



Plenary sitting

A9-0440/2023

14.12.2023

REPORT

on the proposal for a Council directive amending Directive 2011/85/EU on requirements for budgetary frameworks of the Member States (COM(2023)0242 – C9-0171/2023 – 2023/0136(NLE))

Committee on Economic and Monetary Affairs

Rapporteur: Esther de Lange, Margarida Marques

Symbols for procedures

- * Consultation procedure
- *** Consent procedure
- ***I Ordinary legislative procedure (first reading)
- ***II Ordinary legislative procedure (second reading)
- ***III Ordinary legislative procedure (third reading)

(The type of procedure depends on the legal basis proposed by the draft act.)

Amendments to a draft act

Amendments by Parliament set out in two columns

Deletions are indicated in ***bold italics*** in the left-hand column. Replacements are indicated in ***bold italics*** in both columns. New text is indicated in ***bold italics*** in the right-hand column.

The first and second lines of the header of each amendment identify the relevant part of the draft act under consideration. If an amendment pertains to an existing act that the draft act is seeking to amend, the amendment heading includes a third line identifying the existing act and a fourth line identifying the provision in that act that Parliament wishes to amend.

Amendments by Parliament in the form of a consolidated text

New text is highlighted in ***bold italics***. Deletions are indicated using either the ■ symbol or strikeout. Replacements are indicated by highlighting the new text in ***bold italics*** and by deleting or striking out the text that has been replaced.

By way of exception, purely technical changes made by the drafting departments in preparing the final text are not highlighted.

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DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION

**on the proposal for a Council directive amending Directive 2011/85/EU on requirements for budgetary frameworks of the Member States
(COM(2023)0242 – C9-0171/2023 – 2023/0136(NLE))**

(Consultation)

The European Parliament,

- having regard to the Commission proposal to the Council (COM(2023)0242),
 - having regard to Article 126(14), third subparagraph, of the Treaty on European Union, pursuant to which the Council consulted Parliament (C9-0171/2023),
 - having regard to Rule 82 of its Rules of Procedure,
 - having regard to the report of the Committee on Economic and Monetary Affairs (A9-0440/2023),
1. Approves the Commission proposal as amended;
 2. Calls on the Commission to alter its proposal accordingly, in accordance with Article 293(2) of the Treaty on the Functioning of the European Union;
 3. Calls on the Council to notify Parliament if it intends to depart from the text approved by Parliament;
 4. Asks the Council to consult Parliament again if it intends to substantially amend the Commission proposal;
 5. Instructs its President to forward its position to the Council and the Commission.

Amendment 1

AMENDMENTS BY THE EUROPEAN PARLIAMENT*

to the Commission proposal

2023/0136 (NLE)

COUNCIL DIRECTIVE

amending Directive 2011/85/EU on requirements for budgetary frameworks of the Member States

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 126(14), third subparagraph, thereof,

Having regard to the proposal from the European Commission,

Having regard to the opinion of the European Parliament,

Having regard to the opinion of the European Central Bank,

Whereas:

- (1) In order to ensure Member States' compliance with the obligations under the Treaty on the Functioning of the European Union (TFEU) in the area of budgetary policy, and in particular with regard to avoiding excessive government deficits, Council Directive 2011/85/EU¹ laid down detailed rules concerning the characteristics of the budgetary frameworks of the Member States.
- (2) Building upon the experience gained with the economic and monetary union since Directive 2011/85/EU came into force, it is necessary to amend its requirements regarding the rules and procedures forming the budgetary frameworks of the Member States.

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

¹ Council Directive 2011/85/EU of 8 November 2011 on requirements for budgetary frameworks of the Member States (OJ L 306, 23.11.2011, p. 41).

- (3) In 2019, the European Court of Auditors published a report examining the Union requirements on national budgetary frameworks and recommending the Commission to review those requirements, taking into account international standards and best practice. The European Court of Auditors proposed specific actions to improve the scope and effectiveness of national budgetary frameworks, particularly as regards medium-term budgetary frameworks and independent fiscal institutions².
- (4) Commission Communication of 5 February 2020³ pointed to substantial but uneven progress in the development of national budgetary frameworks considering that Union law only sets minimum requirements and that implementation and compliance with national provisions had been very diverse. That Communication also considered the extent to which the framework would support economic, environmental and social policy needs related to the transition towards a climate-neutral, resource-efficient and digital European economy, complementing the key role of the regulatory environment and structural reforms.
- (5) Commission Communication of 11 December 2019 on the European Green Deal⁴ called for a greater use of green budgeting tools to redirect public investment, consumption and taxation to green priorities and away from harmful subsidies. The European Climate Law sets a Union-wide climate neutrality objective by 2050 and requires Union institutions and Member States to progress in enhancing adaptive capacity. The Commission committed to working with the Member States to screen and benchmark green budgeting practices. Commission Communication of 24 February 2021 on the new EU strategy on adaptation to climate change⁵ pointed to the macro-fiscal relevance of climate change and highlighted the need to increase Union's resilience to the impacts of climate change. The European Semester provides an additional framework to support such efforts and the Technical Support Instrument offers practical assistance for their implementation.
- (6) Commission Communication of 9 November 2022 on orientations for a reform of the EU economic governance framework⁶ highlighted the need to strengthen debt sustainability and reduce high public debt ratios while promoting sustainable and inclusive growth *and resilience* in all Member States. The key objectives of the orientations are to improve national ownership, simplify the framework and move towards a greater medium-term focus, combined with stronger and more coherent enforcement.
- (7) In order to enhance compliance with the provisions of the TFEU, and to avoid in particular the procedure for excessive government deficit laid down in Article 126 TFEU, there should be specific provisions in the law of the Member States to strengthen national ownership, in accordance with the Commission Communication

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

³ Communication COM(2020) 55 final of 5 February 2020 from the Commission 'Economic governance review, Report on the application of Regulations (EU) No 1173/2011, 1174/2011, 1175/2011, 1176/2011, 1177/2011, 472/2013 and 473/2013 and on the suitability of Council Directive 2011/85/EU'.

⁴ Communication COM(2019) 640 final from the Commission 'The European Green Deal'.

⁵ Communication COM(2021) 82 final from the Commission 'Forging a climate-resilient Europe - the new EU Strategy on Adaptation to Climate Change'.

⁶ Communication COM(2022) 583 final from the Commission 'on orientations for a reform of the EU economic governance framework'.

of 9 November 2022 on orientations for a reform of the EU economic governance framework, beyond those currently required by Directive 2011/85/EU. Building on the evidence of implementation of that Directive, amendments should also cover provisions on transparency and statistics, forecasts and medium-term budgeting to address weaknesses identified during implementation.

- (8) This Directive is part of a package together with Regulation (EU) [XXX]⁷ of the Parliament and of the Council replacing Regulation (EC) No 1466/97⁸ (the preventive arm of the Stability and Growth Pact) and Council Regulation [XXX]⁹ amending Council Regulation (EC) No 1467/97¹⁰ (the corrective arm of the Stability and Growth Pact). Together, they establish a reformed Union economic governance framework that incorporates into Union law the substance of Title III ‘Fiscal Compact’ of the inter-governmental Treaty on Stability, Coordination and Governance (TSCG) in the Economic and Monetary Union¹¹, in accordance with Article 16 thereof. Title III is binding on the Member States whose currency is the euro and, on a voluntary basis, on Bulgaria, Denmark and Romania. By building on the experience with the implementation of the TSCG by the Member States, the package retains the Fiscal Compact’s medium-term orientation as a tool to achieve budgetary discipline and growth promotion. The package includes a strengthened country-specific dimension aimed at enhancing national ownership, including by means of a stronger role for independent fiscal institutions, which draws on the Fiscal Compact’s common principles proposed by the Commission¹² in accordance with Article 3(2) of the TSCG. The analysis of expenditure net of discretionary revenue measures for the overall assessment of compliance required by the Fiscal Compact is set out in Regulation [XXX] replacing Regulation (EC) No 1466/97. As in the Fiscal Compact, temporary deviations from the medium-term plan are allowed only in exceptional circumstances in Regulation [XXX] replacing Regulation (EC) No 1466/97. Similarly, in case of significant deviations from the medium-term plan, measures should be implemented to correct the deviations over a defined period of time. The package strengthens fiscal surveillance and enforcement procedures to deliver on the commitment of promoting sound and sustainable public finances and sustainable growth. The economic governance framework reform, thus, retains the fundamental objectives of budgetary discipline and debt sustainability set out in the TSCG.

- (10) The availability of high frequency data can reveal patterns warranting closer surveillance and improve the quality of budgetary forecasts. Member States and the Commission (Eurostat) should publish cash-based data, quarterly deficit and debt data

⁷ Regulation (EU) of the European Parliament and of the Council of [insert date] [insert full title] (OJ L ..).

⁸ 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).

⁹ Regulation (EU) of the Council of [insert date] [insert full title] (OJ L ..).

¹⁰ 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).

¹¹ Treaty on Stability, Coordination and Governance in the Economic and Monetary Union of 2 March 2012.

¹² Communication COM(2012) 342 final of 20 June 2012 from the Commission ‘Common principles on national fiscal correction mechanisms’.

applying the definitions set out in Article 2 of the Protocol (No 12) on the excessive deficit procedure annexed to the Treaty on European Union (TEU) and to the TFEU. Publication of budgetary data with higher frequency that are tailored to national budgetary definitions should be determined on the basis of national transparency requirements and user needs, to improve national ownership.

- (11) Biased and unrealistic macroeconomic and budgetary forecasts for the annual and multiannual budget legislations can considerably hamper the effectiveness of fiscal planning and consequently impair commitment to budgetary discipline. To improve baseline assumptions and provide unbiased assessments of the fiscal impact of various policy measures, the macroeconomic and budgetary forecasts of the Member States should be produced, ***supported or, where applicable according to national rules, endorsed*** by an independent fiscal institution.
- (12) Macroeconomic and budgetary forecasts should be subject to regular, objective and comprehensive evaluations performed by an independent body in order to enhance their quality. Those evaluations should include scrutiny of the economic assumptions, comparison with forecasts prepared by other institutions, and evaluation of past forecast performance.
- (13) Independent bodies charged with monitoring public finances in the Member States ***can be a support to develop*** effective budgetary frameworks. Regulation (EU) No 473/2013 of the European Parliament and of the Council¹³ requires Member States whose currency is the euro to have independent fiscal institutions tasked with the production, ***support, or where applicable according to national rules, endorsement*** of macroeconomic forecasts and establishes specific safeguards regarding their independence and technical capacity. Given the positive contribution to public finance of independent bodies, those requirements should be extended to all Member States. In order to ***improve fiscal sustainability*** and strengthen the credibility of fiscal policy, such bodies should also contribute to budgetary planning by either producing, ***supporting, or where applicable to national rules,*** endorsing the forecasts and debt analyses used by the government, and by carrying out independent assessments of fiscal policies and monitoring compliance with the fiscal framework.
- (14) In order to achieve strengthened responsibility in fiscal policy, fiscal institutions should have a high degree of operational independence, the necessary resources to perform their tasks, ***including adequate staff and funding,*** and extensive and timely access to necessary information. ***Member States should ensure a diversity of views and backgrounds in the composition of those institutions.***
- (15) To improve budgetary planning, due attention should be paid to the macrofiscal risks from climate change and to the implications of climate-related policies on public finance over the medium and long term. Understanding the channels through which climate-related shocks affect the economy and public finance is key to national strategies to limit and manage the fiscal risk stemming from climate change and from related disasters.

¹³ 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).

- (16) A single-year perspective for budgetary planning provides a limited basis for sound fiscal policies, as most measures have implications that go well beyond the annual budgetary cycle. As such, effective multiannual fiscal planning strengthens the credibility of fiscal policy while taking into account debt sustainability. Effective medium-term planning rests on a clear and consistent definition of national budgetary objectives over the medium term, which are presented in national medium-term plans. In order to enhance a multiannual budgetary perspective, planning of annual budget legislation should be consistent with the multiannual objectives established in medium-term budgetary frameworks.
- (17) To be effective in promoting budgetary discipline and the sustainability of public finance, budgetary frameworks should comprehensively cover public finances. For that reason, particular attention should be given to operations of those general government bodies and funds which do not form part of the regular budgets at subsector level and that have an immediate or medium-term impact on Member States' budgetary positions. The values of the combined impact on general government balances and debts of those operations should be presented in the framework of the annual budgetary processes and in the medium-term budgetary plans, capturing impacts stemming from future operations and outstanding and expected new liabilities.
- (18) Similarly, transparency regarding the type and size of tax expenditures and resulting revenue losses is necessary to provide a more profound understanding of the extent to which fiscal policy and budgetary planning are aligned with government priorities.
- (19) Green budgeting tools can help redirect public revenue and expenditure to green priorities. In that respect, reliable and regular reporting of comprehensive, useful, and accessible information improves budget deliberations. This means reporting data on how revenues reflect the need to ensure that the “polluter-pays” principle is reflected, and in turn on how expenditure reflects both favourably and unfavourably green priorities. Member States should publish the information on how the relevant elements of their budgets contribute to achieving climate and environmental national and international commitments and the methodology used. Member States should publish data and descriptive information separately for expenditure, tax expenditure and revenue items. Member States are invited to publish information on the distributional impact of budgetary policies and take into account employment, social and distributional aspects in the development of green budgeting¹⁴.
- (20) Due attention should be paid to the existence of contingent liabilities. More specifically, contingent liabilities encompass possible obligations depending on the occurrence of an uncertain future event, or present obligations where payment is not probable or the amount of the probable payment cannot be measured reliably. They comprise, for instance, government guarantees, non-performing loans, liabilities stemming from the operation of public corporations, and potential expenses and obligations arising from court cases and disaster-related contingent liabilities.

¹⁴ Communication COM(2022)494 final of 28 September 2022 from the Commission ‘Better assessing the distributional impact of Member States’ policies’ and Article 6(3), point (d), of Regulation (EU) No 473/2013 of the European Parliament and of the Council of 21 May 2013 on common provisions for monitoring and assessing draft budgetary plans and ensuring the correction of excessive deficit of the Member States in the euro area (OJ L 140, 27.5.2013, p. 11).

- (21) Natural disasters and extreme weather events have affected most Member States and climate change is expected to amplify the frequency and intensity of such events. Governments invest in climate adaptation measures and step in to cover disaster costs for emergency relief, recovery and reconstruction and to act as insurer of last resort in some cases. Considering the existing and future challenges for the sustainability of public finances, particular attention should be paid to government obligations and risks to government finances stemming from natural disasters and climate-related events, starting with collecting and publishing information on the economic losses and fiscal cost of past events as well as information on the budgetary arrangements and financial instruments used for that matter.
- (22) The Commission should continue to regularly monitor the implementation of Directive 2011/85/EU. Best practices concerning the implementation of the provisions of that Directive should be identified and shared.
- (23) Directive 2011/85/EU should therefore be amended accordingly,

HAS ADOPTED THIS DIRECTIVE:

Directive 2011/85/EU is amended as follows:

(1) Article 2 is amended as follows:

- (a) in the first paragraph, the second sentence is replaced by the following:

‘The definition of subsectors of general government set out in Annex A to Regulation (EU) No 549/2013 of the European Parliament and of the Council shall apply.*

*OJ L 174, 26.6.2013, p.1.’

- (b) the second paragraph is amended as follows:

- (i) point (a) is replaced by the following:

‘(a) systems of public sector accounting and statistical reporting;’

- (ii) point (c) is replaced by the following:

‘(c) country-specific numerical fiscal rules that contribute to the consistency of Member States’ conduct of fiscal policy with their respective obligations under the TFEU, expressed in terms of a summary indicator of budgetary performance, such as the government budget deficit, borrowing, debt, or a major component thereof;’

(iii) point (e) is replaced by the following:

‘(e) medium-term budgetary frameworks as a specific set of national budgetary procedures that extend the horizon for fiscal policy-making beyond the annual budgetary calendar, including the setting of policy priorities and of national budgetary objectives over the medium-term;’

(iv) the following point (h) is added:

‘(h) independent fiscal institutions as bodies structurally independent or bodies endowed with functional autonomy as regards the budgetary authorities of the Member States established in accordance with Article 8.’

(2) Article 3 is replaced by the following:

‘1. As concerns national systems of public accounting, Member States shall have, by 2030, integrated, comprehensive and nationally harmonised accounting systems covering all subsectors of general government and containing the information needed to prepare data based on ESA 2010. Those public sector financial accounting systems shall be subject to internal control and independent audits.

2. Member States shall ensure timely and regular public availability of fiscal data for all subsectors of general government as set out by Regulation (EU) No 549/2013 of the European Parliament and of the Council*. In particular, Member States shall publish quarterly debt and deficit data separately for central government, state government, local government and social security funds, before the end of the following quarter or after publication of the relevant data by the Commission (Eurostat).

3. The Commission (Eurostat) shall publish the quarterly government finance statistics data in accordance with tables 25, 27 and 28 of Annex B to Regulation (EU) No 549/2013, every 3 months.

*OJ L 174, 26.6.2013, p. 1.’

(3) Article 4 is amended as follows:

(b) paragraph 1 is replaced by the following:

‘1. Member States shall ensure that annual and multiannual fiscal planning is based on realistic macroeconomic and budgetary forecasts using the most up-to-date information. Budgetary planning shall be based on the most likely macrofiscal scenario or on a more prudent scenario. The macroeconomic and budgetary forecasts shall be either produced, *supported* or, *where applicable according to national rules*, endorsed by independent fiscal institutions established in accordance with Article 8. They shall be compared with the most updated forecasts of the Commission. Significant differences between the macroeconomic and budgetary forecasts of the Member State and the Commission’s forecasts shall be explained, including where the level or growth of variables in external assumptions departs significantly from the values contained in the Commission’s forecasts.’

(c) paragraph 4 is deleted.

(d) paragraphs 5 and 6 are replaced by the following:

‘5. Member States shall specify which institution is responsible for producing macroeconomic and budgetary forecasts. At least annually, the Member States and the Commission shall engage in a technical dialogue concerning the assumptions underpinning the preparation of macroeconomic and budgetary forecasts.

6. The macroeconomic and budgetary forecasts for annual and multiannual fiscal planning produced by the national institutions shall be subject to regular, objective and comprehensive evaluation by an independent body, including *ex post* evaluation. The result of that evaluation shall be made public and taken into account appropriately in future macroeconomic and budgetary forecasts. If the evaluation detects a significant bias affecting macroeconomic forecasts over a period of at least 4 consecutive years, the Member State concerned shall take the necessary action and make it public.’

(e) paragraph 7 is deleted.

(4) Article 5 is replaced by the following:

‘Article 5

Each Member State shall establish its specific numerical fiscal rules to effectively promote compliance with its obligations deriving from the TFEU in the area of fiscal planning over a multiannual period for the general government as a whole. Such rules shall promote in particular:

- (a) compliance with the reference values and provisions on deficit and debt set in accordance with the TFEU;
- (b) the adoption of a multiannual fiscal planning period, consistent with the provisions of Regulation [XXX preventive arm of the SGP].*

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

(5) Article 6 is amended as follows:

(a) in paragraph 1, point (b) is replaced by the following:

‘(b) The effective and timely monitoring of compliance with the rules, based on reliable and independent analysis carried out by independent fiscal institutions established in accordance with Article 8.’;

(b) paragraph 2 is replaced by the following:

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

(6) Article 7 is replaced by the following:

‘Article 7

The annual budget legislation of the Member States be consistent with the country-specific numerical fiscal rules in force.’

(7) In Chapter V, the title is replaced by ‘INDEPENDENT FISCAL INSTITUTIONS’

(8) Article 8 is replaced by the following:

‘Article 8

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

2. The institutions referred to in paragraph 1 shall be composed of members nominated and appointed on the basis of their experience and competence in public finances, macroeconomics or budgetary management, and by means of transparent procedures. **The Member States shall ensure a diversity of views and backgrounds in the compositions of those institutions.**

3. The institutions referred to in paragraph 1 shall:

(a) not take instructions from the budgetary authorities of the Member State concerned or from any other public or private body;

(b) have the capacity to communicate publicly about their assessments and opinions in a timely manner;

- (ba) allow for the disclosure of minority and divergent positions in such assessments and opinions;**
- (c) have adequate and stable own resources to carry out their mandate in an effective manner, including any type of analysis within their mandate;
- (d) have adequate and timely access to the information needed to fulfil their mandate;
- (e) be subject to regular external evaluations by independent evaluators;
- (ea) regularly exchange best practices among each other coordinated by the European Fiscal Board (EFB);**
- (eb) regularly consult relevant stakeholders.**

4. Member States shall ensure that the institutions referred to in paragraph 1 have the following tasks:

- (a) producing the annual and multiannual macroeconomic and budgetary forecasts underlying the government's medium-term planning **or supporting or, where applicable according to national rules, endorsing the planning** by the budgetary authorities;
- (b) producing debt sustainability assessments underlying the government's medium-term planning by the budgetary authorities **or supporting or, where applicable according to national rules, endorsing the assessment**;
- (c) producing assessments on the impacts of policies, **including reform and investment commitments under the national medium term fiscal-structural plans**, on fiscal sustainability and sustainable and inclusive growth by the budgetary authorities **or supporting or, where applicable according to national rules, endorsing**;
- (d) monitoring compliance with country-specific numerical fiscal rules in accordance with Article 6;
- (e) monitoring compliance with the Union fiscal framework in accordance with Regulations [XXX preventive arm of the SGP] and [XXX corrective arm of the SGP] *;
- (f) conducting, on a regular basis, reviews of the national budgetary framework, in order to assess, **among others**, the consistency, coherence and effectiveness of the framework, including mechanisms and rules that regulate fiscal relationships between public authorities across sub-sectors of general government;
- (g) participate in regular hearings and discussions at the national Parliament **and be available to provide technical analysis and advice to the national Parliament upon request**.

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

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

(9) Article 9 is amended as follows:

a) paragraph 1 is replaced by the following:

‘1. Member States shall establish a credible, effective medium-term budgetary framework providing for the adoption of a fiscal planning period of at least 4 years to ensure that national fiscal planning follows a multiannual fiscal planning perspective.’

b) paragraph 2 is amended as follows:

(i) point (a) is replaced by the following:

‘(a) comprehensive and transparent multiannual budgetary objectives as referred to in Article 2, point (e) in terms of the general government deficit, debt and any other summary fiscal indicator such as expenditure, ensuring that they are consistent with any country-specific numerical fiscal rules as provided for in Chapter IV of this Directive and the relevant provisions of Regulation [XXX preventive arm of the SGP].’;

(ii) point (c) is replaced by the following:

‘(c) a description of medium-term policies, including investment and reforms, ***and if applicable, specifying the investments and reforms in the common priorities of the Union referred to in Article 12, point (ba), of the Regulation [on the preventive arm],*** envisaged with an impact on general government finances, ***resilience*** and sustainable and inclusive growth, broken down by major revenue and expenditure item, showing how the adjustment towards the national budgetary objectives over the medium term as referred to in Article 2, point (e), is achieved compared to projections under unchanged policies.’;

(iii) point (d) is replaced by the following:

‘(d) an assessment as to how in the light of their direct medium-term and long-term impact on general government finances, the policies envisaged are likely to affect the medium-term and long-term sustainability of the public finances and sustainable and inclusive growth. The assessment shall specify, to the extent possible ***and based on a transparent and replicable scientific methodology***, the macrofiscal risks from climate change and their environmental and distributional impacts, and the implications on public finance of climate-related mitigation and adaptation policies over the medium-term and long-term.’;

c) paragraph 3 is deleted;

(10) Articles 10 and 11 are replaced by the following:

‘Article 10

Annual budget legislation shall be consistent with the national budgetary objectives over the

medium term as referred to in Article 2, point (e). Any departure shall be duly explained.’;
Article 11

This Directive shall ***not*** prevent a Member State’s new government from updating its medium-term budgetary ***framework*** plan to reflect its new policy priorities, ***nevertheless this is not to be encouraged, as it would imply lost momentum, particularly on the implementation of the reform agenda.*** In such case, the new government shall indicate the differences between the previous and the new medium-term budgetary plan. ***The ambition of the reforms and investments in the revised plan shall not be lower than the original plan.***’;

(11) in Chapter VI, the title is replaced by the following: ‘TRANSPARENCY OF GENERAL GOVERNMENT FINANCES’

(12) Article 12 is replaced by the following:

‘Article 12

Member States shall ensure that any measures taken in compliance with Chapters II, III and IV are consistent across, all subsectors of general government and cover comprehensively those subsectors. To that effect Member States shall, in particular, require consistent public sector accounting rules and procedures, and the integrity of their underlying data collection and processing systems.’;

(13) Article 14 is replaced by the following:

‘Article 14

1. Within the framework of the annual and multiannual budgetary legislation processes, Member States shall publish bodies and funds which do not form part of the regular budgets but are part of the general government, including subsectors of general government. Member States shall also publish values corresponding to the combined impact on general government balances and debts of those bodies and funds whereby the impact on the balances shall include past and expected future operations and the impact on debts shall include outstanding and expected new liabilities.
2. Member States shall publish detailed information on the impact of tax expenditures on revenues for the national budgetary objectives as referred to in Article 2, point (e), based on a transparent methodology.
3. For all subsectors of general government, Member States shall publish relevant information on contingent liabilities with potentially large impact on public budgets, including government guarantees, non-performing loans, and liabilities stemming from the operation of public corporations, ■ including the extent thereof. Member States shall also publish information on disaster and climate-related contingent liabilities to the extent possible. Member States shall publish information on past calls on one-off guarantees and expenditure recorded for standardised guarantees. Published information shall include information on economic losses incurred due to disasters and climate-related shocks, including the fiscal costs borne by the public sector and the instruments used to mitigate or cover them. Member States shall publish information on the participation of general government in the capital of private and public corporations in respect of economically

significant amounts.’

(14) Article 14a. is added as follows

‘Article 14a.

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

2. By 31 December 2025, the Commission shall report on the state of play and future direction of public sector financial accounting in the Union, taking into account the progress made since its 2013 assessment of the suitability of the International Public Sector Accounting Standards for the Member States.’

(15) Article 15 is replaced by the following:

‘Article 15

1. Member States shall bring into force the provisions necessary to comply with this Directive by 31 December 202X. They shall forthwith communicate to the Commission the text of those provisions. The Council encourages Member States to draw up, for themselves and in the interests of the Union, their own correlation tables which will, as far as possible, illustrate the correlation between this Directive and the transposition measures, and to make them public.

2. When Member States adopt those provisions, they shall contain a reference to this Directive or be accompanied by such a reference on the occasion of their official publication. Member States shall determine how such reference is to be made.

3. The Commission shall prepare an interim progress report on the implementation of the main provisions of this Directive on the basis of relevant information from Member States, which shall be submitted to the European Parliament and to the Council by 14 December 20XX.

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

(16) Article 16 is deleted.

Done at Brussels,

For the Council
The President

ANNEX: ENTITIES OR PERSONS FROM WHOM THE RAPPORTEURS HAVE RECEIVED INPUT

Pursuant to Article 8 of Annex I to the Rules of Procedure, the rapporteur Esther de Lange and the rapporteur Margarida Marques declare that they have received input from the following entities or persons in the preparation of the report, until the adoption thereof in committee:

Table 1. Input received by **Esther de Lange**

Entity and/or person
European Trade Union Confederation
European Environmental Bureau
Finance Watch
Social Platform
Business Europe
Sustainable Finance Lab
European Commission
European Central Bank
Dutch Ministry of Finance / Permanent Representation to the EU
German Ministry of Finance / Permanent Representation to the EU
Spanish Ministry of Finance / Permanent Representation to the EU
Portuguese Ministry of Finance / Permanent Representation to the EU
Danish Ministry of Finance / Permanent Representation to the EU
French Ministry of Finance / Permanent Representation to the EU
European Fiscal Board
Slovakian Ministry of Finance / Permanent Representation to the EU
Representation of Flanders to the EU
European Economic and Social Committee
Belgian Ministry of Finance / Permanent Representation to the EU

Table 2. Input received by **Margarida Marques**

Entity and/or person
EU PRES SPAIN
EU PRES BELGIUM
European Commission
Council of the European Union
PERM REP ES / Finance Ministry
PERM REP BE / Finance Ministry
PERM REP FR / Finance Ministry
PERM REP SK / Finance Ministry
PERM REP PT / Finance Ministry
PERM REP NL / Finance Ministry
PERM REP DE / Finance Ministry

Bruegel
Dezernat Zukunft
European Fiscal Board
Conselho de Finanças Publicas (PT Independent Financial Institution)
Foundation for European Progressive Studies
CEPS Think Tank
European Trade Union Confederation
Solidar
Finance Watch
Climate Action Network
German Council on Foreign Relations
Friedrich-Ebert Foundation

The lists above are drawn up under the exclusive responsibility of the rapporteurs.

PROCEDURE – COMMITTEE RESPONSIBLE

Title	Amending Directive 2011/85/EU on requirements for budgetary frameworks of the Member States
References	COM(2023)0242 – C9-0171/2023 – 2023/0136(NLE)
Date of consultation or request for consent	12.5.2023
Committee responsible Date announced in plenary	ECON 12.6.2023
Committees asked for opinions Date announced in plenary	EMPL 12.6.2023
Not delivering opinions Date of decision	EMPL 29.6.2023
Rapporteurs Date appointed	Esther de Lange Margarida 30.5.2023 Marques 30.5.2023
Discussed in committee	7.11.2023
Date adopted	11.12.2023
Result of final vote	+ : 47 - : 12 0 : 0
Members present for the final vote	Rasmus Andresen, Anna-Michelle Asimakopoulou, Manon Aubry, Isabel Benjumea Benjumea, Stefan Berger, Gilles Boyer, Engin Eroglu, Markus Ferber, Jonás Fernández, Giuseppe Ferrandino, Frances Fitzgerald, José Manuel García-Margallo y Marfil, José Gusmão, Eero Heinäluoma, Michiel Hoogeveen, Danuta Maria Hübner, Billy Kelleher, Georgios Kyrtos, Aurore Lalucq, Philippe Lamberts, Aušra Maldeikienė, Pedro Marques, Csaba Molnár, Siegfried Mureşan, Caroline Nagtegaal, Denis Nesci, Luděk Niedermayer, Lefteris Nikolaou-Alavanos, Piernicola Pedicini, Kira Marie Peter-Hansen, Sirpa Pietikäinen, Eva Maria Poptcheva, Antonio Maria Rinaldi, Dorien Rookmaker, Joachim Schuster, Ralf Seekatz, Marco Zanni
Substitutes present for the final vote	Fabio Massimo Castaldo, Esther de Lange, Valérie Hayer, Eugen Jurzyca, Chris MacManus, Margarida Marques, Erik Poulsen, Bogdan Rzońca, Eleni Stavrou
Substitutes under Rule 209(7) present for the final vote	João Albuquerque, François Alfonsi, Theresa Bielowski, Sara Cerdas, Marie Dauchy, Andor Deli, Daniel Freund, Łukasz Kohut, Jeroen Lenaers, Lydie Massard, Maria Veronica Rossi, Vera Tax, Carlos Zorrinho
Date tabled	15.12.2023

FINAL VOTE BY ROLL CALL IN COMMITTEE RESPONSIBLE

47	+
ECR	Michiel Hoogeveen, Eugen Jurzyca, Bogdan Rzońca
NI	Andor Deli
PPE	Anna-Michelle Asimakopoulou, Isabel Benjumea Benjumea, Stefan Berger, Markus Ferber, Frances Fitzgerald, José Manuel García-Margallo y Marfil, Danuta Maria Hübner, Esther de Lange, Jeroen Lenaers, Aušra Maldeikienė, Siegfried Mureşan, Luděk Niedermayer, Sirpa Pietikäinen, Ralf Seekatz, Eleni Stavrou
Renew	Gilles Boyer, Giuseppe Ferrandino, Valérie Hayer, Billy Kelleher, Georgios Kyrtos, Caroline Nagtegaal, Eva Maria Poptcheva, Erik Poulsen
S&D	João Albuquerque, Theresa Bielowski, Sara Cerdas, Jonás Fernández, Eero Heinäluoma, Łukasz Kohut, Aurore Lalucq, Margarida Marques, Pedro Marques, Csaba Molnár, Joachim Schuster, Vera Tax, Carlos Zorrinho
Verts/ALE	François Alfonsi, Rasmus Andresen, Daniel Freund, Philippe Lamberts, Lydie Massard, Piernicola Pedicini, Kira Marie Peter-Hansen

12	-
ECR	Denis Nesci, Dorien Rookmaker
ID	Marie Dauchy, Antonio Maria Rinaldi, Maria Veronica Rossi, Marco Zanni
NI	Fabio Massimo Castaldo, Lefteris Nikolaou-Alavanos
Renew	Engin Eroglu
The Left	Manon Aubry, José Gusmão, Chris MacManus

0	0

Key to symbols:

+ : in favour

- : against

0 : abstention