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

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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 136 in combination with Article 121(6) thereof,

Having regard to the proposal from the European Commission,

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

Having regard to the opinion of the European Central Bank[(1)],

Acting in accordance with the ordinary legislative procedure[(2)],

Whereas:

(1) The Treaty on the Functioning of the European Union (TFEU) requires that Member States regard their economic policies as a matter of common concern, that their budgetary policies are guided by the need for sound public finances and that their economic policies do not risk jeopardising the proper functioning of economic and monetary union.

(2) The Stability and Growth Pact (SGP) aims to secure budgetary discipline across the Union and sets out the framework for preventing and correcting excessive government deficits. It is based on the objective of sound 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 growth and jobs. The SGP includes the multilateral surveillance system laid down in 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[(3)] and the procedure for the avoidance of excessive government deficit laid down in Article 126 TFEU and further specified in Council Regulation (EC) No 1467/97 of 7 July 1997 on speeding up and clarifying the implementation of the excessive deficit procedure[(4)]. The SGP has been further strengthened by Regulation (EU) No 1175/2011 of the European Parliament and of the Council[(5)] and Council Regulation (EU) No 1177/2011[(6)]. Regulation (EU) No 1173/2011 of the European Parliament and of the Council of 16 November 2011 on the effective enforcement of budgetary surveillance in the euro area[(7)] added a system of

effective, preventive and gradual enforcement mechanisms in the form of the imposition of sanctions on Member States whose currency is the euro.

(3) The strengthening of the SGP has enhanced the guidance provided to Member States concerning prudent fiscal policy-making, and, for the Member States whose currency is the euro, has reinforced and made more automatic the imposition of sanctions for non-compliance with prudent fiscal policy-making, in order to avoid excessive government deficits. Those provisions have created a more comprehensive framework.

(4) In order to ensure closer coordination of economic policies and sustained convergence of the economic performance of Member States, the European Semester, as established in Article 2-a of Regulation (EC) No 1466/97, provides a framework for economic policy coordination. The European Semester includes the formulation, and the surveillance of the implementation, of the broad guidelines of the economic policies of the Member States and of the Union (broad economic policy guidelines) in accordance with Article 121(2) TFEU; the formulation, and the examination of the implementation, of the employment guidelines that must be taken into account by Member States in accordance with Article 148(2) TFEU (employment guidelines); the submission and assessment of Member States' stability or convergence programmes under that Regulation; the submission and assessment of Member States' national reform programmes supporting the Union's strategy for growth and jobs and established in line with the broad economic guidelines, with the employment guidelines and with the general guidance to Member States issued by the Commission (the annual growth survey) and the European Council at the beginning of the annual cycle of surveillance; and surveillance to prevent and correct macroeconomic imbalances under 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[(8)]. Where appropriate, opinions issued in the context of an economic partnership programme, as established by this Regulation, should also been taken into account.

(5) To enable the Union to emerge stronger from the crisis, both internally and at an international level, by boosting competitiveness, productivity, growth potential, social cohesion and economic convergence, the European Council, in its conclusions of 17 June 2010, adopted a new Union's strategy for growth and jobs which also contains objectives in the fields of poverty, education, innovation and the environment.

(6) In order to ensure the proper functioning of the economic and monetary union, the TFEU allows the adoption of specific measures in the euro area which go beyond the provisions applicable to all Member States to strengthen the coordination and surveillance of their budgetary discipline. Such reinforced coordination and surveillance should be accompanied by commensurate involvement of the European Parliament and of national parliaments as appropriate. Active use, where appropriate and necessary, should be made of specific measures provided for in Article 136 TFEU.

(7) The application of this Regulation should be in full compliance with Article 152 TFEU and the recommendations issued under this Regulation should respect national practice and institutions for wage formation. This Regulation takes into account Article 28 of the Charter of Fundamental Rights of the European Union, and, accordingly, does not affect

the right to negotiate, conclude or enforce collective agreements or to take collective action in accordance with national law and practice.

(8) Article 9 TFEU provides that, in defining and implementing its policies and activities, the Union is to take into account requirements linked to the promotion of a high level of employment, the guarantee of adequate social protection, the fight against social exclusion, and a high level of education, training and protection of human health.

(9) Gradually strengthened surveillance and coordination, as set out in this Regulation, will further complete the European Semester for economic policy coordination, will complement the existing provisions of the SGP and strengthen the surveillance of budgetary and economic policies in Member States whose currency is the euro. A gradually enhanced monitoring procedure should contribute to better budgetary and economic outcomes, macro-financial soundness and economic convergence, to the benefit of all Member States whose currency is the euro. As part of a gradually strengthened process, closer monitoring is particularly valuable to Member States that are subject to an excessive deficit procedure.

(10) Biased and unrealistic macroeconomic and budgetary forecasts can considerably hamper the effectiveness of budgetary planning and, consequently, impair commitment to budgetary discipline. Unbiased and realistic macroeconomic forecasts can be provided by independent bodies or bodies endowed with functional autonomy *vis-à-vis* the budgetary authorities of a Member State and which are underpinned by national legal provisions ensuring a high degree of functional autonomy and accountability. Such forecasts should be used throughout the budgetary procedure.

(11) Strong public finances are best ensured at the planning stage and gross errors should be identified as early as possible. Member States should benefit not just from the setting of guiding principles and budgetary targets but also from a synchronised monitoring of their budgetary policies.

(12) Setting up a common budgetary timeline for Member States whose currency is the euro should better synchronise the key steps in the preparation of national budgets, thus contributing to the effectiveness of the SGP and of the European Semester for economic policy coordination. This should lead to stronger synergies by facilitating policy coordination among Member States whose currency is the euro and by ensuring that Council and Commission recommendations are appropriately integrated in the budgetary procedure of the Member States. That procedure should be consistent with the framework for economic policy coordination in the context of the annual cycle of surveillance which includes, in particular, the general guidance to Member States issued by the Commission and the European Council at the beginning of the cycle. Member States' budgetary polices should be consistent with the recommendations issued in the context of the SGP and, where appropriate, with recommendations issued in the context of the annual cycle of surveillance, including the macroeconomic imbalances procedure as established by Regulation (EU) No 1176/2011, and with opinions on economic partnership programmes, as established by this Regulation.

(13) As a first step of that common budgetary timeline, Member States should make public their national medium-term fiscal plan at the same time as their stability programmes

preferably by 15 April and no later than by 30 April. Those fiscal plans should include indications on how the reforms and measures set out are expected to contribute to the achievement of the targets and national commitments established within the framework of the Union's strategy for growth and jobs. The national medium-term fiscal plan and the stability programme can be the same document.

(14) One important milestone of that common budgetary timeline should be the publication of the draft central government budget by 15 October. Since compliance with the rules of the SGP is to be ensured at the level of the general government and achievement of the budgetary objectives requires consistent budgeting across all subsectors of the general government, the publication of the draft central government budget should be accompanied by the publication of the main parameters of the draft budgets of all the other subsectors of the general government. Such parameters should include, in particular, the projected budgetary outcomes of the other subsectors, the main assumptions underlying those projections and the reasons for expected changes with respect to the stability programme assumptions.

(15) The common budgetary timeline also provides for the budget to be adopted or fixed upon annually by 31 December together with the updated main budgetary parameters for the other subsectors of the general government. Where, for objective reasons beyond the control of the government, the budget is not adopted by 31 December, reversionary budget procedures should be put in place to ensure that the government remains able to discharge its essential duties. Such arrangements could include the implementation of the government's draft budget, of the preceding year's approved budget, or of specific parliament-approved measures.

(16) With a view to better coordinating the planning of their national debt issuance, the Member States should report *ex ante* on their public debt issuance plans to the Eurogroup and to the Commission.

(17) Compliance with effective rules-based fiscal frameworks can be important in supporting sound and sustainable fiscal policies. Council Directive 2011/85/EU of 8 November 2011 on requirements for budgetary frameworks of the Member States[(9)] established that monitoring of compliance with country-specific numerical fiscal rules should be supported at national level by independent bodies or bodies endowed with functional autonomy. It is important to note that given the diversity of possible and existing arrangements, while not the preferred option, it should be possible for more than one independent body to be in charge of monitoring compliance with those rules as long as there is a clear allocation of responsibility and as long as there is no overlap of competency over specific aspects of the monitoring. Excessive institutional fragmentation of monitoring tasks should be avoided. In order for monitoring bodies to fulfil their mandate effectively, national legal provisions ensuring a high degree of functional autonomy and accountability should underpin such bodies. The design of those monitoring bodies should take into account the existing institutional setting and the administrative structure of the Member State concerned. In particular, it should be possible to endow a suitable entity of an existing institution with functional autonomy

provided that such an entity is designated to carry out specific monitoring tasks, has a distinct statutory regime and complies with the other principles referred to in this recital.

(18) This Regulation does not impose on Member States additional requirements or obligations with regard to country-specific numerical fiscal rules. Strong country-specific numerical fiscal rules consistent with the budgetary objectives at the level of the Union and monitored by independent bodies are a cornerstone of the strengthened budgetary surveillance framework of the Union. The rules with which those bodies should comply, and their specific tasks, are set out in this Regulation.

(19) Member States whose currency is the euro are particularly subject to spill-over effects from each other's budgetary policies. Member States whose currency is the euro should consult the Commission and each other before adopting any major fiscal policy reform plans with potential spill-over effects, so as to allow an assessment of the possible impact for the euro area as a whole. They should also consider their budgetary plans to be of common concern and submit them to the Commission for monitoring purposes in advance of their becoming binding. The Commission, in cooperation with the Member States, should propose guidelines in the form of a harmonised framework for the specification of the content of draft budgetary plans.

(20) In the exceptional cases where, after consulting the Member State concerned, the Commission identifies in the draft budgetary plan particularly serious non-compliance with the budgetary policy obligations laid down in the SGP, the Commission, in its opinion on the draft budgetary plan, should request a revised draft budgetary plan, in accordance with this Regulation. This will be the case, in particular, where the implementation of the draft budgetary plan would put at risk the financial stability of the Member State concerned or risk jeopardising the proper functioning of the economic and monetary union, or where the implementation of the draft budgetary plan would entail an obvious significant violation of the recommendations adopted by the Council under the SGP.

(21) The Commission's opinion on the draft budgetary plan should be adopted as soon as possible and in any event by the end of November, taking into account, to the extent possible, the specific national fiscal schedule and parliamentary procedures, in order to ensure that Union's policy guidance in the budgetary area can be appropriately integrated in the national budgetary preparations. In particular, the opinion should include an assessment of whether the budgetary plans appropriately address the recommendations issued in the context of the European Semester in the budgetary area. At the request of the parliament of the Member State concerned or of the European Parliament, the Commission should be prepared to present its opinion to the parliament making the request, after it has been made public. Member States are invited to take into account, in the process of adopting their budget law, the Commission opinion on their draft budgetary plan.

(22) The extent to which that opinion has been taken into account in a Member State's budget law should be part of the assessment, if and when the conditions are met, leading to a decision on the existence of an excessive deficit in the Member State concerned. In such