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WORKING DOCUMENT

From:	General Secretariat of the Council
To:	Working Party of Financial Counsellors
Subject:	EGR - Presidency's revised Commission proposal on Directive 2011/85/EU

Please find attached the Presidency's revised Commission proposal on the Directive 2011/85/EU, discussed at the Financial Counsellors Working Party meeting on 16 November 2023. This REV1 file incorporates minor clerical adjustments compared to the document released on 13 November.

- Original text of the directive.
- **Ammendment proposed by the Commision.**
- **Ammendment proposed by the Council.**
- **Deletion proposed by the Council to an amendment proposed by the Commission/ to the original text**

**Proposal for a
COUNCIL DIRECTIVE**

**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 Parliament,

Having regard to the opinion of the European Central Bank,

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/EU¹ laid 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 2019, the European Court of Auditors published a report examining the Union requirements on national budgetary frameworks and recommending the Commission to review those requirements, taking into account international standards and best practice. The European Court of Auditors proposed specific actions to improve the scope and effectiveness of national budgetary

¹ 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).

frameworks, particularly as regards medium-term budgetary frameworks and independent fiscal institutions².

- (4) Commission Communication of 5 February 2020 pointed to 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) Commission Communication of 11 December 2019 on the European Green Deal³ called for a greater use of green budgeting tools to redirect public investment, consumption and taxation to green priorities and away from harmful subsidies. The European Climate Law sets a Union-wide climate neutrality objective by 2050 and requires Union institutions and Member States to progress in enhancing adaptive capacity. The Commission committed to working with the Member States to screen and benchmark green budgeting practices. Commission Communication of 24 February 2021 on the new EU strategy on adaptation to climate change⁴ pointed to the macro-fiscal relevance of climate change and highlighted the need to increase Union's resilience to the impacts of climate change. The European Semester provides an additional framework to support such efforts and the Technical Support Instrument offers practical assistance for their implementation.
- (6) Commission Communication of 9 November 2022 on orientations for a reform of the EU economic governance framework⁵ 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 to avoid prevent in particular the procedure for occurrence of excessive government deficits in the sense of laid down in Article 126 TFEU, there should be specific provisions in the law of the Member States 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 implementation of that Directive, amendments should also cover provisions on

² European Court of Auditors special report of 2019 on the 'EU requirements on national budgetary frameworks: need to further strengthen them and to better monitor their application'.

³ Communication COM(2019) 640 final from the Commission 'The European Green Deal'.

⁴ Communication COM(2021) 82 final from the Commission 'Forging a climate-resilient Europe - the new EU Strategy on Adaptation to Climate Change'.

⁵ Communication COM(2022) 583 final from the Commission 'on orientations for a reform of the EU economic governance framework'.

transparency and statistics, forecasts and medium-term budgeting to address weaknesses identified during implementation.

- (8) This Directive is part of a package together with Regulation (EU) [XXX]⁶ of the Parliament and of the Council replacing Regulation (EC) No 1466/97⁷ (the preventive arm of the Stability and Growth Pact) and Council Regulation [XXX]⁸ amending Council Regulation (EC) No 1467/97⁹ (the corrective arm of the Stability and Growth Pact). Together, they establish a reformed Union economic governance framework that incorporates into Union law the substance of Title III ‘Fiscal Compact’ of the inter-governmental Treaty on Stability, Coordination and Governance (TSCG) in the Economic and Monetary Union¹⁰, in accordance with Article 16 thereof. Title III is binding on the Member States whose currency is the euro and, on a voluntary basis, on Bulgaria, Denmark and Romania. By building on the experience with the implementation of the TSCG by the Member States, the package retains the Fiscal Compact’s medium-term orientation as a tool to achieve budgetary discipline and growth promotion. The package includes a strengthened country-specific dimension aimed at enhancing national ownership, including by preserving the means of a stronger role for independent fiscal institutions, which draws on the Fiscal Compact’s common principles proposed by the Commission¹¹ in accordance with Article 3(2) of the TSCG. 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 [XXX] replacing Regulation (EC) No 1466/97. As in the Fiscal Compact, temporary deviations from the medium-term plan are allowed only in exceptional circumstances in Regulation [XXX] replacing Regulation (EC) No 1466/97. Similarly, in case of significant deviations from the medium-term plan, measures should be implemented to correct the deviations over a defined period of time. The package 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 TSCG.
- (9) Complete and reliable public sector accounting practices for all subsectors 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 2010) 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

⁶ Regulation (EU) of the European Parliament and of the Council of [insert date] [insert full title] (OJ L ..).

⁷ Council Regulation (EC) No 1466/97 of 7 July 1997 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies (OJ L 209, 2.8.1997, p. 1).

⁸ Regulation (EU) of the Council of [insert date] [insert full title] (OJ L ..).

⁹ 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 Treaty on Stability, Coordination and Governance in the Economic and Monetary Union of 2 March 2012.

¹¹ Communication COM(2012) 342 final of 20 June 2012 from the Commission ‘Common principles on national fiscal correction mechanisms’.

basis. It is therefore necessary to improve the collection of accrual data and information needed to generate accrual-based statistics in a way that is integrated and comprehensive and consistent harmonised across all subsectors of general government.

- (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 cash-based data, 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 and provide unbiased assessments of the fiscal impact of various policy measures, 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 of the Member States should be endorsed or produced by an independent fiscal institution.
- (12) Macroeconomic and budgetary forecasts for annual and multiannual fiscal planning 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 essential effective building block of effective budgetary frameworks. Regulation (EU) No 473/2013 of the European Parliament and of the Council¹² 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. Given the positive contribution to public finance of independent bodies, those requirements should be extended to all Member States. In order to foster fiscal discipline and strengthen the credibility of fiscal policy, such bodies should also contribute to budgetary planning by either producing or endorsing the forecasts and debt analyses used by the government, and by carrying out independent assessments of fiscal policies and monitoring compliance with the fiscal framework.

¹² 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).

- (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 institutions and each of them may discharge one or several of the tasks laid down in this directive, as long as there is a clear allocation of responsibility and there is no remit overlap between them. 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.
- (15) To improve budgetary planning, due attention should be paid to the macrofiscal risks from climate change, including to the extent possible its environmental and distributional impacts. and to the implications of climate related policies on public finance over the medium and long term. Understanding the potential channels through which climate-related shocks affect the economy and public finance is key to national strategies to limit and manage the fiscal risks stemming from climate change and from related disasters.
- (16) Although the approval of annual budget legislation is a key step in the budget process for democratic accountability, A 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, multiannual effective medium term fiscal planning strengthens the credibility of fiscal policy while taking into account debt sustainability. Effective medium-term planning It should rest on a clear and consistent definition of national budgetary objectives over the medium term, which are presented in national medium-term plans. In order to enhance a multiannual budgetary perspective, planning of annual budget legislation should be consistent with the multiannual objectives established in medium-term budgetary frameworks national budgetary objectives over the medium term referred to in Article 2, point (e).
- (17) To be effective in promoting budgetary discipline and the sustainability of public finance, budgetary frameworks should comprehensively cover public finances. For that reason, particular attention should be given to operations of on those general government bodies and funds which do not form part of the regular budgets at subsector level but are part of the general government, including subsectors, and that have an immediate or medium-term impact on Member States' budgetary positions. Member States shall also publish values corresponding to the The values of the combined impact on general government balances and debts of those bodies and funds. operations should be presented in the framework of the annual budgetary processes and in the medium-term budgetary plans, capturing impacts stemming from future operations and outstanding and expected new liabilities. Similarly, detailed information on the impact of tax expenditures on revenues should be published.
- (18) Similarly, transparency regarding the type and size of tax expenditures and resulting revenue losses is necessary to provide a more profound understanding of the extent to which fiscal policy and budgetary planning are aligned with government priorities.

- (19) Green budgeting tools can help redirect public revenue and expenditure to green priorities. In that respect, reliable and regular reporting of comprehensive, useful, and accessible relevant information improves budget deliberations. This means reporting data on how revenues reflect the need to ensure that the “polluter-pays” principle is reflected, and in turn on how expenditure reflects both favourably and unfavourably green priorities. Member States should may publish the information on how the relevant elements of their budgets contribute to achieving climate and environmental national and international commitments and the methodology used. Member States may publish data and descriptive information separately for expenditure, tax expenditure and revenue items. Member States are invited to may publish information on the distributional impact of budgetary policies and take into account employment, social and distributional aspects in the development of green budgeting¹³.
- (20) Due attention should be paid to the existence of contingent liabilities. More specifically, 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 potential expenses and obligations arising from court cases and, to the extent possible, disaster and climate-related contingent liabilities.
- (21) 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 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 events shocks, starting with collecting and publishing information on the economic losses and fiscal cost of past events to the extent possible as well as information on the budgetary arrangements and financial instruments used for that matter.
- (22) The Commission should continue to regularly monitor the implementation of Directive 2011/85/EU. Best practices concerning the implementation of the provisions of that Directive should be identified and shared.
- (23) Directive 2011/85/EU should therefore be amended accordingly,

HAS ADOPTED THIS DIRECTIVE:

¹³ Communication COM(2022)494 final of 28 September 2022 from the Commission ‘Better assessing the distributional impact of Member States’ policies’ and Article 6(3), point (d), of 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).

CHAPTER I

SUBJECT MATTER AND DEFINITIONS

Article 1

This Directive lays down detailed rules concerning the characteristics of the budgetary frameworks of the Member States. Those rules are necessary to ensure Member States' compliance with obligations under the TFEU with regard to avoiding excessive government deficits.

Article 2

For the purposes of this Directive, the definitions of 'government', 'deficit' and 'investment' set out in Article 2 of the Protocol (No 12) on the excessive deficit procedure annexed to the TEU and to the TFEU shall apply. The definition of subsectors of general government set out in ~~point 2.70 of Annex A to Regulation (EC/EEU) No 549/2013 2223/96~~ **of the European Parliament and of the Council**³⁰ shall ~~also~~ apply.

In addition, the following definition shall apply:

'budgetary framework' means the set of arrangements, procedures, rules and institutions that underline the conduct of budgetary policies of general government, in particular:

- (a) systems of public-~~sector~~-accounting and statistical reporting **by the general government**
- (b) rules and procedures governing the preparation of forecasts for budgetary planning
- (c) country-specific numerical fiscal rules, ~~which~~ **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 **summary** indicator of budgetary performance, such as **net expenditure**, the government budget deficit, borrowing, debt, or a major component thereof
- (d) budgetary procedures comprising procedural rules to underpin the budget process at all stages
- (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** ~~medium-term budgetary~~ objectives **over the medium-term**
- (f) arrangements for independent monitoring and analysis, to enhance the transparency of elements of the budget process

(g) mechanisms and rules that regulate fiscal relationships between public authorities across subsectors of general government

(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 8.

CHAPTER II

ACCOUNTING AND STATISTICS

Article 3

1. As concerns national systems of public accounting, Member States shall have in place by 2030, integrated, comprehensive and nationally harmonised accrual financial-public accounting systems comprehensively and consistently covering all subsectors of general government and containing the cash and accrual information needed to generate accrual prepare data with a view to preparing data based on the ESA 95 2010 standard the European System of National and Regional Accounts. Those public sector 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 subsectors of general government as defined set out by Regulation (EU) No 2223/96549/2013 of the European Parliament and of the Council³¹. In particular, Member States shall publish quarterly debt and deficit data separately for central government, state government, local government and social security funds, before the end of the following quarter or after publication of the relevant data by the Commission (Eurostat).

~~(a) cash-based fiscal data (or the equivalent figure from public accounting if cash-based data are not available) at the following frequencies:~~

- ~~- monthly for central government, state government and social security sub-sectors, before the end of the following month, and~~
- ~~- quarterly, for the local government sub-sector, before the end of the following quarter;~~

~~(b) a detailed reconciliation table showing the methodology of transition between cash-based data (or the equivalent figures from public accounting if cash-based data are not available) and data based on the ESA 95 standard.~~

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 3 months.

CHAPTER III

FORECASTS

Article 4

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 either produced or endorsed by independent fiscal institutions established in accordance with Article 8. They shall be compared with the most updated forecasts of the Commission and, if appropriate, those of other independent bodies. Significant differences between the ~~chosen macroeconomic and budgetary forecasts~~ fiscal scenario of the Member State and the Commission's forecasts shall be described with reasoning **explained**, in particular if **including where** the level or growth of variables in external assumptions departs significantly from the values contained in the Commission's forecasts.

2. The Commission shall make public the methodologies, assumptions and relevant parameters that underpin its macroeconomic and budgetary forecasts.

3. In order to support Member States in preparing their budgetary forecasts, the Commission shall provide forecasts for the expenditure of the Union based on the level of expenditure programmed within the multiannual financial framework.

4. ~~Within the framework of a sensitivity analysis, the macroeconomic and budgetary forecasts shall examine paths of main fiscal variables under different assumptions as to growth and interest rates. The range of alternative assumptions used in macroeconomic and budgetary forecasts shall be guided by the performance of past forecasts and shall endeavour to take into account relevant risk scenarios.~~

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, ~~including the methodologies, assumptions and relevant parameters underpinning those forecasts~~. 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 produced by the national institutions shall be subject to regular, **objective** ~~unbiased~~ 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, ~~based on objective criteria, including ex post evaluation~~. 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 4 consecutive years, the Member State concerned shall take the necessary action and make it public.

7. ~~Member States' quarterly debt and deficit levels shall be published by the Commission (Eurostat) every 3 months~~

CHAPTER IV

NUMERICAL FISCAL RULES

Article 5

Each Member State shall ~~have in place~~ **establish its specific** numerical fiscal rules ~~which are specific to it and which to~~ effectively promote compliance with its obligations deriving from the TFEU in the area of **budgetary policy-fiscal planning** 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 in accordance with the TFEU
- (b) the adoption of a **multiannual-medium-term** fiscal planning **period horizon**, ~~including adherence to the Member State's medium-term budgetary objective~~ **consistent with the provisions of Regulation [XXX preventive arm of the SGP]**³²

Article 6

1. Without prejudice to the provisions of the TFEU concerning the budgetary surveillance framework of the Union, country-specific numerical fiscal rules shall contain specifications as to the following elements:

- (a) the target definition and scope of the rules
- (b) the effective and timely monitoring of compliance with the rules, based on reliable and independent analysis carried out by independent ~~bodies or~~ **fiscal institutions established in accordance with Article 8 or bodies with functional autonomy vis-à-vis the fiscal authorities of the Member States;**
- (c) the consequences in the event of non-compliance

2. If numerical fiscal rules contain escape clauses, such clauses shall set out a limited number of specific circumstances, consistent with the Member States' obligations deriving from the TFEU ~~in the area of budgetary policy~~ **and Regulation XXX [preventive arm of the SGP]**, ~~and stringent procedures in which temporary non-compliance with the rules is permitted. [~~ **Escape clauses shall have clear time limits** ~~]~~

Article 7

The annual budget legislation of the Member States shall ~~reflect their~~ **be consistent with the** country-specific numerical fiscal rules in force.

CHAPTER V

INDEPENDENT FISCAL INSTITUTIONS

Article 8

1. Member States shall ensure that independent fiscal institutions, such as structurally independent bodies or bodies endowed with functional autonomy as regards the budgetary authorities of the Member States, are established by national laws, regulations or binding administrative provisions.

1a. Member States may establish more than one independent fiscal institutions.

2. The institutions referred to in paragraph 1 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.

3. The institutions referred to in paragraph 1 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 ~~own~~ resources to carry out their ~~tasks~~ mandate in an effective manner, including any type of analysis within their ~~tasks~~ mandate;

(d) have adequate and timely access to the information needed to fulfil their mandate;

(e) be subject to regular external evaluations by independent evaluators.

4. Without prejudice to the tasks and functions attributed in accordance with Regulation 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 institutions referred to in paragraph 1 ~~have the following tasks:~~

(a) producing ~~the~~ annual and multiannual macroeconomic and budgetary forecasts ~~underlying the government's medium-term planning or endorsing those used by the budgetary authorities;~~

(b) ~~producing debt sustainability assessments underlying the government's medium-term planning or endorsing those provided by the budgetary authorities;~~

- (c) producing assessments on the impacts of policies on fiscal sustainability and sustainable and inclusive growth or endorsing those provided by the budgetary authorities;
- (d) monitoring compliance with country-specific numerical fiscal rules in accordance with Article 6;
- (e) monitoring compliance tasks with the Union fiscal framework in accordance with the relevant articles of Regulations [XXX preventive arm of the SGP] and [XXX corrective arm of the SGP] *;
- (f) conducting, on a regular basis, reviews of the national budgetary framework, in order to assessing the consistency, coherence and effectiveness of the national budgetary framework; including mechanisms and rules that regulate fiscal relationships between public authorities across sub-sectors of general government;
- (g) participate in regular hearings and discussions at the national Parliament.

5. The institutions shall issue assessments in the context of the tasks referred to in paragraph 5. Member States shall ensure that the budgetary authorities of the Member State concerned comply with the assessments or opinions issued by the institutions in the context of the tasks referred to in paragraph 4. Where such the budgetary authorities of the Member State concerned do not comply with the recommendations included in with those assessments or opinions, they shall publicly explain justify their decision not to comply within a month from the issuance of such assessments or opinions.

CHAPTER VI

MEDIUM-TERM BUDGETARY FRAMEWORKS

Article 9

1. Member States shall establish a credible, effective **national** medium-term budgetary framework providing for the adoption of a fiscal planning period horizon of at least 4 years, to ensure that national fiscal planning follows a multiannual fiscal planning perspective.
2. **National m**Medium-term budgetary frameworks shall include procedures for establishing the following items:
 - (a) comprehensive and transparent multiannual budgetary objectives as referred to in Article 2, point (e) in terms of the general government deficit, debt and any other summary 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 in force and the relevant provisions of Regulation XXX [preventive arm of the SGP]

(b) projections of each major expenditure and revenue item of the general government with more specifications on the central government and social security level, for the budget year and beyond, based on unchanged policies

(c) a description of medium-term policies, **including investment and reforms, 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 ~~medium-term~~ **national** budgetary objectives **over the medium term as referred to in Article 2, point (e),** is achieved compared to projections under unchanged policies

(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. The assessment shall specify, to the extent possible, the macrofiscal risks from climate change and its their environmental and distributional impacts., and the implications on public finance general government of climate related mitigation and adaptation policies over the medium-term and long-term**

3. ~~Projections adopted within medium-term budgetary frameworks shall be based on realistic macroeconomic and budgetary forecasts in accordance with Chapter III.~~

Article 10

Annual budget legislation shall be consistent with **the national budgetary objectives over the medium term referred to in Article 2, point (e).** ~~the provisions of the medium-term budgetary framework. Specifically, revenue and expenditure projections and priorities resulting from the medium-term budgetary framework as set out in Article 9(2) shall constitute the basis for the preparation of the annual budget. Any departure from those provisions shall be duly explained~~

Article 11

~~No provision of~~ This Directive shall, **in no way,** prevent a Member State's new government from updating its medium-term budgetary ~~framework~~ **plan** to reflect its new policy priorities. In ~~such~~ **this** case, the new government shall indicate the differences ~~from~~ **between** the previous **and the new** medium-term budgetary ~~framework~~ **plan.**

CHAPTER VII

TRANSPARENCY OF GENERAL GOVERNMENT FINANCES **AND** **COMPREHENSIVE SCOPE OF BUDGETARY FRAMEWORKS**

Article 12

Member States shall ensure that any measures taken to comply ~~to comply~~ **in compliance** with Chapters II, III and IV are consistent across, ~~and comprehensive in coverage of, all subsectors of general government~~ **and cover comprehensively those subsectors. To that effect Members States** This shall, in particular, require ~~the consistency of~~ **consistent public-sector** accounting rules and procedures **by the general government**, and the integrity of their underlying data collection and processing systems.

Article 13

1. Member States shall establish appropriate mechanisms of coordination across subsectors of general government to provide for comprehensive and consistent coverage of all subsectors of general government in fiscal planning, country-specific numerical fiscal rules, and in the preparation of budgetary forecasts and setting-up of multiannual planning as laid down, in particular, in the multiannual budgetary framework.

2. In order to promote fiscal accountability, the budgetary responsibilities of public authorities in the various subsectors of general government shall be clearly laid down.

Article 14

1. Within the framework of the annual **and multiannual** budgetary **legislation** processes, Member States shall ~~identify and present~~ **publish information on** all ~~general government bodies and funds which do not form part of the regular budgets at subsector levels~~ **but are part of the general government, including subsectors** level, together with other relevant information. The ~~of general government.~~ **Member States shall also publish values corresponding to the** combined impact on general government balances and debts of those ~~general government bodies and funds shall be presented in the framework of the annual budgetary processes and the medium-term budgetary plans~~ **whereby the impact on the balances shall include past and expected future operations and the impact on debts shall include outstanding and expected new liabilities.**

2. Member States shall publish detailed information on the impact of tax expenditures on revenues **for the national budgetary objectives as referred to in Article 2, point (c), based on a transparent methodology.**

3. For all subsectors 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, ~~potential expenses and obligations arising from court cases,~~ including the extent thereof. **Member States shall also publish information on disaster and climate related contingent liabilities, to the extent possible. Member States shall publish information on past calls on one-off guarantees and expenditure recorded for standardised guarantees. Published information shall, to the extent possible, also include**

information on economic losses fiscal costs incurred due to disasters and climate related shocks, including the fiscal costs borne by the public sector and the instruments used to mitigate or cover them. Member States shall also publish information on the participation of general government in the capital of private and public corporations in respect of economically significant amounts.

Article 14.A

1. By 14 December 20XX the Commission shall publish a review of the effectiveness of this Directive.

2. By 31 December 2025, the Commission shall report on the state of play and future direction of public sector financial accounting 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

CHAPTER VIII

FINAL PROVISIONS

Article 15

1. Member States shall bring into force the provisions necessary to comply with this Directive by 31 December 2024. They shall forthwith communicate to the Commission the text of those provisions. The Council encourages Member States to draw up, for themselves and in the interests of the Union, their own correlation tables which will, as far as possible, illustrate the correlation between this Directive and the transposition measures, and to make them public.

2. When Member States adopt those 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. 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 14 December 20XX

4. Member States shall communicate to the Commission the text of the main provisions which they adopt in the field covered by this Directive.

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) Capacity and tasks of EU independent fiscal institutions, 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.

~~4. 2~~ By ~~14~~ 31 December 2018 ~~2025~~30, and every five years thereafter, the Commission shall publish a review of the suitability effectiveness of this Directive.

~~3. The review shall assess, inter alia, the suitability of:~~

~~the statistical requirements for all sub-sectors of government;~~

~~the design and effectiveness of numerical fiscal rules in the Member States;~~

~~the general level of transparency of public finances in the Member States.~~

~~4. By 31 December 2012, the Commission shall assess the suitability of the International Public Sector Accounting Standards for the Member States.~~

Article 17

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

Article 18

This Directive is addressed to the Member States.

Done at Brussels,

For the Council
The President