AMENDMENTS 001-001
by the Committee on Economic and Monetary Affairs

Report
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Requirements for budgetary frameworks of Member States

AMENDMENTS BY PARLIAMENT

to the Commission proposal *

COUNCIL DIRECTIVE

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 the third subparagraph of Article 126(14) thereof,

Having regard to the proposal from the European Commission,

Having regard to the opinion of the European Parliament ¹,

Whereas:

(-1) Experience gained during the first decade of functioning of the economic and monetary union shows an urgent need for improved economic governance in the Union, which should be built on a stronger national ownership of commonly agreed

* Amendments: new or amended text is highlighted in bold italics; deletions are indicated by the symbol▌. 
¹ OJ C , , p. .
rules and policies and on a more robust surveillance framework at the Union level of national economic policies.

(1) There is a need to build upon the experience gained during the first decade of functioning of economic and monetary union. Recent economic developments have posed new challenges to the conduct of fiscal policy across the Union and have in particular highlighted the need for uniform requirements as regards the rules and procedures forming the budgetary frameworks of the Member States. In particular it is necessary to specify what national authorities must do to comply with the provisions of the Protocol (No 12) on the excessive deficit procedure annexed to the Treaties, and in particular Article 3 thereof, and with their commitment to the implementation of the strategies and policy objectives adopted by the European Council.

(1a) The Treaty on the Functioning of the European Union (TFEU) provides that in defining and implementing its policies and activities, the Union should take into account requirements linked to the promotion of a high level of employment, the guarantee of adequate social protection and the fight against social exclusion.

(1b) The European Council, meeting on 17 June 2010, adopted a new strategy for jobs and growth, the Europe 2020 strategy, to enable the Union to emerge stronger from the crisis, and to turn its economy towards smart, sustainable and inclusive growth, accompanied by high level employment, productivity and social cohesion. The European Council also decided to launch, on 1 January 2011, the European semester for policy coordination to allow Member States to benefit from early coordination at Union level and to enable enhanced surveillance and a simultaneous assessment of both budgetary measures and structural reforms fostering growth and employment.

(1c) This Directive is a part of the economic governance legislation which is aimed at long term economic stability in the Union.

(1d) The Stability and Growth Pact and the complete economic governance framework should complement and be compatible with a Union strategy for growth and jobs.

(1e) Achieving and maintaining a dynamic internal market should be considered an element of the proper and smooth functioning of economic and monetary union.

(1f) The improved economic governance framework should rely on several inter-linked policies for sustainable growth and jobs, which need to be coherent with each other, namely, a Union strategy for growth and jobs, the multilateral surveillance framework (European Semester), an effective procedure for preventing and correcting excessive budgetary positions (the Stability and Growth Pact), a robust framework for preventing and correcting macro-economic imbalances, enhanced financial market regulation and supervision.

(1g) A comprehensive and integrated solution to the euro area debt crisis is needed since a piecemeal approach has not worked so far.

(1h) Strengthening economic governance should go hand in hand with reinforcing the democratic legitimacy of economic governance in the Union, which should be achieved through a closer and a more timely involvement of the European Parliament.
and the national parliaments throughout the economic and budgetary policy coordination procedures.

(1i) The European semester for economic policy coordination (Semester) should play a vital role in implementing the requirement under Article 121(1) TFEU that Member States regard their economic policies as a matter of common concern and coordinate them accordingly. Transparency, accountability and independent oversight are an integral part of enhanced economic governance. The Council and the Commission should make public and set out the reasons for their positions and decisions at the appropriate stages of the economic policy coordination procedures.

(1j) The political response of the Member States to the assessments, decisions, recommendations and warnings issued to them by the Commission or Council in the framework of the Semester should be taken into account in the enforcement procedures of the preventive and corrective parts of the Stability and Growth Pact and in the enforcement measures to correct macroeconomic imbalances in the euro area.

(2) Member State governments and government sub-sectors maintain public accounting systems which include elements such as bookkeeping, internal control, financial reporting, and audit. These should be distinguished from statistical data which relate to the outcomes of government finances based on statistical methodologies, and from forecasts or budgeting actions which relate to future government finances.

(3) Complete and reliable public accounting practices for all sectors of general government are a precondition for the production of high quality statistics that are comparable across Member States.

(4) The availability of fiscal data is crucial to the proper functioning of the budgetary surveillance framework of the Union. Regular availability of timely and reliable fiscal data is the key to proper and well-timed monitoring, which in turn allows prompt action in the event of adverse budgetary developments or adverse developments affecting the general economic situation. A crucial element in ensuring the quality of fiscal data is transparency, which must entail regular public availability of such data.


(5a) To enhance trust in European Statistics and ensure the professional independence of national statistical authorities, Member States should remain fully committed to

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implementing Regulation (EC) No 223/2009, in particular the statistical principles as set out in the European statistics Code of Practice, endorsed by the Commission in its Recommendation of 25 May 2005 on the independence, integrity and accountability of the national and Community statistical authorities. Member States should also ensure national statistical authorities are given the necessary autonomy over budgetary allocations, publication of statistical information and a transparent procedure for appointing and dismissing senior management. In addition, national courts of auditors should also enjoy the same level of professional independence, in order to ensure full confidence in reporting at a European level.

(6) The definitions of 'government', 'deficit' and 'investment' are laid down in the Protocol on the excessive deficit procedure by reference to the European System of Integrated Economic Accounts (ESA), replaced by the European system of national and regional accounts in the Community (adopted by Council Regulation (EC) No 2223/96 of 25 June 1996 on the European system of national and regional accounts in the Community) and hereinafter referred to as 'ESA 95').

(7) Biased and unrealistic macroeconomic and budgetary forecasts may considerably hamper the effectiveness of fiscal planning and consequently impair commitment to budgetary discipline, while transparency and validation of forecasting methodologies should significantly increase the quality of macroeconomic and budgetary forecasts for fiscal planning.

(8) For both the Commission and the Member States, a crucial element in ensuring the use of realistic forecasts for the conduct of budgetary policy is transparency, which must entail publication and public availability not only of the official macroeconomic and budgetary forecast, but also of the methodologies, assumptions and parameters on which such forecasts are based.

(9) Alternative scenarios and their corresponding impact on budgetary projections supplement the central macroeconomic scenario and allow for analysis of how fiscal variables would evolve under different economic assumptions and thus greatly reduce the risk of budgetary discipline being jeopardised by forecast errors.

(10) Commission forecasts and information regarding the models on which they are based can provide Member States with a useful benchmark for their central scenario, enabling them to evaluate enhancing the validity of the forecasts used for budgetary planning, although the extent to which Member States can be expected to take the Commission forecasts into consideration will vary according to the timing of forecast preparation and the comparability of the forecast methodologies and assumptions. Forecasts from other independent bodies, at national or international level can also provide useful benchmarks.

(10a) If the Commission's forecasts provide a significantly more accurate reflection of actual economic activity than those of Member States whose currency is the euro, then those Member States should be required to use the Commission forecasts as the basis for their budgetary planning.

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(10b) Significant divergences between the forecasts of the Member States and those of the Commission should be explained in some detail in the stability and convergence programmes drawn up in accordance with Council Regulation (EC) No 1466/97 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies.

(10c) Given the interdependence between Member States' budgets and receipts and payments in respect of the Union's budget, in particular as regards co-financing of projects, that forecasts of the Union's budget should be prepared in accordance with a similar level of transparency to that required of the Member States. In this regard, the Union's budget should be analysed alongside those of the Member States during the Semester.

(10d) Agreement between the Commission and each Member State on forecasting methodology and type and range of assumptions which are used to draft budgetary forecasts could ensure transparency and clarity of forecasts made by the Member State. This should lead to avoidance of conflicting macro-fiscal scenarios and enhance the validity of the forecasts used for budgetary planning.

(11) The quality of official macroeconomic and budgetary forecasts would be enhanced by auditing them at the planning stage, this being done by an independent public body. Thorough auditing includes scrutiny of the economic assumptions, comparison with forecasts prepared by other institutions, and evaluation of past forecast performance.

(12) Considering the documented effectiveness of rules-based budgetary frameworks which has been noted in certain Member States in promoting budgetary discipline, strong national fiscal rules that are consistent with the budgetary objectives at the level of the Union must be a cornerstone of the strengthened budgetary surveillance framework of the Union. Fiscal rules are more likely to be effective if set at a national level, so as to take account of national considerations and ensure ownership. Best practices suggest that fiscal rules should avoid a backwards-looking perspective, which may not properly account for 'one-off' payments or receipts, and therefore may not necessarily give an accurate indication of future behaviour. Strong fiscal rules should be equipped with well-specified target definitions together with mechanisms for effective and timely monitoring. In addition, policy experience has shown that for numerical rules to work effectively, consequences must be attached to non-compliance, where the costs involved may be simply reputational.

(12a) An independent body or institution acting in the field of budgetary policy can have a valuable role to play in relation to the conduct of budgetary policy by offering expertise and ensuring transparency and credibility. Such independent public bodies can, inter alia, provide and audit macro-economic and budgetary forecasts, assess the Member State government's fiscal policy stance as well as the achievement of announced fiscal policy objectives, including by monitoring the respect of any national numerical fiscal rules.

(12b) Member States whose currency is the euro should ensure that they have a fiscal institute in place which, inter alia, monitors compliance with their national fiscal rules, including any activation of an escape clause.

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The number of specific circumstances in which temporary non-compliance with numerical fiscal rules is permitted should be limited.

The escape clauses allowing for a temporary deviation from the national fiscal rules refer to serious and exceptional economic circumstances and mitigating factors under Regulation (EC) No 1466/97 as specified in Council Regulation (EU) No ...2011 amending Regulation (EC) No 1467/97 on speeding up and clarifying the implementation of the excessive deficit procedure.

Member States and the European Union should avoid pro-cyclical fiscal policies and fiscal consolidation efforts should be concentrated in good times. Well-specified numerical fiscal rules are conducive to these objectives. These numerical fiscal rules should incorporate the aim of strengthening government expenditure control.

National fiscal planning can only be consistent with both the preventive and the corrective parts of the Stability and Growth Pact if it adopts a multi-annual perspective and pursues the achievement of the medium-term budgetary objectives in particular. Medium-term budgetary frameworks are strictly instrumental in ensuring that budgetary frameworks of the Member States are consistent with the legislation of the Union. In the spirit of Regulation (EC) No 1466/97 and Council Regulation (EC) No 1467/97 of 7 July 1997 on speeding up and clarifying the implementation of the excessive deficit procedure, the preventive and corrective parts of the Stability and Growth Pact should not be regarded in isolation.

The European Council adopted in March and June 2010 the EU2020 Strategy for a smart, sustainable and inclusive growth and jobs and wanted to base it on an enhanced coordination of economic policies. Therefore, since the economic governance puts the public debt on a equal footing with deficit, the medium-term budgetary frameworks should also contribute to alleviate the burden weighing on the shoulders of future generations.

Although approval of annual budget legislation is the key step in the budget process in which important budgetary decisions are adopted in the Member States, most fiscal measures have budgetary implications that go well beyond the yearly budgetary cycle. A single-year perspective therefore provides an insufficient basis for budgetary policies. In order to incorporate the multi-annual budgetary perspective of the budgetary surveillance framework of the Union, planning of annual budget legislation should be based on multiannual fiscal planning stemming from the medium-term budgetary framework, subject to constraints on the timetable to which our national parliaments are able to commit themselves.

Taking into account the principal of conferral that governs the limits of Union competences under Article 5 of the Treaty on European Union, the establishment of medium-term budgetary framework and the adoption of the multi-annual fiscal planning does not deprive any newly-elected government within the time frame covered by the planning to modify the previous policy options retained in order to reflect its own priorities. However, these priorities should be set under the constraints of Article 126 TFEU.

(16) Provisions of the budgetary surveillance framework established by the Treaty and in particular the Stability and Growth Pact apply to general government as a whole, which comprises the sub-sectors central government, state government, local government, and social security funds, as defined in Regulation (EC) No 2223/96. **The Member States’ provisions of the budgetary surveillance framework established by the TFEU and in particular the Stability and Growth Pact should be updated to International Public Sector Accounting Standards.**

(17) A significant number of Member States have experienced a sizeable fiscal decentralisation with the devolution of budgetary powers to sub-national governments. The role of such sub-national governments in ensuring that the Stability and Growth Pact is adhered to has thereby increased considerably, and particular attention should be paid to ensuring that all general government sub-sectors are duly covered by the scope of the obligations and procedures laid down in domestic budgetary frameworks, specifically, but not exclusively, in such more decentralised Member States.

(18) To be effective in promoting budgetary discipline and the sustainability of public finance, budgetary frameworks should comprehensively cover public finances. For this reason, operations of extra-budgetary funds and bodies that have an immediate or medium-term impact on Member States’ budgetary positions should be **reported in a transparent manner. Their expected or potential impact on general government budget balances and debt should be explicitly addressed in the medium-term budgetary frameworks.**

(18a) **The Commission should continually assess the implementation of this Directive. Best practices should be identified and shared, especially as regards the design and role of independent fiscal institutes.**

(18b) **The purpose and the features of this Directive call for a national transposition which is as close as possible to the text of the Directive. While this is true for all Member States, it is particularly true for the participating Member States.**

(18c) **There is a need for euro area Member States to implement into their national budgetary frameworks several features in addition to the features contained in this Directive for all the Member states. A chapter with specific provisions for the euro area Member States establishes these two features: top-down budgetary processes and independent institutions with expertise in fiscal policy tasked with providing independent monitoring, analysis, assessments and forecasts. Non euro area Member States can voluntary incorporate several or all of these additional features into their national budgetary frameworks.**

(18d) **Without prejudice to their rights and obligations under the TFEU, the Member States whose currency is not the euro should have the right to apply the economic governance legislation.**

(19) Since the objective of the action to be taken, namely uniform compliance with budgetary discipline as required by the Treaty, cannot be sufficiently achieved by the Member States and can be better achieved at Union level, the Union may adopt measures, in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty on European Union. In accordance with the principle of proportionality, as set out in that
HAS ADOPTED THIS DIRECTIVE:

CHAPTER I
Subject matter and definitions

Article 1
Subject matter

This Directive sets out detailed rules concerning the characteristics of the budgetary frameworks of the Member States that are necessary to ensure compliance with the obligation of the Member States with regard to excessive government deficits as referred to in Article 126(1) TFEU with due regard to related Protocols, including Protocol 15.

Article 2
Definitions

For the purposes of this Directive the definitions of 'government', 'deficit' and 'investment' set out in Article 2 of Protocol (No 12) on the excessive deficit procedure annexed to the Treaties shall apply.

In addition the following definition shall apply:

(a) 'participating Member States' means Member States whose currency is the euro;

(b) 'Member States with a derogation' means Member States that are not participating Member States;

(c) 'budgetary framework' means the set of arrangements, procedures and institutions that underlie the conduct of budgetary policies of general government, in particular:

(i) systems of budgetary accounting and statistical reporting;

(ii) rules and procedures governing the preparation of forecasts for budgetary planning;

(iii) national numerical fiscal rules, which align the conduct of fiscal policy with the Member State's respective obligations under the TFEU expressed in terms of a summary indicator of budgetary performance, such as the government budget deficit, borrowing, debt, or a major component thereof;

(iv) budgetary procedures comprising procedural rules to underpin the budget process at all stages;
(v) 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 medium-term budgetary objectives;

(vi) arrangements for independent monitoring, analysis, assessments and validation to enhance the transparency of elements of the budget process, including inter alia the mandate of independent institutions with expertise in fiscal policy or institutions acting in the field of budgetary policy;

(vii) mechanisms and rules that regulate fiscal relationships between public authorities across sub-sectors of general government.

Article 2a
Member States with a derogation

A Member State with a derogation may apply the rules applicable to participating Member States laid down in this Directive and, if so, shall notify the Commission accordingly. Such a notification shall be published in the Official Journal of the European Union. The Member State concerned shall be considered to be a participating Member State for the purposes of this Directive from the day after such publication.

CHAPTER II
Accounting and statistics

Article 3

1. To ensure the timely and accurate reporting of annual and quarterly ESA-based government data as required by the ESA transmission programme, Member States shall have in place public accounting systems, applying the accrual basis of accounting and comprehensively and consistently covering all sub-sectors of general government as defined by Regulation (EC) No 2223/96 (ESA 95). Those systems shall be subject to independent control and audit.

1a. In addition to the requirements in Article 3(1) participating Member States shall ensure that their public accounting systems are subject to independent control and audit.

1b. Member States shall move to adopt International Public Sector Accounting Standards within three years of this Directive coming into force.

1c. Member States shall ensure the professional independence of national statistical authorities, which shall be consistent with the European statistics code of practice as laid down in Regulation (EC) No 223/2009, and for national courts of auditors, which shall be consistent with Regulation (EC) No 479/2009 as regards the quality of
statistical data in the context of the excessive deficit procedure. As a minimum this shall require:

(a) transparent recruitment and dismissal processes which must be independent of the outcome of political elections;

(b) budgetary allocations which must be made annually;

(c) the date of publication of statistical information which must be designated at least one year in advance.

2. Member States shall ensure timely and regular public availability of fiscal data for all sub-sectors of general government. In particular Member States shall publish:

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

- monthly for central government, state government and social security funds, with each sub-sector thereof separately identified, before the end of the following relevant month, and

- quarterly, for local government and other extra-budgetary funds, within one month of the end of the relevant quarter;

(b) a detailed reconciliation table showing the elements of transition between cash based and ESA 95-based data.

CHAPTER III
Forecasts

Article 4

1. Member States shall ensure that fiscal planning is based on realistic macroeconomic and budgetary forecasts using the most up-to-date information, including national forecasts where they are more up to date than Commission forecasts. Budgetary planning shall be based on the most likely macro-fiscal scenario or on a more prudent scenario that highlights in detail deviations from the most likely macro-fiscal scenario. The macroeconomic and budgetary forecasts shall be prepared taking into account the Commission forecasts and those of other independent bodies as appropriate. A comparison will be undertaken with respect to the Commission forecast and significant divergences between the chosen macro-fiscal scenario and the Commission forecast shall be explained, in particular if the level or growth of exogenous variables with significant cross-border macroeconomic effects departs significantly from the values retained in the Commission's forecasts.

1a. The Commission shall make public the methodologies, assumptions, and parameters that underpin its macroeconomic and budgetary forecasts.
1b. In order to support a Member State in preparing its budgetary forecasts, the Commission shall provide forecasts for EU expenditure and revenues for the equivalent time period.

2. Macroeconomic and budgetary forecasts for fiscal planning shall comprise alternative macroeconomic scenarios to examine the path of fiscal variables under different economic conditions. The range of alternative scenarios used in macroeconomic and budgetary forecasts shall be guided by past forecast performance and shall endeavour to take into account the impacts of macroeconomic imbalances, where those have been highlighted, including in accordance with Regulation (EU) No .../2011 of the European Parliament and of the Council of ... on the prevention and correction of macroeconomic imbalances.

3. Before drafting macroeconomic and budgetary forecasts a Member State and the Commission may choose to reach agreement on the forecasting methodology and type and range of assumptions to be taken into account. Member States shall specify which institution is responsible for producing the forecast and shall make public the official macroeconomic and budgetary forecasts prepared for fiscal planning, including the methodologies, assumptions, and parameters underpinning those forecasts.

4. Member States shall have the macroeconomic and budgetary forecasts for fiscal planning regularly audited by independent bodies, including ex post evaluation of their own forecasting record. The result of this auditing shall be made public promptly and taken into account appropriately in future macroeconomic and budgetary forecasts.

In addition to these obligations participating Member States shall ensure auditing of their own past forecast record is done on an independent basis, such as by an independent public body. The auditing shall be conducted once a year. The result of this independent auditing shall be made public.

4a. Member States' debt and deficit levels and their evolution shall be published by Eurostat at least every three months.

4b. If, over the course of three consecutive years, the Commission's forecasts provide a significantly more accurate reflection of actual economic activity than those of participating Member States, then those Member States shall be required, subject to a Council decision to that effect, to base their budgetary planning on the Commission's forecasts or to use the forecasts of independent national bodies.

The Council shall monitor the situation and shall repeal any decision adopted under the first subparagraph where it deems that the Member State is producing forecasts adequate to meeting the requirements of this Article.
CHAPTER IV

National ownership – National numerical fiscal rules

Article 5

Member States shall have in place national binding numerical fiscal rules that effectively promote compliance over a multi-annual framework, with their respective obligations deriving from the TFEU in the area of budgetary policy, including Protocols attached thereto. Such rules shall include in particular:

(a) compliance with the principles on deficit and debt set in accordance with the Treaty;

(b) the adoption of a multi-annual fiscal planning horizon, including respect of the differentiated medium-term budgetary objectives.

Article 6

Without prejudice to the Treaty provisions of the budgetary surveillance framework of the Union, national numerical fiscal rules for Member States with a derogation shall contain specifications that address the following elements:

(a) the target definition and scope of the rules;

(b) effective and timely monitoring of compliance with the rules, such as by independent bodies national budget offices or institutions acting in the field of budgetary policy;

(c) consequences in the event of non-compliance that involve a clear political and financial cost for the authorities responsible for non-compliance, such as fines for the authorities carrying out the tasks.

Article 6a

Without prejudice to the provisions of the TFEU on the budgetary surveillance framework of the Union, national numerical fiscal rules for participating Member States shall contain specifications that address the following elements:

(a) the target definition and scope of the rules;

(b) effective and timely monitoring of compliance with the rules by independent bodies or institutions acting in the field of budgetary policy;
(c) consequences in the event of non-compliance that involve a clear political and financial cost for the authorities responsible for non-compliance, such as fines for the authorities carrying out the tasks.

Article 7

The annual budget legislation of the Member States shall reflect the constraints imposed by their national numerical fiscal rules in force.

CHAPTER V
Medium-term budgetary frameworks

Article 8

1. Member States shall establish an authoritatively scrutinised, effective medium-term budgetary framework providing for the adoption of a fiscal planning horizon of at least four years to ensure that national fiscal planning follows a multiannual fiscal planning perspective.

2. Medium-term budgetary frameworks shall include procedures for establishing the following items:

   (a) comprehensive and transparent multi-annual budgetary objectives in terms of the general government deficit, debt, expenditure and any other summary fiscal indicator, ensuring that these are consistent with any fiscal rules as provided for in Chapter IV in force,

   (b) detailed projections of each major expenditure and revenue item, by general government sub-sector, for the budget year and beyond, based on unchanged and changed policies,

   (c) a statement of the government’s medium-term priorities broken down by major revenue and expenditure item and by general government sub-sector, showing how the adjustment towards the medium-term budgetary objective is achieved compared to projections under unchanged and changed policies,

   (ca) an opinion as to how the proposed measures will affect the long-term sustainability of the public finances.

3. Projections adopted within medium-term budgetary frameworks shall be based on realistic macroeconomic and budgetary forecasts in accordance with Chapter III.
Article 9

Annual budget legislation shall be consistent with the provisions stemming from the medium-term budgetary framework. Specifically, revenue and expenditure projections and priorities resulting from the medium-term budgetary framework as specified in Article 8(2) shall constitute the basis for the preparation of the annual budget. Any departure from these provisions shall be duly justified.

Article 9a

This Directive shall not prohibit any newly-elected government to update the medium-term budgetary framework to reflect its new policy priorities provided:

(a) its debt-to-GDP ratio is sufficiently diminishing and approaching the reference value at a satisfactory pace;

(b) its budgetary position remains on the path to reach the medium-term budgetary objectives set in accordance with Regulation (EC) No 1466/97.

The Member State shall highlight the differences with the previous medium-term budgetary framework.

CHAPTER VI

Transparency of general government finances and comprehensive scope of budgetary frameworks

Article 10

Member States shall ensure that any measures taken to comply with Chapters II, III and IV are consistent across, and comprehensive in coverage of, all sub-sectors of general government. This shall in particular imply consistency of accounting rules and procedures, data publication schedules, and the integrity of their underlying data collection and processing systems.

Article 11

Member States shall establish appropriate mechanisms of co-ordination across sub-sectors of general government to provide for consistent coverage of all sub-sectors of general government in fiscal planning and in the preparation of budgetary forecasts and setting up multi-annual planning as laid down in the multi-annual budgetary framework in particular.

Article 12

1. Numerical fiscal rules shall be designed in order to ensure that fiscal targets cover all sub-sectors of general government and are in line with Member States' obligations under the Stability and Growth Pact.
2. In order to promote fiscal accountability, the budgetary responsibilities of public authorities in different sub-sectors of general government shall be clearly laid down.

Article 13

1. All the operations of extra-budgetary funds and bodies shall be integrated into the regular budgetary process. This shall comprise the inclusion of detailed information on these funds and operations in the standard budgetary documentation disseminated for fiscal planning, particularly for the purpose of discussion of the medium-term budgetary framework and annual budget legislation.

2. Member States shall publish detailed information on the impact of tax expenditures on revenues.

3. For all sub-sectors of general government, Member States shall publish information on assets and contingent liabilities with potentially large impacts on public budgets, including government guarantees, participation in capital, public ownership including real estate, performing and non-performing loans, and assets and liabilities stemming from the operation of public corporations, including their extent.

CHAPTER VIa

Specific provisions for the participating Member States

Article 13a

1. In addition to their obligations under this Directive and without prejudice to them, participating Member States shall incorporate into their budgetary frameworks:

   (a) a consolidated approach, meaning a budgeting approach that starts off from an agreement on the total net spending level that is then allocated in allotments for different ministries, government agencies, extra-budgetary funds, local or regional government and thereby supports consolidated adherence to net spending levels;

   (b) an independent body or institution acting in the field of budgetary policy whose task is to provide independent monitoring, analysis, assessments and forecasts in all areas of domestic fiscal policy which may have an impact in the compliance by the euro area Member State with its obligations deriving from Articles 121 and 126 TFEU and from any legislation and measures adopted under any of these Articles or under Article 136 TFEU.

2. Also in addition to their obligations under this Directive and without prejudice to them, Member States with a derogation may incorporate any or all of the above features into their budgetary frameworks, on a voluntary basis, in accordance with the procedure in Article 2a.
CHAPTER VII
Final provisions

Article 14

1. Member States shall bring into force the provisions necessary to comply with this Directive by 31 December 2012. Participating Member States shall bring into force the requirements of this Directive by introducing or amending relevant national legislation by 31 December 2013. All Member States shall forthwith communicate to the Commission the text of those provisions and shall provide a correlation table between those provisions and this Directive.

   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.

1a. For the purposes of clarification as to Member States' respective obligations under the TFEU and Protocols, Articles 5, 6, 7 of this Directive shall apply to those Member States who have adopted the euro, or plan to adopt the euro as signified by their membership of ERMII. Other Member States may choose to be bound by its provisions by notifying the Commission by three months before the entry into force of this Directive, or thereafter, having given three months notice.

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

Article 14a

Three years after the transposition date referred to in Article 14 the Commission shall publish a report assessing the implementation of provisions necessary to comply with this Directive.

The report shall evaluate, inter alia, the effectiveness of:

(a) the requirement for cash-based fiscal data to all sub-sectors of government;
(b) the accuracy of macro-economic forecasts following ex-post evaluation;
(c) the design and effectiveness of numerical fiscal rules;
(d) the design and effectiveness of fiscal institutes;
(e) the general level of transparency of government finances.

Article 15
This Directive shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.

**Article 16**

This Directive is addressed to the Member States.

Done at,

*For the Council*

*The President*