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A9-0439/ 001-001

AMENDMENTS 001-001

by the Committee on Economic and Monetary Affairs

Report

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A9-0439/2023

Effective coordination of economic policies and multilateral budgetary surveillance

Proposal for a regulation (COM(2023)0240 – C9-0150/2023 – 2023/0138(COD))

Amendment 1

AMENDMENTS BY THE EUROPEAN PARLIAMENT*

to the Commission proposal

2023/0138 (COD)

Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

on the effective coordination of economic policies and multilateral budgetary surveillance and repealing Council Regulation (EC) No 1466/97

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 121(6) thereof,

Having regard to the proposal from the European Commission,

* Amendments: new or amended text is highlighted in bold italics; deletions are indicated by the symbol **■**.

After transmission of the draft legislative act to the national parliaments,

Having regard to the opinion of the European Central Bank (footnote)

Acting in accordance with the ordinary legislative procedure,

Whereas:

- (1) The coordination of the economic policies of the Member States within the Union, as provided for by the Treaty on the Functioning of the European Union (TFEU), entails compliance with the guiding principles of stable prices, sound public finances and monetary conditions and a sustainable balance of payments.
- (2) The Stability and Growth Pact (SGP), which initially consisted of Council Regulation (EC) No 1466/97¹, Council Regulation (EC) No 1467/97 of 7 July 1997² and the Resolution of the European Council of 17 June 1997 on the Stability and Growth Pact³, is based on the objective of sound and sustainable government finances as a means of strengthening the conditions for price stability and for strong sustainable growth underpinned by financial stability, thereby supporting the achievement of the Union's objectives for sustainable and inclusive growth, **quality** employment **and competitiveness**.
- (3) The fiscal governance framework, which is the subject matter of this Regulation, is a part of the European Semester, which also comprises the coordination and surveillance of broader economic, employment **and relevant social** policies of the Member States, in accordance with Articles 121 and 148 TFEU, **including the European Pillar of Social Rights, and the related country-specific recommendations**.
- (4) The involvement of social partners, civil society organisations and other relevant stakeholders in the European Semester is key to ensure ownership and transparent and inclusive policy-making.
- (5) The economic governance framework of the Union should be adapted to better take into account the growing heterogeneity of fiscal positions, public debt challenges and other vulnerabilities across Member States. The strong policy response to the COVID-19 pandemic proved highly effective in mitigating the economic and social damage of the crisis, but the crisis resulted in a significant increase in public- and private-sector debt ratios, underscoring the importance of reducing debt ratios to prudent levels in a gradual, sustained and growth-friendly manner and addressing macroeconomic imbalances, while paying due attention to employment and social objectives. At the same time, the economic governance framework of the Union should be adapted to help address the medium- and long-term challenges facing the Union including achieving a fair digital and green transition, including the Climate Law⁴, ensuring energy security, open strategic autonomy, addressing demographic change, strengthening social and

¹ 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).

² 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).

³ Resolution of the European Council on the Stability and Growth Pact Amsterdam, 17 June 1997 (OJ C 236, 2.8.1997, p. 1).

⁴ 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, requiring significant public investment to reduce the negative socio-economic impacts of climate change on the EU and its Member States, including negative impacts on growth and fiscal sustainability.

economic resilience and implementing the strategic compass for security and defence, all of which requires reforms and sustained high levels of investment in the years to come.

- (6) The economic governance framework of the Union should put debt sustainability, **investments and reforms, the common priorities of the Union** and sustainable and inclusive growth **and resilience**, at its core and therefore differentiate between Member States by taking into account their public debt challenges and allowing country-specific fiscal trajectories, **and ensure consistency within the Union as a whole, including the euro area.**
- (6a) **Maintaining a high level of public investment is necessary in order to achieve the main objectives of the reform of the economic governance framework as laid down in this Regulation and addressing the current and future priorities of the Union. That framework could be strengthened by a common investment instrument at Union level. The lessons learned from the implementation of instruments such as SURE or NGEU could serve as inspiration for future instruments that aim to support the fiscal governance framework.**
- (7) The multilateral surveillance procedure set out in Article 121(2), (3) and (4) and Article 148(4) TFEU should monitor in accordance with more detailed rules the full range of economic and employment developments in each of the Member States and in the Union. That includes the detection of macroeconomic imbalances and the prevention and correction of excessive imbalances as set out in Regulations (EU) No 1174/2011¹ and (EU) No 1176/2011² of the European Parliament and of the Council. For the monitoring of such economic and employment developments, Member States should present information in the form of medium-term fiscal-structural plans.
- (7a) **Pursuant to Article 148(4) TFEU, the Commission, within the Social Convergence Framework, identifies risks to upward convergence for Member States in the Joint Employment report and subsequently publishes ‘Social Convergence Reports’ for those Member States which it has identified as facing risks to upward social convergence. The country-specific conclusions of the multilateral surveillance activities should provide input to the Commission’s country-specific recommendations.**
- (8) Detailed rules should therefore be laid down regarding the content, submission, assessment and monitoring of the national medium-term fiscal-structural plans, in order to promote debt sustainability, **investments and reforms, the common priorities of the Union** and sustainable and inclusive growth in the Member States and prevent the occurrence of excessive government deficits through medium-term planning.
- (9) National medium-term fiscal-structural plans should bring together the fiscal, structural reforms and investment commitments of each Member State and these plans should be the cornerstone of the economic governance framework of the Union. Each Member State should present a medium-term plan that sets out its **net expenditure path** as well as priority public investment and reform commitments that together ensure sustained and gradual debt reduction and sustainable and inclusive growth, avoiding a pro-cyclical fiscal policy, as well as broader reform and investment commitments, including in relation to the **European Green Deal**,¹ the European Pillar of Social Rights, **the Digital Decade Policy Programme 2030 and the Strategic Compass for Security and Defence**. **The national plans should also assess the public investment gaps, in particular to achieve those common Union priorities.** During the lifetime of the Recovery

¹ Regulation (EU) No 1174/2011 of the European Parliament and of the Council of 16 November 2011 on enforcement measures to correct excessive macroeconomic imbalances in the euro area (OJ L 306, 23.11.2011, p. 8).

² Regulation (EU) No 1176/2011 of the European Parliament and of the Council of 16 November 2011 on the prevention and correction of macroeconomic imbalances (OJ L 306, 23.11.2011, p. 25).

and Resilience Facility¹, commitments undertaken in the national Recovery and Resilience Plans should be duly taken into account.

- (10) Cohesion policy funds are also synchronised with the European Semester process. As the long-term investment policy of the EU budget, cohesion policy investments and reforms should also be duly taken into account in the drawing of the national medium-term fiscal-structural plans. Each Member State should also explain how its national medium-term fiscal-structural plan will ensure consistency *and, where appropriate, complementarity*, with the expenditure on EU programmes fully matched by EU funds revenue and the relevant national co-financing.
- (11) The presentation of the national medium-term fiscal-structural plan should be preceded by a technical dialogue with the Commission to ensure compliance with the provisions of this Regulation *as well as equal treatment of Member States. The technical dialogue should be properly documented for the purpose of transparency and accountability towards the European Parliament.* On the basis of a recommendation from the Commission *accompanied by an opinion of the European Fiscal Board (EFB) on the Union dimension and the original opinion of the national independent fiscal institution on the plan of the Member State concerned*, the Council should set the net expenditure path and endorse the reform and investment commitments, including those taken for the possible extension of the adjustment period, as appropriate.
- (12) In order to simplify the Union fiscal framework and increase transparency, a single operational indicator anchored in debt sustainability should serve as a basis for setting the fiscal path and carrying out annual fiscal surveillance for each Member State. That single operational indicator should be based on nationally financed net primary expenditure, that is to say *government expenditure net of interest expenditure*, discretionary revenue measures, **█** expenditure on programmes *of the Union* fully matched by Union funds *revenue, national expenditure on co-financing of programmes funded by the Union capped at a limit of 0,25% of GDP, cyclical elements of unemployment benefit expenditure, and costs related to the borrowing of funds for the loans related to the national Recovery and Resilience Facility Plans.* This indicator allows for macro-economic stabilisation as it is not affected by the operation of automatic stabilisers, including revenue and expenditure fluctuations outside the direct control of the government.
- (13) To *initiate the preparation of national* medium-term fiscal-structural plans, the Commission *should provide the underlying medium-term public debt projection framework based on the debt sustainability analysis methodology and macroeconomic forecast and assumptions for each Member State. For Member States with a public debt above the 60% of GDP reference value or a government deficit above the 3% of GDP reference value, a reference trajectory should be put forward to specify* the minimum fiscal adjustment that brings the debt trajectory of the Member State on a plausibly downward path *leading to sustainable debt reduction* or maintains debt at a prudent level. **█** The sustainability of that debt reduction should result from appropriate fiscal policies.
- (13a) *For the preparation of the reference trajectory, the Commission and the Member State concerned should hold a dialogue to assess compliance of the trajectory with the provisions of this Regulation. As part of that dialogue, the Member State may decide to present a proposal for a trajectory to the Commission. If as a result of the dialogue, the Commission and the Member State concerned disagree on whether the proposal for a reference trajectory complies with the provisions of this Regulation, the Commission should put forward a reference trajectory meeting the requirements laid down in this Regulation.*

¹ Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility (OJ L 57, 18.2.2021, p. 17).

- (14) The *reference trajectory* should also ensure that the government deficit is brought and maintained below the 3% of gross domestic product (GDP) reference value. ***It should also ensure that the public debt ratio stabilises over the adjustment period and is reduced every year over the projection period on average by at least one percentage point of debt to GDP for the Member States with a debt-to-GDP ratio exceeding 90% and at least half a percentage point for the Member States with a debt-to-GDP ratio of 60% to 90%.***
- (15) In order to assess whether further adjustments are required towards the end of the four-year implementation period of the national medium-term fiscal-structural plan, ***a new reference trajectory*** should *be* put forward if the public debt of the Member State is still above 60% of GDP reference value or its government deficit is higher than 3% of GDP reference value.
- (16) ***Prior to the submission of the national medium-term fiscal-structural plan, each Member State should consult relevant stakeholders, including regional authorities, and annex the result of that consultation to the plan.*** Each national medium-term fiscal-structural plan should ***also*** mention its status in the context of national procedures, notably whether there has been parliamentary approval of the plan ***and*** whether, ***if applicable***, the national parliament had the opportunity to discuss the Council recommendation on the previous plan ***and*** any other Council recommendation or decision, or any Commission warning.
- (16a) ***A new government in a Member State may submit a new or revised national medium-term fiscal-structural plan to the Commission. However, if there are objective circumstances preventing the implementation of the plan, a Member State may request to submit a revised plan to the Commission by no later than 12 months before the end of the current plan. A new or revised national medium-term fiscal-structural plan should only attempt to reverse or remove investments present in the original plan if their removal does not result in unjustified additional costs for the Member State.***
- (17) When Member States use assumptions in their *reference trajectory* that differ from the Commission's standard medium-term debt projection framework ***and macroeconomic forecast and assumptions***, they should explain and duly justify the differences in a transparent manner and based on sound economic arguments, ***in the dialogue with the Commission on the reference trajectory.***
- (18) Since Member States could face additional costs at the end of their medium-term fiscal-structural plan such as ageing costs or an unfavourable interest-growth differential, they should ensure that the headline balance at the end of the adjustment period will be sufficient to ensure that the deficit durably stays below the 3% of GDP reference value.
- (19) In order to allow for a proper interaction between the common Union framework and national budgetary frameworks, the Commission should base its assessment only on nationally financed net primary expenditure developments. Member States should be able to set their national budgetary objectives in terms of a different indicator, such as the structural balance if this is required by their national budgetary framework.
- █
- (21) In order to ensure the implementation of the medium-term fiscal-structural plans, the Commission and the Council should monitor the reform and investment commitments made in these plans under the European Semester, based on the annual progress reports submitted by the Member States, and in accordance with the provisions of Articles 121 and 148 TFEU. To that effect, they should engage in a European Semester dialogue with the European Parliament ***and a medium-term structural-fiscal plan dialogue with the competent committee of the European Parliament. The Commission should take into account elements arising from the views expressed through those dialogues.***
- (21a) ***The European Parliament should be duly involved in a regular and structured way in the European Semester. The Council and the Commission should regularly report to the***

European Parliament on the application of this Regulation and include in their reports the results of the multilateral surveillance carried out pursuant to this Regulation. In order to ensure transparency and accountability in the application of this Regulation, the Commission should transmit, subject to appropriate confidentiality arrangements where necessary, relevant documents and information simultaneously and on equal terms to the European Parliament and to the Council, such as the medium-term fiscal-structural plans submitted by Member States and the proposed net expenditure path, the debt sustainability assessments and an overview of the Commission's preliminary findings concerning the progress in the implementation of the plans.

- (22) To ensure a more gradual debt reduction, the adjustment period can be extended by a maximum of 3 years if the Member State underpins its medium-term fiscal-structural plan with a set of verifiable and time-bound reforms and investment that, taken altogether **as a rule**: are growth **and resilience**-enhancing, support fiscal sustainability, address the common priorities of the Union, address relevant country-specific recommendations addressed to the Member State under the European Semester, and address the country-specific investment priorities **■**. ***If duly justified, a Member State may be allowed to address several but not all of those criteria with regard to its set of reforms and investments underpinning an extension of the adjustment period.***
- (23) With a view to ensuring an equitable and transparent process, the reform and investment commitments should be assessed using a common Union framework. During the lifetime of the Recovery and Resilience Facility, commitments in the national Recovery and Resilience Plans **should be consistent with the set of reforms and investments** for an extension of the adjustment period, where applicable. The set of reforms and investments underpinning an extension of the fiscal adjustment path period should be commensurate with the degree of public debt challenges as established in the most recent update of the Debt Sustainability Monitor and challenges to medium-term growth in the Member State, **including demographic challenges**. For Member States where public debt challenges are linked to significant challenges to medium-term growth, the set of reforms and investments is expected to also address bottlenecks to medium-term growth.
- (24) The set of reform and investment commitments put forward in the national medium-term fiscal-structural plans should **actively contribute to the** common priorities of the Union. ***The Commission should pay particular attention to that contribution when assessing the net expenditure path proposed by the Member State.*** That set of reform and investment commitments should also be consistent with the implementation of the national strategies put forward by the Member State concerned to address the relevant Union priorities **and with the Recovery and Resilience Plans**, during the lifetime of the Recovery and Resilience Facility, **and with any Union investment instruments that address the common priorities of the Union or serve the same purpose as the Recovery and Resilience Facility.**
- (25) Where the verifiable and time-bound set of reform and investment commitments underpinning the more gradual net expenditure path is not met within the specified deadline, the Council, on a recommendation from the Commission, can recommend that adjustment be steepened, that is to say by shortening the extension of the net expenditure path.
- (26) To inform enforcement actions, in particular a report under Article 126(3) TFEU, the Commission should set up a control account for each Member State to keep track of annual deviations of the net expenditure observed in the Member State from the net expenditure path set by the Council, summing those deviations over time. ***A Member State should be deemed not to be in compliance with its net expenditure path where the cumulated balance of the control account during the adjustment period is higher than 1% of GDP in the years of positive GDP growth. For certain strategic investments that address the common priorities of the Union, and that have added value for the Union as a whole, the Commission should be able to exceptionally allow Member States to exceed the reference value in the control***

account, for example in exceptional cases where investment costs increase due to unforeseen circumstances or where the need to make additional strategic investments arises during the adjustment period. Any deviation from the reference value can be granted by the Commission for a period of up to 5 years per request.

- (26a) *A dedicated scoreboard should be established by way of a delegated act to display the progress of the implementation of the medium-term fiscal-structural plans of the Member States. The scoreboard should be operational by June 2024 and should be updated by the Commission twice a year.*
- (27) Independent fiscal institutions have proven their capacity to foster fiscal discipline and strengthen the credibility of Member States' public finances. In order to enhance national ownership, the role of independent fiscal institutions, traditionally mandated to monitor compliance with the national framework, should be expanded to the economic governance framework of the Union.
- (27a) *The Commission should establish a European Fiscal Board (EFB) as an independent expert group to advise on the Union's economic policy coordination.*
- (28) When providing an opinion on the draft budgetary plans submitted pursuant to Article 6 of Regulation (EU) No 473/2013 of the European Parliament and of the Council¹, the Commission should assess if the draft budgetary plans are consistent with the net expenditure paths pursuant to this Regulation.
- (29) Particular attention should be given to significant risks of divergences of budgetary positions from the net expenditure path set by the Council. Therefore it is appropriate to complement the multilateral surveillance procedure set out in Article 121(3) and (4) TFEU with an early warning system whereby the Commission pursuant to Article 121(4) TFEU alerts a Member State at an early stage about the need to take the necessary budgetary corrective action in order to prevent its government deficit becoming excessive. Moreover, in the event of persistent budgetary slippage the Council should reinforce its recommendation and make it public.
- (30) In case of major shocks to the euro area or the Union as a whole, it is necessary to have a general escape clause to be able to deal with a severe economic downturn in the euro area or the Union as a whole by allowing for a deviation from the net expenditure path provided that it does not endanger fiscal sustainability in the medium term.
- (31) There should also be a country-specific escape clause to allow a deviation from the net expenditure path provided that it does not endanger fiscal sustainability in the medium term in the case of exceptional circumstances, such as unpredictable exogenous events that could not have been prevented and that require counter-cyclical fiscal measures, outside the control of the Member State which have a major impact on the public finances of the Member State. Such major impact should result in an overall size of the shock that exceeds a 'normal' range. ***The assessment of whether fiscal sustainability is endangered for the application of both the general and country-specific escape clauses should be based on a quantitative and qualitative analysis by the Commission.*** The triggering and extension of general and country-specific escape clauses are subject to a Council recommendation.
- (32) This Regulation is part of a package together with Council Directive [XXX amending 2011/85/EU] and Council Regulation [XXX amending Council Regulation (EC) No 1467/97]. Together, they establish a reformed Union economic governance framework that incorporates into Union law the substance of Title III 'Fiscal Compact' of the Treaty on Stability,

¹ 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).

Coordination and Governance (TSCG) in the Economic and Monetary Union¹, in accordance with Article 16 thereof. By building on the experience with the implementation of the TSCG by the Member States, the proposed legislative 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 means of a stronger role for Independent Fiscal Institutions, which draws essentially on the Fiscal Compact's common principles proposed by the Commission² 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 this Regulation. As in the Fiscal Compact, temporary deviations from the medium-term plan are allowed only in exceptional circumstances in this Regulation. In a similar vein to the Fiscal Compact, 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.

- (33) In order to ensure effective implementation and appropriate monitoring of this Regulation, the power to adopt acts in accordance with Article 290 TFEU should be delegated to the Commission in respect of: the information to be provided by Member States in their medium-term fiscal-structural plans, the information to be provided by Member States in their annual progress reports, the *methodology for debt sustainability analysis*, the methodology to assess plausibility *that the projected public debt ratio is on a downward path leading to sustainable debt reduction or remains at a prudent level, the implementation of a scoreboard* and the assessment framework for the set of reform and investment commitments underpinning an extension of the fiscal adjustment period. It is of particular importance that the Commission carries out appropriate consultations during its preparatory work, including at expert level, and that those consultations be conducted in accordance with the principles laid down in the Interinstitutional Agreement of 13 April 2016 on Better Law-Making³. In particular, to ensure equal participation in the preparation of delegated acts, the European Parliament and the Council receive all documents at the same time as Member States' experts, and their experts systematically have access to meetings of Commission expert groups dealing with the preparation of delegated acts.
- (33a) *A methodology for debt sustainability analysis should be adopted by means of a delegated act no later than 12 months after the entry into force of this Regulation. For that purpose, the Commission should identify factors that are relevant to assessing the sustainability of debt. For the first year in which the Member States are required to submit their medium-term fiscal-structural plans, the basis for the underlying medium-term public debt projection framework should be the 2022 Debt Sustainability Monitor.*
- (34) The multilateral surveillance should be based on high quality and independent statistics produced in accordance with the principles laid down in Regulation (EC) No 223/2009 of the European Parliament and of the Council⁴,

¹ Treaty on Stability, Coordination and Governance in the Economic and Monetary Union of 2 March 2012.

² Communication COM(2012) 342 final of 20 June 2012 from the Commission 'Common principles on national fiscal correction mechanisms.'

³ OJ L 123, 12.5.2016, p. 1.

⁴ Regulation (EC) No 223/2009 of the European Parliament and of the Council of 11 March 2009 on European statistics and repealing Regulation (EC, Euratom) No 1101/2008 of the European Parliament and of the Council on the transmission of data subject to statistical confidentiality to the Statistical Office of the European

CHAPTER I
SUBJECT-MATTER AND DEFINITIONS

Article 1

Subject-matter

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

It lays down detailed rules concerning the content, submission, assessment and monitoring of national medium-term fiscal-structural plans as part of multilateral budgetary surveillance by the Council and the Commission, **with the involvement of the European Parliament**, so as to promote debt sustainability, **investments and reforms, common priorities of the Union**, and sustainable and inclusive growth **and resilience** in the Member States and **to** prevent the occurrence of excessive government deficits, by medium-term planning **ensuring consistency within the Union, including the euro area**.

Article 2

Definitions

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

- (1) 'country-specific recommendation' means the annual guidance by the Council to a Member State on economic, budgetary, employment and structural policies in accordance with Articles 121 and 148 of the Treaty on the Functioning of the European Union (TFEU);
- (2) 'net expenditure' means government expenditure net of interest expenditure, discretionary revenue measures, **expenditure on programmes of the Union fully matched by Union funds revenue, national expenditure on co-financing of programmes funded by the Union capped at a limit of 0,25% of GDP, cyclical elements of unemployment benefit expenditure, and costs related to the borrowing of funds for the loans related to the national Recovery and Resilience Facility Plans**;
- (3) '**reference** trajectory' means **for each Member State** with public debt above the 60% of gross domestic product (GDP) reference value or government deficit above the 3% of GDP reference value, **the net expenditure trajectory put forward by the Commission, following an optional presentation of a proposal by each Member State concerned and the dialogue referred to in Article 7(1a)**;
- (4) 'net expenditure path' means the multi-annual trajectory for net expenditure of a Member State as set by the Council;
- (5) 'national medium-term fiscal-structural plan' means the document containing the fiscal, reform and investment commitments of a Member State;
- (6) 'annual progress report' means the document of a Member State reporting on the implementation of the national medium-term fiscal-structural plan, **including its net expenditure path and the reform and investment commitments**;

Communities, Council Regulation (EC) No 322/97 on Community Statistics, and Council Decision 89/382/EEC, Euratom establishing a Committee on the Statistical Programmes of the European Communities (OJ L 87, 31.3.2009, p. 164).

- (7) ‘adjustment period’ means the period of time over which the fiscal adjustment of a Member State takes place, covering a minimum adjustment period of 4 years of the national medium-term fiscal-structural plan and its possible extension;
- (8) ‘control account’ means a record of the cumulated deviations of the actual net expenditure in a Member State from the net expenditure path;
- (9) ‘structural balance’ means the cyclically adjusted general government balance net of temporary measures;
- (10) ‘structural primary balance’ means the cyclically adjusted general government balance net of temporary measures and net of interest expenditure.
- (10a) ‘projection period’ means the adjustment period plus 10 years.**

CHAPTER II EUROPEAN SEMESTER

Article 3

The European Semester

In order to ensure closer coordination of economic *and relevant social* policies and sustained convergence of the economic and social performance of the Member States, the Council and the Commission, ***with the involvement of the European Parliament in accordance with Article 25a***, shall conduct multilateral surveillance within the European Semester in accordance with the objectives and requirements set out in the TFEU. Multilateral surveillance shall rely on high quality and independent statistics, produced in accordance with the principles laid down in Regulation (EC) No 223/2009 of the European Parliament and of the Council.

In order to achieve its overarching aim of ensuring closer coordination of economic, social, budgetary and structural policies and for the purposes of the overall assessment of economic performance, the European Semester shall include:

- (a) the formulation, and the surveillance of the implementation, of the broad guidelines for the economic policies of the Member States and of the Union in accordance with Article 121(2) TFEU, of country-specific recommendations and of the recommendation on the economic policy of the euro area;
- (b) the formulation, and the surveillance of the implementation, of the employment guidelines that are to be taken into account by Member States in accordance with Article 148(2) TFEU, ***of the European Pillar of Social Rights and its headline targets***, and of the related country-specific recommendations ***as well as the social scoreboard and its headline and secondary indicators and the Social Convergence Framework to prevent and identify social convergence risks***;
- (c) the submission, assessment and endorsement of Member States’ medium-term fiscal-structural plans, as well as their monitoring via the annual progress reports;
- (d) the surveillance to prevent and correct macroeconomic imbalances pursuant to Regulation (EU) No 1176/2011;
- (e) other multilateral surveillance procedures established by the European Parliament and the Council pursuant to Article 121(6) TFEU.

Article 4

Implementation of the European Semester

1. **Whenever** necessary, following the assessment pursuant to this Regulation of the medium-term fiscal-structural plans, the annual progress reports and the socio-economic situation of the Member States concerned, the Council shall, on the basis of recommendations from the Commission, address recommendations to those Member States making full use of the legal instruments provided in Articles 121 and 148 TFEU and related secondary legislation.
2. Member States shall take due account of the broad guidelines for the economic policies of the Member States, of the employment guidelines and of the recommendations referred to in Article 3, second paragraph, points (a) and (b) before taking key decisions in the development of their economic, **social**, employment, **structural** and budgetary policies. Progress shall be monitored by the Commission.
3. Failure by a Member State to act upon the guidance received may result in:
 - (a) further country-specific recommendations;
 - (b) a warning by the Commission or a recommendation by the Council pursuant to Article 121(4) TFEU;
 - (ba) a recommendation by the Council in accordance with Article 148(4) TFEU;**
 - (c) measures under this Regulation, Council Regulation (EC) No 1467/97¹ or Regulation (EU) No 1176/2011.

CHAPTER III

THE TECHNICAL TRAJECTORY

Article 5

Reference trajectory

For each Member State having a public debt above the 60% of GDP reference value or a government deficit above the 3% of GDP reference value, the Commission shall put forward, in a report to the **European Parliament and the Council**, a **reference trajectory**. **For the preparation of the report, the Commission shall consult the Member State concerned including, where applicable, on its proposed reference trajectory, as part of the dialogue referred to in Article 7(1a), while ensuring fair and equal treatment of all Member States.**

The reference trajectory shall be set in levels of net expenditure and be based on the debt sustainability analysis methodology as referred to in Article 7(1), point (a), which is publicly available.

The reference trajectory shall cover a minimum adjustment period of 4 years of the national medium-term fiscal-structural plan, and its possible extension by a maximum of 3 years pursuant to Article 13. The Commission shall make the report public **in accordance with Article 9**.

Article 6

Requirements for the reference trajectory

The **reference trajectory** shall ensure that:

¹ 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).

- (a) the public debt ratio is put or remains on a plausibly downward path, *leading to sustainable debt reduction* or stays at prudent levels;
- (b) the government deficit is brought and maintained below the 3% of GDP reference value;
- (c) the fiscal adjustment effort over the period of the national medium-term fiscal-structural plan is at least proportional to the total effort over the entire adjustment period;
- (d) the public debt ratio *stabilises over the adjustment period and is reduced every year over the projection period on average by at least one percentage point of debt to GDP for the Member States with a debt-to-GDP ratio exceeding 90% and at least half a percentage point for the Member States with a debt-to-GDP ratio of 60% to 90%.*

If a Member State's government deficit is above 3% while the public debt is below the 60% of GDP reference value, point (d) shall not apply.

The *reference* trajectories shall be differentiated for each Member State. █ .

Article 7

The reference trajectory procedure

1. *At least three months before the date for Member States █ to submit their medium-term fiscal-structural plans for the first time and mutatis mutandis thereafter, the Commission shall provide the following information to the European Parliament and the Council:*
 - (a) the *country-specific* underlying medium-term public debt projection framework *based on the debt sustainability analysis methodology* and results;
 - (b) its *country-specific* macroeconomic forecast and assumptions.

- 1a. *At least two months before the date for Member States to submit their medium-term fiscal-structural plans, the Commission and the Member State concerned shall hold a dialogue with the objective of ensuring that the reference trajectory complies with Articles 5 and 6. As part of that dialogue, the Member State concerned shall be allowed to present a proposal for a reference trajectory to the Commission, taking into account the information referred in paragraph 1, points (a) and (b). The proposal for a reference trajectory shall be accompanied by an opinion of the independent fiscal institution of the Member State concerned. However, failure by the independent fiscal institution to deliver such an opinion within a reasonable timeframe shall not prevent the submission of the Member State's proposal for a reference trajectory.*

Where, in the course of the dialogue referred to in the first subparagraph, the Member State concerned chooses not to present a proposal for a reference trajectory or fails to do so in a timely manner, or where the Commission and the Member State concerned are unable to agree on a reference trajectory the Commission shall put forward a reference trajectory meeting the requirements set out in Article 6.

The Commission shall transmit the reference trajectories to European Parliament and the Council, together with the proposals for reference trajectories by the Member States and all data, assumptions and calculations underlying those trajectories, in such a way that allows for their replication.

2. For Member States having a government deficit below the 3% of GDP reference value and public debt below the 60% of GDP reference value, the Commission shall provide technical information regarding the structural primary balance necessary to ensure that the headline deficit is maintained below the 3% of GDP reference value without any additional policy measures over a 10-year period after the end of the national medium-term fiscal-structural plan.

3. *Each Member State having a public debt above the 60% of GDP reference value or a government deficit above the 3% of GDP reference value shall update its proposal for a reference trajectory at least two months before the submission of the next medium-term fiscal-structural plans.*

Article 8

Assessment of plausibility and debt sustainability

To assess plausibility that the projected public debt ratio of the Member State concerned is on a downward path *which, with appropriate fiscal policies, leads to sustainable debt reduction* or remains at a prudent level, the Commission shall use *a replicable, predictable and transparent methodology based on the following conditions:*

- (a) public debt ratio declines or stays at prudent levels, under the deterministic scenarios of the Commission's medium-term public debt projection framework, based on debt sustainability analysis methodology;*
- (b) the risk of the public debt ratio not decreasing in the 5 years following the adjustment period of the national medium-term fiscal-structural plan is sufficiently low, that risk being assessed with the help of the Commission's stochastic analysis.*

The Commission shall inform the European Parliament and the Council of its analysis of plausibility and the underlying data, subject to confidentiality arrangements where necessary.

By ... [12 months from the date of entry into force of this Regulation], the Commission shall adopt a delegated act in accordance with Article 33 to supplement this Regulation by defining the methodology for debt sustainability analysis and the methodology for the assessment of plausibility referred to in paragraph 1. Delegated acts shall be sufficiently detailed in the disclosure of models and ranges of variables and assumptions so as to enable replicability of the debt sustainability analysis.

For the purpose of the delegated act on debt sustainability analysis, the Commission shall identify the relevant factors to assess the sustainability of debt, taking into consideration, in particular the future evolution of sustainable growth; interest rates; the level of inflation; liquidity risks; the structure of the debt; contingent liabilities; the potential growth impact of the reforms and investments underpinning the implemented national medium-term fiscal-structural plans, as well as climate risks.

For the first year in which the Member States are to submit their medium-term fiscal-structural plans, and as long as the delegated act referred to in paragraph 3 is not adopted, the underlying medium-term public debt projection framework shall be based on the most recent update of the Debt Sustainability Monitor.

CHAPTER IV

NATIONAL MEDIUM-TERM FISCAL-STRUCTURAL PLANS

Article 9

Submission of the national medium-term fiscal-structural plans

Each Member State shall submit to the Council and to the Commission a national medium-term fiscal-structural plan before end-April following the entry into force of this Regulation. The Member State concerned and the Commission may agree to extend this deadline by a reasonable period if necessary. *The European Parliament shall, without undue delay, be informed in writing about each extension and the reasons underlying it.*

Each Member State shall submit to the Council and to the Commission a new national medium-term fiscal-structural plan before the end of April of the final year covered by the ongoing medium-term fiscal-structural plan.

The national medium-term fiscal-structural plan shall be accompanied by an opinion of the independent fiscal institution of the Member State concerned, in particular regarding the fulfilment of the criteria in Article 15 and the assumptions used in the reference trajectory. However, failure by the independent fiscal institution to deliver such an opinion within a reasonable timeframe shall not prevent the submission of the plan by the Member State.

Prior to the submission of its national medium-term fiscal-structural plan to the Council and Commission, each Member State shall establish a structured cooperation mechanism to receive contributions to that national medium-term fiscal-structural plan from civil society, social partners, regional authorities and other relevant stakeholders. The recommendations and suggestions submitted in the framework of the structured cooperation mechanism shall be included as an annex to the national medium-term fiscal-structural plans.

Prior to the submission of its national medium-term fiscal-structural plan to the Council and Commission, each Member State shall debate the draft national medium-term fiscal-structural plan with its national parliament.

The Member State shall make its national medium-term fiscal-structural plan public *upon its submission to the Council and the Commission, along with the reference trajectory and all data, assumptions and documents related to the negotiations used for the reference trajectory.*

Article 10

Technical dialogue

Prior to the submission of its national medium-term fiscal-structural plan, the Member State concerned shall hold with the Commission a technical dialogue, with the objective of ensuring that the national medium-term fiscal-structural plan complies with Articles 11, 12, 14 *and, where relevant, Article 13. The Commission shall ensure equal treatment of Member States. To ensure transparency and accountability, the Commission shall retain the minutes and all related documents prepared ahead, during and after each technical dialogue until at least the end of the second intended adjustment period. After the submission of the national medium-term fiscal structural plan to the Council and the Commission, the European Parliament shall have access to those documents upon request, subject to confidentiality arrangements, where necessary.*

Article 11

Content of the national medium-term fiscal-structural plan

1. A national medium-term fiscal-structural plan shall provide the information listed in Annex II. In particular, it shall present a net expenditure *path, set in the form of nominal targets*, covering a period of at least 4 years, as well as the underlying macroeconomic assumptions and the planned fiscal-structural measures in order to demonstrate compliance with the requirements of Article 12.

■
■

Article 12

Requirements for the national medium-term fiscal-structural plans

The national medium-term fiscal-structural plan shall:

- (a) ensure the **primary structural** fiscal adjustment necessary to put or keep public debt on a plausibly downward path **leading to sustainable debt reduction**, by the end of the adjustment period at the latest, or remain at prudent levels, and to bring and maintain the government deficit below the 3% of GDP reference value over the medium term;
- (b) explain how it will ensure the delivery of investment and reforms responding to the main challenges identified within the European Semester, in the country-specific recommendations **and, correct, if applicable**, the identified macroeconomic imbalances under the Macroeconomic Imbalances Procedure, **the warnings by the Commission or the recommendations by the Council made pursuant to Article 121(4) TFEU**;

In addition, the national medium-term fiscal-structural plan shall explain how it will ensure consistency with the broad guidelines for the economic policies of the Member States and with the employment guidelines in accordance with Article 121(2) and Article 148(2) TFEU and, if applicable, prevent social convergence risks identified within the European Semester in accordance with Article 3, second paragraph, point (b);

(ba) explain how it will address the following common priorities of the Union:

(i) the European Green Deal¹, including the transition to climate neutrality by 2050² and the translation at national level through the National Energy and Climate Plans;

(ii) the European Pillar of Social Rights³ including the related targets on employment, skills and poverty reduction by 2030;

(iii) the Digital Decade Policy Programme 2030⁴, and reflected at national level through the National Digital Decade Strategic Roadmaps;

(iv) a Strategic Compass for Security and Defence - For a European Union that protects its citizens, values and interests and contributes to international peace and security⁵.

(bb) explain how it will ensure consistency with the updated National Energy and Climate Plans, the European Climate Law and the National Digital Decade Roadmaps;

(bc) assess the national public investment gaps, including to achieve each of the common priorities of the Union referred to in point (ba);

(c) if applicable, explain how it will ensure the delivery of a relevant set of reforms and investments referred to in Article 13, underpinning an extension of the Member State's adjustment period by 3 years at most;

(d) explain how it will ensure consistency **and, where appropriate, complementarity**, with the Recovery and Resilience Plan of the Member State concerned during the period of availability of the Recovery and Resilience Facility in accordance with Regulation (EU) 2021/241 **and with any Union investment instruments that address the Union's common priorities or serve the same purpose as the Recovery and Resilience Facility**;

¹ ***Communication COM(2019) 640 final of 11 December 2019 from the Commission 'The European Green Deal' and Decision (EU) 2022/591 of the European Parliament and of the Council of 6 April 2022 on a General Union Environment Action Programme to 2030 (OJ L 114, 12.4.2022, p.22).***

² ***Regulation (EU) 2021/1119 of the European Parliament and of the Council of 30 June 2021 establishing the framework for achieving climate neutrality and amending Regulations (EC) No 401/2009 and (EU) 2018/1999 ('European Climate Law').***

³ ***(2017/C 428/09) Interinstitutional Proclamation on the European Pillar of Social Rights (OJ C 428, 13.12.2017, p. 10).***

⁴ ***Decision (EU) 2022/2481 of the European Parliament and of the Council of 14 December 2022 establishing the Digital Decade Policy Programme 2030 (OJ L 323, 19.12.2022, p. 4).***

⁵ ***Council of the European Union, COPS 130.***

(da) explain how it will ensure consistency and, where appropriate, complementarity with Union funds, in particular with the cohesion policy funds benefiting the Member State concerned.

Article 13

Requirements for an extension of the adjustment period

1. Where a Member State commits to a relevant set of reforms and investments in accordance with the criteria set out in paragraph 2, the adjustment period may be extended by 3 years at most.
2. The set of reform and investment commitments underpinning an extension of the adjustment period, shall be commensurate with the degree of public debt challenges and challenges to medium-term growth in the Member State concerned.

The set of reforms and investment commitments shall fulfil, *as a general rule*, taken altogether, the following criteria:

- (i) be growth *and resilience* enhancing;
- (ii) support fiscal sustainability;
- (iii) address the common priorities of the Union referred to in *Article 12, points (ba) and (bb)*;
- (iv) address relevant country-specific recommendations addressed to the Member State concerned, including, where applicable, recommendations issued under the Macroeconomic Imbalances Procedure.

3. Each of the reform and investment commitments underpinning an extension of the adjustment period shall be sufficiently detailed, *adequately distributed throughout the period covered by the plan and at the latest by the end of the adjustment period* time-bound and verifiable.
4. *The set of reforms and investments for an extension of the adjustment period shall be consistent with commitments included in the approved Recovery and Resilience Plan of the Member State concerned during the lifetime of the Recovery and Resilience Facility, in accordance with Regulation (EU) 2021/241, and the Partnership Agreement in Multiannual Financial Framework.*
5. The assessment of whether the set of reforms and investment commitments fulfil the criteria set out in paragraph 2 and of whether each of the reform and investment commitment fulfil the conditions set out in paragraph 3 shall be carried out in accordance with the assessment framework set out in Annex VII.

Article 14

Revised national medium-term fiscal-structural plan

1. *By no later than 12 months before the end of the current national medium-term fiscal structural plan*, a Member State may request to submit a revised national medium-term fiscal-structural plan to the Commission before the end of its adjustment period if there are objective circumstances preventing the implementation of the *current* national medium-term fiscal-structural plan **■**. *The levels of ambition of the reform and of investments in the revised plan shall not be lower than the levels of the original plan.*
- 1a. *A new government in a Member State may submit a new or revised national medium-term fiscal-structural plan to the Commission, taking into account the level of ambition of the previous plan.*

- 1b.** *A revised national medium term fiscal structural plan shall be accompanied by an opinion of the national independent fiscal institutions of the Member State concerned assessing the circumstances preventing the implementation of the original plan. However, failure by the independent fiscal institution to deliver such an opinion within a reasonable timeframe shall not prevent the submission of the Member State's revised national medium-term fiscal-structural plan.*
2. Prior to the submission of the revised national medium-term fiscal-structural plan, *a new reference trajectory* shall *be* put forward, *in accordance with Article 5* .
3. Taking into account the past adjustment of the Member State concerned or the lack thereof, the new *reference* trajectory shall not allow backloading of the fiscal adjustment effort and shall not lead to a lower fiscal adjustment effort.
4. Where a revised national medium-term fiscal-structural plan is submitted, Articles 12 and 15 to 19 shall apply.
5. The Commission shall in particular assess, if applicable, whether any extension of the adjustment period is to continue to apply under the revised national medium-term fiscal-structural plan, taking into account the implementation of the set of reform and investment commitments underpinning the extension under the original plan and the changes in terms of public debt challenges under the revised national medium-term fiscal-structural plan.

Article 15

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

1. The Commission shall assess each national medium-term fiscal-structural plan within 2 months of its submission. The Member State concerned and the Commission may, *if necessary*, agree to extend the period of assessment by a reasonable period, *not exceeding 2 months* .
2. When assessing the national medium-term fiscal-structural plan the Commission shall examine for all Member States:
- (a) whether the national medium-term fiscal-structural plan ensures that public debt is put or kept on a plausibly downward path *leading to sustainable debt reduction* or stays at prudent levels;
 - (b) whether the government deficit is maintained below the 3% of GDP reference value throughout the duration of the plan or whether the government deficit returns swiftly below the 3% of GDP reference value at the latest by the end of the adjustment period when the deficit is above this reference value at the time of submission of the national medium-term fiscal-structural plan;
 - (c) whether the government deficit is maintained below the 3% of GDP reference value in the absence of further budgetary measures over a period of 10 years;
 - (d) whether the fiscal adjustment effort over the period of the national medium-term fiscal-structural plan is at least proportional to the total effort over the entire adjustment period;
 -
 - (f) whether the public debt ratio *stabilises over the adjustment period and is reduced every year over the projection period on average by at least one percentage point of debt to GDP for the Member States with a debt-to-GDP ratio exceeding 90% and at least half a percentage point for the Member States with a debt-to-GDP ratio of 60% to 90%*.
3. *The Commission shall examine for all Member States whether the national medium-term fiscal-structural plan complies with the requirements set out in Article 12.* In addition the Commission shall examine for the Member State concerned

whether the set of reform and investment commitments underpinning an extension of the adjustment period fulfil the conditions set out in Article 13.

Article 16

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

The Council, on a recommendation from the Commission, shall adopt a recommendation setting the net expenditure path of the Member State concerned and, if applicable, endorsing the set of reform and investment commitments underpinning an extension of the adjustment period included in its national medium-term fiscal-structural plan within four weeks of the adoption of the Commission recommendation as a rule. ***The Commission recommendation shall be accompanied by an opinion of the European Fiscal Board (EFB) on the Union dimension and the original opinion of the national independent fiscal institution of the Member State concerned as referred to Article 9(3). However, failure by the EFB and the national independent fiscal institution to provide their respective opinions shall not prevent the Commission from putting forward a recommendation.***

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

Article 17

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

Where it considers that the plan does not comply with the requirements set out in Article 15 (2) and (3) point (a), the Council shall, on a recommendation from the Commission, recommend that the Member State concerned submits a revised national medium-term fiscal-structural plan.

Article 18

Council Recommendation in case of failure by the Member State

The Council shall, on a recommendation from the Commission, recommend to the Member State concerned that the ***reference*** trajectory issued by the Commission ***in accordance with Article 5, second subparagraph***, be the net expenditure path of the Member State where:

- (a) the Member State concerned fails to submit a revised national medium-term fiscal-structural plan within ***two*** months of the recommendation by the Council;
- (b) the Council considers that the revised national medium-term fiscal-structural plan does not comply with the requirements set out in Article 15(2) and (3), ***duly justifying its position***;
- (c) the Member State fails to submit ***an initial national medium term fiscal-structural plan or*** a new national medium-term fiscal-structural plan at the end of the period covered by the previous national medium-term fiscal-structural plan.

Article 19

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

Where a Member State has been granted an extension of its adjustment period but fails to satisfactorily comply with its set of reform and investment commitments underpinning the extension referred to in Article 13(1), the Council *shall, as a rule, follow the recommendation from the Commission, and recommend a revised net expenditure path with a shorter adjustment period or, where Council does not do so, explain its position publicly.*

Article 19a

Medium-term fiscal-structural plans scoreboard

- 1. The Commission shall establish a medium-term fiscal-structural plans scoreboard (the 'Scoreboard') to display the progress of the implementation of the national medium-term fiscal-structural plans of the Member States, including in particular the reforms, investments and Union priorities as well as the stage of the life-cycle of the plan and the status of the actual net expenditure path. The Scoreboard shall also display information related to the national public investment gaps, including to achieve each of the common priorities of the Union referred to in Article 12, point (ba).*
- 2. The Commission shall be empowered to adopt a delegated act in accordance with Article 33 to supplement this Regulation by defining the detailed elements of the Scoreboard with a view to displaying the progress of the implementation of the medium-term fiscal-structural plans as referred to in paragraph 1.*
- 3. The Scoreboard shall be operational by [1 June] 2024 and shall be updated by the Commission twice a year. The Scoreboard shall be made publicly available on a website or internet portal.*

CHAPTER V

IMPLEMENTATION OF THE NATIONAL MEDIUM-TERM FISCAL-STRUCTURAL PLANS

Article 20

Progress report

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

Article 21

Monitoring by the Commission

1. The Commission shall monitor the implementation of the national medium-term fiscal-structural plan, and in particular, the net expenditure path *and the reforms and investments underpinning the adjustment period*.
2. The Commission shall set up a control account, **■** and shall keep track of cumulative upward (*debit*) and downward (*credit*) deviations of actual net expenditures from the net expenditure path.
 - 2a. *The cumulated balance of the control account in a given period is the sum of the yearly debits and credits registered during that period.*
 - 2b. *A Member State shall be deemed not to be in compliance with its net expenditure path where the cumulated balance of the control account during the adjustment period is higher than 1% of GDP in the years of positive GDP growth.*
 - 2c. *By way of derogation from paragraph 2b, in order to account for certain strategic investments addressing the common priorities of the Union that have added value for the Union as a whole, the Commission may exceptionally allow a Member State to temporarily exceed the limit set out in paragraph 2b during a defined period of a maximum of 5 years, ensuring that the deviation falls below that limit by the end of that period.*

Article 22

Role of independent fiscal institutions

1. Each national independent fiscal institution referred to in Article 8 of Council Directive [...] ¹ [on the national budgetary frameworks] shall provide an assessment of compliance of the budgetary outturns data reported in the progress report referred to in Article 20 with the net expenditure path, *including of non-quantifiable targets*. Where applicable, each national independent fiscal institution shall also analyse the factors underlying a deviation from the net expenditure path.
 - 1a. *The qualitative and quantitative assessments in the opinions of the national independent fiscal institution referred to in paragraph 1 shall take into account different views and allow for the disclosure of minority and divergent positions. For that purpose, relevant stakeholders shall be regularly consulted.*
 - 1b. *Opinions and assessments delivered by the independent fiscal institutions in accordance with this Regulation shall be made public.*

Article 22a (new)

Role of the European Fiscal Board

1. *The Commission shall establish the European Fiscal Board (EFB), an independent expert group, which shall have an advisory role in respect of the Union's economic policy coordination. The Commission shall be represented on the EFB but shall not have voting rights.*
2. *The EFB shall:*
 - (a) *be independent and not seek or take instructions from the budgetary authorities of the Member States, from the Commission or from any other public or private bodies;*

¹ Council Directive [...] of [...] [amending Council Directive 2011/85/EU on requirements for budgetary frameworks of the Member States] (OJ, ..., p,...)

- (b) *have the capacity to produce opinions in a timely manner and communicate publicly;*
 - (c) *ensure a diversity of views and backgrounds in the composition of its members;*
 - (d) *allow for the disclosure of minority and divergent positions in its opinions;*
 - (e) *have adequate and stable own resources to carry out its mandate in an effective manner, including any type of analysis within its mandate;*
 - (f) *have adequate and timely access to all information by the Commission and the Member States needed to fulfil its mandate;*
 - (g) *regularly consult relevant stakeholders.*
3. *The EFB shall carry out the tasks laid down in Article 2 of Commission Decision (EU) 2015/1937. In addition, it shall provide advice to the European Parliament, the Council, the Commission and the Eurogroup.*

Article 23

Commission warning and Council recommendation for policy measures

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

Article 24

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

On a recommendation from the Commission, the Council may adopt a recommendation allowing Member States to deviate from their net expenditure path, in the event of a severe economic downturn in the euro area or the Union as a whole, provided *that, according to a quantitative and qualitative analysis by the Commission*, such deviation does not endanger fiscal sustainability in the medium term. The Council shall specify a time-limit for such deviation.

The Commission recommendations referred to in the first subparagraph shall be accompanied by an opinion of the EFB. However, failure by the EFB to deliver such an opinion within a reasonable timeframe shall not prevent the Commission from putting forward a recommendation.

As long as the severe economic downturn in the euro area or the Union as a whole persists, the Commission shall continue to monitor debt sustainability and ensure policy coordination and a consistent policy mix that takes into account the euro area and the Union dimension.

The Council, on a recommendation from the Commission, may extend the period during which Member States may deviate from the net expenditure paths, provided that the severe economic downturn in the euro area or the Union as a whole persists. An extension may be granted more than once. However, each extension shall be for an additional period of one year at most.

Article 25

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

On a recommendation from the Commission, the Council may adopt a recommendation allowing a Member State to deviate from its net expenditure path where exceptional circumstances outside the

control of the Member State lead to a major impact on the public finances of the Member State concerned, provided ***that, according to a quantitative and qualitative analysis by the Commission***, it does not endanger fiscal sustainability in the medium term. The Council shall specify a time-limit for such a deviation.

The Council, on a recommendation from the Commission, may extend the period during which the Member State may deviate from the net expenditure path, provided that the exceptional circumstances persist. An extension may be granted more than once. However, each extension shall be for an additional period of one year at most.

CHAPTER VI

DEMOCRATIC ACCOUNTABILITY AND TRANSPARENCY

Article 25a

Role of the European Parliament

1. ***The European Parliament shall be duly involved in a regular and structured way in the European Semester in order to increase transparency, democratic accountability and ownership for the decisions taken, in particular by means of the dialogues referred to in this Regulation.***
2. ***The Commission shall transmit to the European Parliament the national medium-term fiscal-structural plans submitted by the Member States. The Commission shall inform the European Parliament of its overall assessment of those medium-term fiscal-structural plans. The competent committee of the European Parliament may request the Commission and relevant stakeholders, including social partners, to appear before it. On such occasions, the Commission shall be invited to present its assessment of medium-term fiscal-structural plans and the relevant stakeholders shall be invited to comment thereon.***
3. ***The Council and the Commission shall regularly inform the European Parliament of the application of this Regulation.***
4. ***The Council and the Commission shall include in their report to the European Parliament the results of the multilateral surveillance carried out pursuant to this Regulation.***
5. ***The Eurogroup shall annually report to the European Parliament on the outcome of its work on the specific responsibilities related to the single currency in the area of multilateral surveillance.***
6. ***Information shall be prepared and transmitted by the Commission to the Council and any of its preparatory bodies in the context of this Regulation, or the application thereof, and shall be made available to the European Parliament simultaneously and on equal terms without undue delay, subject to confidentiality arrangements where necessary. Such information shall include, but shall not be limited to:***
 - (a) ***the debt sustainability assessments and its methodological framework;***
 - (b) ***the reference trajectories;***
 - (c) ***the national medium-term fiscal-structural plans submitted by the Member States and the proposed net expenditure path;***
 - (d) ***an overview of the Commission's preliminary findings concerning general progress in implementation of national medium-term fiscal-structural plan, including the balance of the control account;***
 - (e) ***an overview of the Commission's preliminary findings concerning the satisfactory fulfilment of the set of reform and investment commitments underpinning the***

- extension of the adjustment period;*
- (f) the evaluation of the country-specific recommendations and social convergence risks, and the progress towards the implementation of the principles of the European Pillar of Social Rights;*
 - (g) the revisions of national medium-term fiscal-structural plans;*
 - (h) the outcome of missions to Member States under Articles 34 and 35;*
 - (i) the Commission warning under Article 23;*
 - (j) the risk of non-compliance with the net expenditure paths;*
 - (k) the Commission's quantitative and qualitative analysis that, in case of activation of the escape clauses pursuant to Article 24 and Article 25, medium-term sustainability shall not be endangered;*
 - (l) any other relevant information and documentation provided by the Commission to the competent committee of the European Parliament in relation to the implementation of coordination of economic policies and multilateral budgetary surveillance.*
7. *Relevant outcomes of discussions held in Council preparatory bodies shall be shared with the competent committee of the European Parliament.*
8. *The competent committee of the European Parliament may invite the Commission to provide information on the state of play of the national medium-term fiscal-structural plans in the context of the medium-term fiscal-structural plan dialogues referred to in Article 26a.*
9. *The Commission shall take into account in its policy guidance any elements arising from the views expressed through the European Semester and medium-term fiscal-structural plan dialogues as referred to in Articles 26 and 26a, including any resolutions by the European Parliament.*

Article 26

European Semester Dialogue

*In order to enhance the dialogue between the institutions of the Union, in particular the European Parliament, the Council and the Commission, and to ensure transparency and accountability, the President of the Council, the Commission and, where appropriate, the President of the European Council or the President of the Eurogroup, shall appear before the European Parliament when invited, to discuss the policy guidance to Member States issued by the Commission, the conclusions drawn by the European Council and the results of multilateral surveillance carried out under this Regulation. A representative of the Economic and Financial Committee, the Economic Policy Committee, the Employment Committee and the Social Protection Committee may be invited by the European Parliament within the framework of the European Semester Dialogue **■**. Relevant stakeholders, in particular the social partners, shall be involved within the framework of the European Semester, on the main policy issues where appropriate, in accordance with the provisions of the TFEU and national legal and political arrangements.*

■

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

Article 26a

Medium-term structural-fiscal plan dialogue

1. *In order to enhance the dialogue between the European Parliament and the Commission, and to ensure greater transparency and accountability, the Commission shall appear before the competent committee of the European Parliament upon request to discuss the content, submission, assessment and monitoring of its medium-term fiscal-structural plans as part of multilateral budgetary surveillance, including the information set out in Article 25a(7).*
2. *In order to enhance the dialogue between the Union institutions, in particular the European Parliament and the Council, and to ensure greater transparency and accountability, the competent committee of the European Parliament may invite the President of the Council and, where appropriate, the President of the European Council or the President of the Eurogroup, to appear at least twice a year before its competent committee to discuss the matters referred to in paragraph 1.*

Article 27

Comply or explain rule

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

Article 28

Economic Dialogue with a Member State

■ The *competent committee of the* European Parliament may offer the opportunity to a Member State to participate in an exchange of views *when the Council addresses a recommendation to a Member State pursuant to Article 18, Article 19 or Article 23(2).*



CHAPTER VII

INTERACTION WITH REGULATION (EU) No 1176/2011

Article 30

Interaction with the Macro-Economic Imbalance Procedure

1. Where a Member State fails to implement the reform and investment commitments included in its national medium-term fiscal-structural plan to address the country-specific recommendations that are relevant for the Macroeconomic Imbalance Procedure established by Regulation (EU) No 1176/2011, and where the Commission considers that the Member State concerned is affected by excessive imbalances in accordance with Article 7(1) of that Regulation, the procedure laid down in Article 7(2) of Regulation (EU) No 1176/2011 shall apply.
2. In that case, the Member State for which an excessive imbalance procedure is opened in accordance with Article 7(2) of Regulation (EU) No 1176/2011, it shall submit a revised plan in accordance with Article 14 of this Regulation. The revised plan shall follow the Council recommendation adopted in accordance with Article 7(2) of Regulation (EU) No 1176/2011. The submission of the revised plan shall be subject to the endorsement by the Council in accordance with Articles 16 to 19 of this Regulation. The revised plan shall be assessed in accordance with Article 15 of this Regulation.
3. Where a Member State submits a revised medium-term fiscal-structural plan pursuant to paragraph 2, that revised plan shall serve as the corrective action plan required under Article 8(1) of Regulation

(EU) No 1176/2011 and shall set out the specific policy actions the Member State concerned has implemented or intends to implement and shall include a timetable for those actions.

Where the Council decides not to open an excessive imbalance procedure under Article 7(2) of Regulation (EU) No 1176/2011 in cases where the Commission considers that the Member State concerned is affected by excessive imbalances on the basis of the in-depth review referred to in Article 5 of that Regulation, the Council shall publicly explain its position.

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

CHAPTER VIII

INTERACTION WITH REGULATION (EU) No 472/2013

Article 31

Interaction with the enhanced surveillance procedure

A Member State subject to enhanced surveillance under Article 2 of Regulation (EU) No 472/2013 of the European Parliament and of the Council¹ shall take into account any recommendations addressed to it under Article 23 of this Regulation when adopting measures aimed at addressing the sources or potential sources of difficulties pursuant to Article 3(1) of that Regulation.

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

Where a Member State has an active medium-term fiscal-structural plan, and that Member State becomes subject to a macroeconomic adjustment programme pursuant to Article 7 of Regulation (EU) No 472/2013, the medium-term fiscal-structural plan shall be taken into account in the design of the macroeconomic adjustment programme.

CHAPTER IX

DELEGATED POWERS

Article 32

Amendment of the annexes

The Commission is empowered to adopt delegated acts in accordance with Article 33 to amend Annexes II, III and VII to adapt them to take due account of further developments or needs regarding the information in the national medium-term fiscal-structural plan (Annex II) or in the annual progress reports (Annex III), or regarding the assessment framework (Annex VII).

¹ Regulation (EU) No 472/2013 of the European Parliament and of the Council of 21 May 2013 on the strengthening of economic and budgetary surveillance of Member States in the euro area experiencing or threatened with serious difficulties with respect to their financial stability (OJ L 140, 27.5.2013, p. 1).

Article 33

Exercise of the delegation

1. The power to adopt delegated acts is conferred on the Commission subject to the conditions laid down in this Article.
2. The power to adopt delegated acts referred to in *Articles 8 and 19a* shall be conferred *on the Commission for a period of 5 years from the date of entry into force of this Regulation. The Commission shall draw up a report in respect of the delegation of power not later than nine months before the end of the 5-year period. The delegation of power shall be tacitly extended for periods of an identical duration, unless the European Parliament or the Council opposes such extension not later than three months before the end of each period.*
3. The delegations of power referred to in *Articles 8 and 19a* may be revoked at any time by the European Parliament or by the Council. A decision to revoke shall put an end to the delegation of the power specified in that decision. It shall take effect on the day following the publication of the decision in the Official Journal of the European Union or at a later date specified therein. It shall not affect the validity of any delegated acts already in force.
4. Before adopting a delegated act, the Commission shall *conduct a public consultation and* consult experts designated by each Member State in accordance with the principles *and procedures* laid down in the Interinstitutional Agreement of 13 April 2016 on Better Law-Making.
5. As soon as it adopts a delegated act, the Commission shall notify it simultaneously to the European Parliament and to the Council.
6. A delegated act adopted pursuant to *Articles 8 and 19a* shall enter into force only if no objection has been expressed either by the European Parliament or by the Council within a period of *three months* of notification of that act to the European Parliament and the Council or if, before the expiry of that period, the European Parliament and the Council have both informed the Commission that they will not object. That period shall be extended by *three months* at the initiative of the European Parliament or of the Council.

CHAPTER X

COMMON PROVISIONS

Article 34

Dialogue with the Member States

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

Article 35

Monitoring missions

1. The Commission *shall* undertake *monitoring* missions in Member States which are the subject of recommendations issued pursuant to Article 23. *Such monitoring shall, as a general rule, take place* on-site.

2. When the Member State concerned is a Member State whose currency is the euro or a Member State that is participating in ERM2, the Commission may invite representatives of the European Central Bank, if appropriate, to participate in **monitoring** missions.
3. ***For the purposes of monitoring missions, the Commission may invite relevant stakeholders based in the Member State concerned to participate in those missions.***

Article 36

Review

1. By [31 December **2028**] and every 5 years thereafter, the Commission shall submit to the European Parliament and to the Council a report on the application of this Regulation accompanied, where appropriate, by a proposal to amend this Regulation. The Commission shall make that report public.
2. The report referred to in paragraph 1 shall **assess and** review:
 - (a) the effectiveness of this Regulation in ensuring a downward path for public debt ratios or maintaining them at prudent levels in accordance with the relevant Council recommendations, ***in promoting debt sustainability and sustainable and inclusive growth in the Member States and in preventing the occurrence of excessive government deficits;***
 - (aa) ***the use of the delegated powers laid down in Article 33;***
 - (b) the progress in ensuring closer coordination of economic policies and sustained convergence of economic performances of the Member States.
 - (ba) ***the progress in the implementation of the country-specific recommendations, the common priorities of the Union referred to in Article 12, point (ba), the reforms and overall level of investments in the Union;***
 - (bb) ***whether Communication COM(2015)012 is still fit for purpose.***
3. The report shall be forwarded to the European Parliament and the Council.

Article 37

Repeal of Regulation (EC) No 1466/97

Regulation (EC) No 1466/97 is repealed.

Article 38

Entry into force

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

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the European Parliament
The President

For the Council
The President

ANNEX I

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ANNEX II

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

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

- (a) The national net expenditure path referred to in Article 11. █
- (b) The projected growth path of government revenue at unchanged policy.
- (c) The projected path of the public debt ratio.
- (ca) An assessment of national public investment gaps, including to achieve each of the common priorities of the Union referred to in Article 12, point (ba);*
- (d) Information on implicit liabilities related to ageing, and contingent liabilities with a potentially large impact on government budgets, including government guarantees, non-performing loans, and liabilities stemming from the operation of public corporations, including the extent thereof, potential expenses and obligations arising from court cases and, to the extent possible, *science-based* information on disaster and climate contingent liabilities.
- (e) The main assumptions about expected economic developments and main economic variables which are relevant for ensuring consistency with a convergence of public debt towards prudent levels and maintaining the government deficit below the 3% of GDP reference value.
- (f) In case the Member State makes use of assumptions referred to under point (e) that differ from the Commission's assumptions over the adjustment period of the national medium-term fiscal-structural plan, *and, if applicable, the reference trajectory proposed by the Member State deviates from the reference trajectory put forward by the Commission in accordance with Article 5*, due explanations and justifications based on sound economic arguments of these differences.
- (g) An analysis of how changes in the main economic assumptions would affect the budgetary and debt position of the Member State.
- █
- (i) Reform and investment priorities to respond to the main challenges as identified in the country-specific recommendations, taking into account the state of play of implementation of those country-specific recommendations *and the progress on the reduction of the investment gaps*.
- (j) █ Reforms and public investment expenditure addressing *each of* the common priorities of the Union referred to in *Article 12, point (ba)*.
- (k) If applicable, information on a specific, time-bound and verifiable set of reform and investment commitments underpinning an extension of the adjustment period pursuant to Article 13, a timeline for its implementation, as well as sound economic arguments that this set of reform and investment commitments fulfil the criteria under Article 13 taking into account the assessment criteria in Annex VII.
- (l) A quantification, as much as possible, of the expected impacts of reforms and investment referred to under point (k) on fiscal sustainability, *sustainable and inclusive* growth, *competitiveness* and *quality* employment, where applicable in line with commonly agreed methodologies.
- (m) The medium-term budgetary and potential medium-term growth *and resilience* impact of those reform and investment commitments referred to under point (k) where possible.

- (n) If applicable, reforms and investment to correct the identified macroeconomic imbalances under the Macroeconomic Imbalance Procedure, ***the warnings by the Commission or the recommendations by the Council pursuant to Article 121(4) TFEU.***
- (o) The planned overall level of ***reforms and*** nationally financed public investment covering the period of the national medium-term fiscal-structural plan.
- (p) For Member States with low public debt challenges but large implicit liabilities due to population ageing, the national net expenditure trajectory and the reforms in the national medium-term fiscal-structural plans should take due consideration of long-term fiscal sustainability challenges of public finances.
- (q) Information on the consultations of social partners, civil society organisations and other relevant stakeholders in view of the preparation of the plan, ***a summary of their contributions to the plan and how their input was reflected.***
- (qa) ***Challenges identified in the social convergence reports under the Social Convergence Framework and the implementation of the European Pillar of Social Rights.***

ANNEX III

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

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

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

- (ma) *An assessment of national public investment gaps, including to achieve each of the common priorities of the Union referred to in Article 12, point (ba);*
- (n) Information on labour market, skills and social policy developments, and on the implementation of policy measures taken that foster upward social convergence among Member States towards better working and living conditions, in line with the principles of the European Pillar of Social Rights and the Employment Guidelines under Article 148 TFEU. That includes the expected impact of measures, in relation to progress on the national targets on employment, skills and poverty reduction by 2030, *and if applicable the expected impact of measures to address the challenges identified under the Social Convergence Framework.*
- (o) The assessment of the independent fiscal institutions referred to in Article 22.

ANNEX IV

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ANNEX V

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ANNEX VI

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ANNEX VII

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

1. Scope

The purposes of this assessment framework is to serve:

- as a basis for the Commission to assess whether the set of reforms and investment commitments included in the national medium term fiscal structural plans underpinning an extension of their adjustment period meet the criteria set out in Article 13(2). This assessment framework represents thus the basis for the application of the assessment criteria as referred to in Article 13(2) with a view to ensuring an equitable and transparent process;
- as a basis to assess whether each of those reform and investment commitments fulfil the conditions set out in Article 13(3). This assessment framework represents thus also the basis for the application of the conditions as referred to in Article 13(3), for the same purpose.

2. Assessment criteria

In accordance with Article 13(2), the set of reforms and investment commitments included in the national medium term fiscal structural plans underpinning an extension of the adjustment period shall be commensurate with the degree of public debt challenges as established in the most recent update of the Debt Sustainability Monitor *or the Debt Sustainability Analysis methodology* and challenges to medium-term growth in the Member State. For Member States where public debt challenges are linked to significant challenges to medium-term growth, the set of reforms and investments is expected to also address bottlenecks to medium-term growth.

The set of reforms and investment commitments shall fulfil, taken altogether, the following criteria:

- 2.1 The set of reform and investment commitments are growth *and resilience*-enhancing;
 - The set of reform and investment commitments are expected to entail, based on credible, well documented and prudent assumptions, a significant boost to the growth potential of the economy of the Member State concerned in a sustainable manner;
- 2.2 The set of reform and investment commitments support fiscal sustainability;
 - The set of reform and investment commitments are expected to entail a significant structural improvement of public finances over the medium-term, by structurally reducing public expenditure or increasing public revenue, of the Member State concerned.
- 2.3 The set of reform and investment commitments address *common* priorities of the Union referred to in *Article 12, point (ba)*;
 - The set of reform and investment commitments contribute significantly to at least one of the *common* priorities of the Union referred to in *Article 12, point (ba)*;
- 2.4 The set of reform and investment commitments, taken altogether, addresses relevant country-specific recommendations, including, where applicable, recommendations issued under the Macroeconomic Imbalance Procedure;
 - The set of relevant reform and investment commitments underpinning the extension of the adjustment period, taken altogether is expected to address challenges identified in the relevant country-specific recommendations, including the recommendations issued under the Macroeconomic Imbalance Procedure where applicable, taking into account the scope and scale of the country-specific challenges and the commitments made under the Recovery and Resilience Plans, where relevant;

2.5 The set of reform and investment commitments ensure that the overall level of nationally financed public investment over the lifetime of the national medium-term fiscal-structural plan is higher than the medium-term level before to the period of that plan

- Whether the planned level of nationally financed public investment over the lifetime of the plan is higher than the medium-term level before to the period of the plan.

In addition, each of the reform and investment commitments made by Member States underpinning an extension of the adjustment period should be sufficiently detailed, ***adequately distributed throughout the period covered by the plan and at the latest by the end of the adjustment period*** time-bound, and verifiable.

- the description of the reform and investment commitments is clear and sets out the detailed elements of each reform and investment, that allows the Commission to assess the criteria in points 2.1-2.5, including regarding their implementation, and monitoring;
- the reforms will be implemented within the plan period;
- the investments will be implemented at the latest by the end of the adjustment period;
- the national medium-term fiscal-structural plan includes clear and realistic, relevant, and robust indicators allowing to verify progress with effective implementation of the reform and investment commitments.