











# Procedure file

Basic information		
NLE - Non-legislative enactments	<a href="#">2023/0136(NLE)</a>	Procedure completed
Economic governance: requirements for budgetary frameworks of the Member States		
Subject		
5.10.01 Convergence of economic policies, public deficit, interest rates		
5.20.01 Coordination of monetary policies, European Monetary Institute (EMI), Economic and Monetary Union (EMU)		

Key players			
European Parliament	Committee responsible	Rapporteur	Appointed
	 <a href="#">Economic and Monetary Affairs</a>		16/02/2024
		 <a href="#">FERBER Markus</a>	16/02/2024
		 <a href="#">MARQUES Margarida</a>	
		Shadow rapporteur	
		 <a href="#">KELLEHER Billy</a>	
		 <a href="#">LAMBERTS Philippe</a>	
		 <a href="#">RINALDI Antonio Maria</a>	
		 <a href="#">VAN OVERTVELDT Johan</a>	
		 <a href="#">GUSMÃO José</a>	
	Committee for opinion	Rapporteur for opinion	Appointed
	 <a href="#">Employment and Social Affairs</a>	The committee decided not to give an opinion.	
Council of the European Union			
European Commission	Commission DG <a href="#">Economic and Financial Affairs</a>	Commissioner GENTILONI Paolo	

Key events			
26/04/2023	Legislative proposal published	<a href="#">COM(2023)0242</a>	Summary

12/06/2023	Committee referral announced in Parliament		
11/12/2023	Vote in committee		
15/12/2023	Committee report tabled for plenary, 1st reading/single reading	<a href="#">A9-0440/2023</a>	Summary
23/04/2024	Debate in Parliament		
23/04/2024	Decision by Parliament	<a href="#">T9-0313/2024</a>	
29/04/2024	Act adopted by Council after consultation of Parliament		
30/04/2024	Final act published in Official Journal		

Technical information	
Procedure reference	2023/0136(NLE)
Procedure type	NLE - Non-legislative enactments
Procedure subtype	Consultation of Parliament
Legal basis	Treaty on the Functioning of the EU TFEU 126-p14-a3
Stage reached in procedure	Procedure completed
Committee dossier	ECON/9/11910

Documentation gateway					
Legislative proposal		<a href="#">COM(2023)0242</a>	26/04/2023	EC	Summary
European Central Bank: opinion, guideline, report		<a href="#">CON/2023/0020</a> <a href="#">OJ C 290 18.08.2023, p. 0017</a>	05/07/2023	ECB	
Economic and Social Committee: opinion, report		<a href="#">CES2275/2023</a>	20/09/2023	ESC	
Committee of the Regions: opinion		<a href="#">CDR0157/2023</a>	10/10/2023	CofR	
Amendments tabled in committee		<a href="#">PE754.923</a>	24/10/2023	EP	
Committee report tabled for plenary, 1st reading/single reading		<a href="#">A9-0440/2023</a>	15/12/2023	EP	Summary
Supplementary legislative basic document		15396/2023	03/01/2024	CSL	Summary
Text adopted by Parliament, 1st reading/single reading		<a href="#">T9-0313/2024</a>	23/04/2024	EP	

Additional information		
Research document	<a href="#">Briefing</a>	07/02/2024

Final act
<a href="#">Directive 2024/1265</a> OJ OJ L 30.04.2024

## Economic governance: requirements for budgetary frameworks of the Member States

PURPOSE: to reform the EU economic governance framework.

PROPOSED ACT: Council Directive.

ROLE OF THE EUROPEAN PARLIAMENT: the Council adopts the act after consulting the European Parliament but without being obliged to follow its opinion.

BACKGROUND: the proposed changes to Council Directive 2011/85/EU on requirements for Member States' budgetary frameworks are part of a package which also includes:

- a [proposal](#) for a regulation replacing Regulation (EC) No 1466/972 (preventive arm of the Stability and Growth Pact) and
- [amendment](#) of Regulation (EC) No 1467/973 (corrective arm of the Stability and Growth Pact).

The Directive and the preventive and corrective arms of the Stability and Growth Pact are part of the EU's economic governance framework.

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/EU laid down detailed rules concerning the characteristics of the budgetary frameworks of the Member States. 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.

In 2019, the European Court of Auditors published a report in which it identified weaknesses in the effectiveness of medium-term budgeting and independent budgetary institutions and recommended that the Commission strengthen the requirements for medium-term budgetary frameworks and independent budgetary institutions in line with international standards.

In its Communication of 9 November 2022, the Commission presented its guidelines for a reform of the EU economic governance framework. These guidelines provided for greater ownership of the framework by the Member States, its simplification and increased targeting in the medium term, while ensuring stricter and more consistent application of the rules. They also aimed to improve the structure and performance of independent fiscal institutions.

CONTENT: the proposed amendments to Council Directive 2011/85/EU aim to strengthen national ownership and the medium-term orientation of budgetary planning. Amendments should also address provisions on transparency and statistics, forecasting and medium-term budgeting to address weaknesses identified during implementation.

Specifically, the objectives of the changes are:

Simplification of existing legislation

Provisions on the submission of monthly cash-based fiscal data are not useful for strengthening national budgetary frameworks. Some provisions will become redundant if these requirements are included in the proposed preventive arm regulation.

Clarification of provisions

With regard to the macroeconomic and budgetary forecasts drawn up for the purposes of budgetary programming, it is proposed that the directive now makes specific reference to the independent bodies in charge of the ex-post evaluation of the forecasts. The directive should also better specify reporting requirements on general government bodies and funds that are not part of the regular national budgets, requirements on tax expenditure and contingent liabilities.

Strengthening national ownership

It is proposed to add or clarify requirements on independent fiscal institutions. In some cases, the proposed new provisions already applied to the euro area Member States as well as to Denmark, Bulgaria and Romania, as contracting parties to the Treaty on Stability, Coordination and Governance in Economic and Monetary Union (the TSCG).

Other proposed provisions aim to add tasks that would give independent fiscal institutions a role in the surveillance of the EU fiscal framework at national level. These include the preparation or endorsement of budgetary forecasts as well as assessing sustainability analyses and the impact of policies.

Lastly, some of the proposed provisions ensure the independence and accountability of IFIs to reflect standards identified by international organisations.

Promoting a medium-term orientation

It is proposed that the multiannual budgetary dimension in the forecasts is more systematically specified and so would be the link between the annual budget and medium-term planning.

Improving the quality of public finance

Provisions are proposed to promote the accountability of public budgets and increase the transparency of fiscal risks vis-à-vis climate change. The directive would now require assessing the risks deriving from climate change and the implications of climate policies on public finances.

It would also require Member States to publish data to the extent possible on disaster and climate-related contingent liabilities as well as on economic losses incurred from natural disasters and climate-related shocks. For these shocks, the fiscal costs borne by the public sector and the instruments used to mitigate or cover the shocks would also be reported.

## Economic governance: requirements for budgetary frameworks of the Member States

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The Committee on Economic and Monetary Affairs adopted the report by Esther de LANGE (EPP, NL) and Margarida MARQUES (S&D, PT) on the proposal for a Council directive amending Directive 2011/85/EU on requirements for budgetary frameworks of the Member States.

The committee responsible recommended that the European Parliament approve the Commission's proposal subject to amendments.

Independent fiscal institutions

Members considered that Member States should 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, and adequately staffed and funded.

Member States should ensure diversity of views and backgrounds in the composition of these institutions.

The report added that the institutions should:

- allow for the disclosure of minority and divergent positions in such assessments and opinions;
- regularly exchange best practices among each other coordinated by the European Fiscal Board (EFB);
- regularly consult relevant stakeholders;
- producing the annual and multiannual macroeconomic and budgetary forecasts underlying the governments medium-term planning or supporting or, where applicable according to national rules, endorsing the planning by the budgetary authorities;
- producing debt sustainability assessments underlying the governments medium-term planning by the budgetary authorities or supporting or, where applicable according to national rules, endorsing the assessment;
- producing assessments on the impacts of policies, including reform and investment commitments under the national medium-term fiscal-structural plans, on fiscal sustainability and sustainable and inclusive growth by the budgetary authorities or supporting or, where applicable according to national rules, endorsing;
- participate in regular hearings and discussions at the national Parliament and be available to provide technical analysis and advice to the national Parliament upon request.

#### Medium-term budgetary frameworks

Medium-term budget frameworks should include procedures for establishing the following elements:

- a description of medium-term policies, including investment and reforms, and if applicable, specifying the investments and reforms in the common priorities of the Union referred to in the Regulation on the [preventive arm](#) of the stability and growth pact;
- 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 should specify, to the extent possible and based on a transparent and replicable scientific methodology, the macro fiscal risks from climate change and their environmental and distributional impacts, and the implications on public finance of climate-related mitigation and adaptation policies over the medium-term and long-term.

#### Updating its medium-term budgetary framework plan

This Directive should not prevent a Member States new government from updating its medium-term budgetary framework plan to reflect its new policy priorities, nevertheless this is not to be encouraged, as it would imply lost momentum, particularly on the implementation of the reform agenda. The ambition of the reforms and investments in the revised plan should not be lower than the original plan.

## Economic governance: requirements for budgetary frameworks of the Member States

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**PURPOSE:** to reform the EU economic governance framework.

**PROPOSED ACT:** Council Directive (Agreement in principle with a view to consulting the European Parliament).

**ROLE OF THE EUROPEAN PARLIAMENT:** Council may adopt the act only if Parliament has given its consent to the act.

Parliament is being consulted again on the proposed amendments to Council Directive 2011/85/EU on the requirements for the budgetary frameworks of the Member States.

The proposed Directive is part of a package together with a Regulation of the Parliament and of the Council replacing [Regulation](#) (EC) No 1466/97 (the preventive arm of the Stability and Growth Pact) and Council [Regulation](#) amending Council Regulation (EC) No 1467/97 (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 intergovernmental Treaty on Stability, Coordination and Governance (TSCG) in the Economic and Monetary Union.

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/EU laid down detailed rules concerning the characteristics of the budgetary frameworks of the Member States.

Building upon the experience gained with the economic and monetary union since Directive 2011/85/EU came into force, it is proposed to amend its requirements regarding the rules and procedures forming the budgetary frameworks of the Member States.

The proposal includes the following aspects:

- specific provisions in Member States' law to strengthen national ownership beyond those currently required by Directive 2011/85/EU, in order to improve compliance with the provisions of the TFEU and, in particular, to prevent the occurrence of excessive government deficits;
- improve the collection of accrual data and information needed to generate accrual-based statistics in a way that is comprehensive and consistent across all subsectors of general government;
- oblige Member States to ensure that their annual and multiannual budgetary planning is based on realistic macroeconomic and budgetary forecasts, using the most up-to-date information. 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;
- ensure that 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;

- provide that 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 in order to achieve strengthened responsibility in fiscal policy;

- improve budgetary planning, due attention should be paid, to the extent possible, to the macro fiscal risks from climate change, including its environmental and distributional impacts;

- oblige Member States to publish: (i) information on how the relevant elements of their budgets contribute to achieving climate and environmental national and international commitments and the methodology used; (ii) data and descriptive information separately for expenditure, tax expenditure and revenue items; (iii) information on the distributional impact of budgetary policies and take into account employment, social and distributional aspects in the development of green budgeting;

- pay particular attention 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.

Transparency			
AUBRY Manon	Member	04/07/2023	Coalition of NGOs