue with Member States in accordance with the objectives of this Regulation. To that end, the Commission shall, in particular, carry out missions for the purpose of the assessment of the socio-economic situation in the Member State and the identification of any risks or difficulties in complying with the objectives of this Regulation.

Article 35

In-depth surveillance missions

- ~~1. The Commission may undertake in-depth surveillance missions in Member States which are the subject of recommendations issued pursuant to Article 23 for the purposes of on-site monitoring.~~
- ~~2. When the Member State concerned is a Member State whose currency is the euro or a Member State that is participating in ERM2, the Commission may invite representatives of the European Central Bank, if appropriate, to participate in surveillance missions.~~

Article 36

Report

1. By [31 December 2030] and every 5 years thereafter, the Commission shall ~~submit to the European Parliament and to the Council~~ **prepare** a report on the application of this Regulation accompanied, where appropriate, by a proposal to amend this Regulation. The Commission shall make that report public.
2. The report referred to in paragraph 1 shall review:
 - (a) the effectiveness of this Regulation ~~in achieving its objectives in promoting debt sustainability, sustainable public finances and inclusive growth in Member States and, particularly whether the provisions governing decision making have proved sufficiently efficient in preventing excessive deficits and ensuring a downward path for public debt ratios or maintaining them at prudent levels below 60% of GDP in accordance with the relevant Council recommendations, as well as in promoting counter-cyclical fiscal policies as well as avoiding pro-cyclical fiscal policies.~~
 - (b) the progress in ensuring closer coordination of economic policies and sustained convergence of economic performances of the Member States.
3. The report shall be forwarded to the European Parliament and the Council.

Article 37

Repeal of Regulation (EC) No 1466/97

Regulation (EC) No 1466/97 is repealed

Article 38

Entry into force

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

Transitory provision

As an exception to Article 7(1), in 2024 the deadline for the Commission shall be 15 February.

ANNEXES

ANNEX I

~~Criteria for setting the technical trajectory for Member States having a public debt above 60% of GDP reference value or government deficit above 3% of GDP reference value~~

~~For Member States having public debt above the 60% of GDP reference value or government deficit~~

~~above the 3% of GDP reference value, the technical trajectory shall ensure that:~~

- ~~(a) by the end of the adjustment period, at the latest, the 10-year debt trajectory in the absence of further budgetary measures is on a plausibly downward path or stays at prudent levels;~~
- ~~(b) the government deficit is brought and maintained below the 3% of GDP reference value in the absence of further budgetary measures over the same 10-year period;~~
- ~~(c) for the years that the Member State concerned is expected to have a deficit above the 3% of GDP reference value, and the excess is not close and temporary, the technical trajectory is also consistent with the benchmark referred to under Article 3 of Council Regulation (EC) No 1467/97 on speeding up and clarifying the implementation of the excessive deficit procedure as amended by Regulation [X];~~
- ~~(d) the adjustment effort is not postponed towards the final years of the adjustment period, that is to say the fiscal adjustment effort over the period of the national medium-term fiscal structural plan is at least proportional to the total effort over the entire adjustment period;~~
- ~~(e) the public debt ratio at the end of the planning horizon is below the public debt ratio in the year before the start of the technical trajectory; and~~
- ~~(f) national net expenditure growth remains below medium-term output growth, on average, as a rule over the horizon of the plan~~

ANNEX II

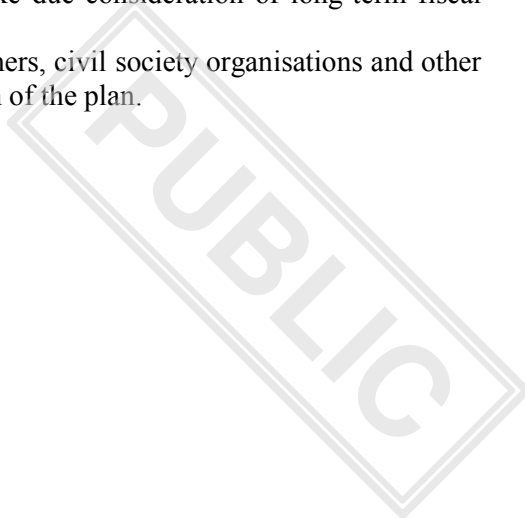
Information to be provided in the national medium-term fiscal-structural plans

A national medium-term fiscal-structural plan shall contain the following information:

- (a) [...]
- (b) The projected growth path of government revenue at unchanged policy.
- (c) The projected path of the public debt ratio.
- ~~(d)~~ Information on implicit liabilities related to ageing, and contingent liabilities with a potentially large impact on government budgets, ~~including government guarantees, non-performing loans, and liabilities stemming from the operation of public corporations, including the extent thereof, potential expenses and obligations arising from court cases and, to the extent possible, information on disaster and climate contingent liabilities.~~
- (e) The main assumptions about expected economic developments and main economic variables which are relevant for ensuring consistency with the ~~convergence of the public debt towards ratio is put or remains on a plausibly downward path or stays at~~ prudent levels and ~~bringing~~ and maintaining the government deficit below the 3% of GDP reference value.
- (f) ~~Due explanations and justifications based on sound and verifiable economic arguments of differences, in case the Member State makes use of~~ assumptions referred to under point (e) that differ from the Commission's assumptions over the adjustment period of the national medium-term fiscal-structural plan and the subsequent 10-year period in the absence of further budgetary measures ~~due explanations and justifications based on sound economic arguments of these differences.~~
- (g) An analysis of how changes in the main economic assumptions would affect the budgetary and debt position of the Member State.
- (h) If applicable, the duly ~~justified substantiated~~ reasons (with relevant sound and verifiable economic arguments) explaining ~~deviating differences between the net expenditure path endorsed adopted by the Council and from~~ the technical trajectory put forward by the Commission.
- (i) Reform and investment priorities to respond to the main challenges as identified in the country-specific recommendations, taking into account the state of play of implementation of those country-specific recommendations.
- (j) Total public investment expenditure, as well as reforms and public investment expenditure addressing the common priorities of the Union referred to in Annex VI.
- (k) If applicable, information on a specific, time-bound and verifiable set of reform and investment commitments underpinning an extension of the adjustment period pursuant to Article 13, a timeline for its implementation, as well as sound economic arguments that this set of reform and investment commitments fulfil the criteria under Article 13 taking into account the assessment criteria in Annex VII.
- (l) A quantification, as much as possible, of the expected impacts of reforms and investment referred to under point (k) on fiscal sustainability, growth and employment, where applicable in line with ~~relevant literature for macroeconomic impact estimation models and techniques~~ commonly agreed methodologies.
- ~~(m) The medium-term budgetary and potential medium-term growth impact of those reform and investment commitments referred to under point (k) where possible.~~
- (n) If applicable, reforms and investment to correct the identified macroeconomic imbalances under the Macroeconomic Imbalance Procedure
- (o) The ~~forecasted planned~~ overall level of nationally financed public investment covering the period of the national medium-term fiscal-structural plan.
- (p) For Member States with low public debt challenges but large implicit liabilities due to population ageing, the national net expenditure trajectory and the reforms in the national

medium-term fiscal-structural plans should take due consideration of long-term fiscal sustainability challenges of public finances.

- (q) Information on the consultations of social partners, civil society organisations and other relevant stakeholders in view of the preparation of the plan.



ANNEX III

Information to be provided by Member States in the Annual Progress Reports

In their annual progress report, the Member States shall submit the following information:

- (a) A comparison between the planned net expenditure based on the net expenditure path set by the Council and the net expenditure based on outturn data.
- (b) A comparison from the beginning of the national medium-term fiscal-structural plan between the projections of the main economic variables submitted in that plan and the outturn data for these variables, as well as the implications for compliance with the net expenditure path ~~set adopted~~ by the Council and the implications on the projected path of the public debt ratio reported in that plan.
- (c) An analysis of the implementation in the previous year of the discretionary revenue measures.
- (d) Progress and the planned implementation for the following year of the commitments to reforms and investment given in the national medium-term fiscal-structural plan ~~under the information to be provided in accordance with Annex II, points (i) and (j), as well as, if applicable, (k) and (n).~~
- (e) Information for the following year on how the Member State intends to address the country-specific recommendations of the previous year, including, where applicable, the recommendation on the economic policy of the euro area.
- (f) During the lifetime of the Recovery and Resilience Facility, information on the progress of implementation of the Recovery and Resilience Plan, to comply with the bi-annual reporting requirements in the context of the European Semester set out in Article 27 of Regulation (EU) 2021/241.
- (g) Information on the evolution of contingent liabilities reported in the national medium-term fiscal-structural plan and referred to in Annex II, point (d), as well as of the implicit liabilities related to ageing, where relevant, and information on the contingent liabilities and the implicit liabilities for the following year.
- (h) The main assumptions about expected economic developments and main economic variables for the ~~following remaining~~ years of the adjustment period, including the public debt ratio.
- (i) The projections at unchanged policies for the following years of the adjustment period for government expenditure and revenue and their main components, including public investment expenditure.
- (j) The planned government expenditure and revenue as a percentage of GDP and their main components for the ~~following remaining~~ years of the adjustment period, taking into account the net expenditure path ~~set adopted~~ by the Council.
- (k) A **preliminary** description and quantification of the expenditure and revenue measures to be implemented to bridge the gap between the projections at unchanged policies for expenditure and revenue referred to in point (i) and the planned expenditure and revenue referred to in point (j).
- (l) An analysis of the evolution of the macroeconomic imbalances identified under the Macroeconomic Imbalance Procedure and of the impact on them of the implementation of the relevant reforms and investment reported in the national medium-term fiscal-structural plan in accordance with Annex II, point (n), where applicable.
- (m) Information on the implementation of a warning by the Commission or a recommendation by the Council pursuant to Article 121(4) TFEU, **where applicable**.
- (n) Information on labour market, skills and social policy developments, and on the implementation of policy measures taken **in relation to progress on the national targets on employment, skills and poverty reduction by 2030 that foster upward social convergence among Member States towards better working and living conditions**, in line with the principles of the European Pillar of Social Rights and the Employment Guidelines under Article 148 TFEU. ~~That includes the expected impact of measures,~~

~~in relation to progress on the national targets on employment, skills and poverty reduction by 2030.~~

~~(e) The assessment of the independent fiscal institutions referred to in Article 22~~



ANNEX IV

Functioning of the Control Account

[...]



ANNEX V

Methodology to assess plausibility by the Commission

[...]



ANNEX VI

Common priorities of the Union

The common priorities of the Union referred to in Article 12, point (b), are:

- (a) The European Green Deal , including the transition to climate neutrality by 2050² and the translation at national level through the National Energy and Climate Plans;
- (b) The European Pillar of Social Rights including the related targets on employment, skills and poverty reduction by 2030 **laid-out in the Action Plan for its implementation**.
- (c) The Digital Decade Policy Programme 2030 , and reflected at national level through the National Digital Decade Strategic Roadmaps;
- (d) A Strategic Compass for Security and Defence - For a European Union that protects its citizens, values and interests and contributes to international peace and security

ANNEX VII

*Assessment framework for the set of reform and investment commitments
underpinning an extension of the adjustment period*

[...]