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Acts whose titles are printed in light type are those relating to day-to-day management of agricultural matters, and are generally valid for a limited period.

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I

(Legislative acts)

REGULATIONS

**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**

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 unprecedented global crisis that has hit the world since 2007 has seriously damaged economic growth and financial stability and has given rise to a strong deterioration in the government deficit and debt position of the Member States, leading a number of them to seek financial assistance within and outside the framework of the Union.
- (2) Article 9 of the Treaty on the Functioning of the European Union (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.

- (3) Full consistency between the Union multilateral surveillance framework established by the TFEU and the possible policy conditions attached to financial assistance should be enshrined in Union law. The economic and financial integration of all Member States, in particular those whose currency is the euro, calls for enhanced surveillance to prevent contagion from a Member State experiencing or threatened with serious difficulties with respect to its financial stability to the rest of the euro area and, more broadly, to the Union as a whole.
- (4) The intensity of economic and budgetary surveillance should be commensurate with, and proportionate to, the severity of the financial difficulties encountered and should take due account of the nature of the financial assistance received, which may range from mere precautionary support based on eligibility conditions to a full macroeconomic adjustment programme involving strict policy conditionality. Any macroeconomic adjustment programme should take into account the national reform programme of the Member State concerned in the context of the Union's strategy for growth and jobs.
- (5) A Member State whose currency is the euro should be subject to enhanced surveillance under this Regulation when it is experiencing or is threatened with serious financial difficulties, with a view to ensuring its swift return to a normal situation and to protecting the other euro area Member States against potential adverse spill-over effects. Such enhanced surveillance should be proportionate to the seriousness of the problems and should be adjusted accordingly. It should include wider access to the information needed for a close monitoring of the economic, fiscal and financial situation and a regular reporting to the competent committee of the

⁽¹⁾ OJ C 141, 17.5.2012, p. 7.

⁽²⁾ Position of the European Parliament of 12 March 2013 (not yet published in the Official Journal) and decision of the Council of 13 May 2013.

European Parliament and to the Economic and Financial Committee (EFC) or to any subcommittee the latter may designate for that purpose. The same arrangements for surveillance should apply to Member States requesting precautionary assistance from one or several other Member States or third countries, the European Financial Stabilisation Mechanism (EFSM), the European Stability Mechanism (ESM), the European Financial Stability Facility (EFSF), or another relevant international financial institution such as the International Monetary Fund (IMF).

- (6) A Member State subject to enhanced surveillance should also adopt measures aimed at addressing the sources or potential sources of its difficulties. To that end, all recommendations addressed to it in the course of an excessive deficit procedure or of an excessive macroeconomic imbalance procedure should be taken into account.
- (7) Economic and budgetary surveillance should be strongly reinforced for Member States subject to a macroeconomic adjustment programme. Because of the comprehensive nature of the latter, the other processes of economic and budgetary surveillance should be suspended or, where appropriate, streamlined for the duration of the macroeconomic adjustment programme, with a view to ensuring consistency of economic policy surveillance and to avoiding duplication of reporting obligations. However, when preparing the macroeconomic adjustment programme, all recommendations addressed to the Member State in the course of an excessive deficit procedure or an excessive macroeconomic imbalance procedure should be taken into account.
- (8) The challenge posed by tax fraud and evasion has increased considerably. Globalisation of the economy, technological developments, the internationalisation of fraud and the resulting interdependence of Member States reveal the limits of strictly national approaches and reinforce the need for joint action.
- (9) The problems presented by tax fraud and evasion in Member States subject to a macroeconomic adjustment programme should be tackled by improving revenue collection in those Member States and enhancing cooperation between the revenue administrations in the Union and in third countries.
- (10) Rules should be laid down to enhance the dialogue between the Union institutions, in particular the European Parliament, the Council and the Commission, and to ensure greater transparency and accountability.

The parliament of a Member State subject to a macroeconomic adjustment programme or to enhanced surveillance should be kept informed in accordance with national rules and practice.

- (11) Member States should involve the social partners and civil society organisations in the preparation, implementation, monitoring and evaluation of financial assistance programmes, in accordance with national rules and practice.
- (12) Before a Council decision relating to a macroeconomic adjustment programme under this Regulation is adopted, the relevant bodies of the ESM and of the EFSF should have the opportunity to hold a discussion on the outcome of negotiations between the Commission – acting on behalf of the ESM or the EFSF, in liaison with the European Central Bank (ECB) and, where appropriate, the IMF – and the beneficiary Member State on the possible policy conditions attached to that Member State's financial assistance. Memoranda of understanding setting down the detailed conditions for granting financial assistance are to be adopted under the Treaty establishing the European Stability Mechanism and the EFSF Framework Agreement.
- (13) Unless otherwise provided, references to financial assistance in this Regulation should also cover financial support granted on a precautionary basis and loans for the recapitalisation of financial institutions.
- (14) The decision of the Commission to subject a Member State to enhanced surveillance under this Regulation should be taken in close cooperation with the EFC, the European Supervisory Authority (European Banking Authority) established by Regulation (EU) No 1093/2010 of the European Parliament and of the Council ⁽¹⁾, the European Supervisory Authority (European Insurance and Pensions Authority) established by Regulation (EU) No 1094/2010 of the European Parliament and of the Council ⁽²⁾, the European Supervisory Authority (European Securities and Markets Authority) established by Regulation (EU) No 1095/2010 of the European Parliament and of the Council ⁽³⁾ (collectively referred to as the 'ESAs') and the European Systemic Risk Board (ESRB) established by Regulation (EU) No 1092/2010 of the European Parliament and of the Council of 24 November 2010 on European Union macroprudential oversight of the financial system and establishing a European Systemic Risk Board ⁽⁴⁾. The Commission should also cooperate with the EFC when deciding on whether to prolong enhanced surveillance.

⁽¹⁾ OJ L 331, 15.12.2010, p. 12.

⁽²⁾ OJ L 331, 15.12.2010, p. 48.

⁽³⁾ OJ L 331, 15.12.2010, p. 84.

⁽⁴⁾ OJ L 331, 15.12.2010, p. 1.

- (15) Following a reasoned request by the Member State concerned or, where appropriate, on grounds of exceptional economic circumstances, the Commission is able to recommend reducing or cancelling any existing interest-bearing deposit, non-interest-bearing deposit or fine imposed by the Council in the framework of the preventive or corrective part of the Stability and Growth Pact for a Member State subject to a macroeconomic adjustment programme.
- (16) Access to information on the preparatory work undertaken before the adoption of a recommendation under this Regulation should be subject to Regulation (EC) No 1049/2001 of the European Parliament and of the Council of 30 May 2001 regarding public access to European Parliament, Council and Commission documents ⁽¹⁾.
- (17) Where a decision is taken under this Regulation that a Member State does not comply with the requirements contained in its macroeconomic adjustment programme, and events and analyses clearly show that a mechanism is needed to ensure respect for the obligations towards its creditors and the stabilisation of its economic and financial situation, the Commission is invited to make proposals for such mechanism.
- (18) The power to adopt recommendations on the adoption of precautionary corrective measures and on the preparation of a macroeconomic adjustment programme; the power to approve macroeconomic adjustment programmes; the power to adopt decisions on the main policy requirements which the ESM or the EFSF plan to include in the conditionality for financial assistance granted on a precautionary basis, loans for the recapitalisation of financial institutions or any new financial instrument agreed within the framework of the ESM; and the power to recommend the adoption of corrective measures to Member States under post-programme surveillance, should be conferred on the Council. Those powers are of particular relevance to the policy of economic coordination of Member States, which, pursuant to Article 121 TFEU, is to take place within the Council,

HAVE ADOPTED THIS REGULATION:

Article 1

Subject matter and scope

1. This Regulation lays down provisions for strengthening the economic and budgetary surveillance of Member States whose currency is the euro, where those Member States:

- (a) experience or are threatened with serious difficulties with respect to their financial stability or to the sustainability of their public finances, leading to potential adverse spill-over effects on other Member States in the euro area; or
- (b) request or receive financial assistance from one or several other Member States or third countries, the European Financial Stabilisation Mechanism (EFSM), the European Stability Mechanism (ESM), the European Financial Stability Facility (EFSF), or another relevant international financial institution such as the International Monetary Fund (IMF).

2. This Regulation also lays down provisions for enhanced economic policy coordination.

3. This Regulation shall apply to Member States whose currency is the euro.

4. In applying this Regulation, the Council, the Commission and the Member States shall fully observe Article 152 TFEU. In applying this Regulation and the recommendations adopted hereunder, the Council, the Commission and the Member States shall take into account national rules and practice and Article 28 of the Charter of Fundamental Rights of the European Union. Accordingly, the application of this Regulation and of those recommendations does not affect the right to negotiate, conclude and enforce collective agreements or to take collective action in accordance with national law.

Article 2

Member States subject to enhanced surveillance

1. The Commission may decide to subject to enhanced surveillance a Member State experiencing or threatened with serious difficulties with respect to its financial stability which are likely to have adverse spill-over effects on other Member States in the euro area.

When assessing whether a Member State is threatened with serious difficulties with respect to its financial stability, the Commission shall use, among other parameters, the alert mechanism established under Article 3(1) of 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 ⁽²⁾ or, where available, the latest in-depth review. The Commission shall also conduct a comprehensive assessment, taking into account, in particular, the borrowing conditions of that Member State, the repayment profile of its debt obligations, the robustness of its budgetary framework, the long-term sustainability of its public finances, the importance of its debt burden and the risk of contagion from severe tensions in its financial sector on its budgetary situation or on the financial sector of other Member States.

⁽¹⁾ OJ L 145, 31.5.2001, p. 43.

⁽²⁾ OJ L 306, 23.11.2011, p. 25.

The Member State concerned shall be given the opportunity to express its views before the Commission adopts its decision to subject that Member State to enhanced surveillance. Every six months, the Commission shall decide whether to prolong the enhanced surveillance on that Member State.

2. Where the Commission decides to subject a Member State to enhanced surveillance under paragraph 1, it shall duly inform the Member State concerned of all the results of the assessment and shall notify the European Central Bank (ECB), in its supervisory capacity, the relevant ESAs and the ESRB accordingly.

3. Where a Member State is in receipt of financial assistance on a precautionary basis from one or several other Member States or third countries, the EFSM, the ESM, the EFSF, or another relevant international financial institution such as the IMF, the Commission shall subject that Member State to enhanced surveillance.

The Commission shall make public its decisions taken in accordance with paragraph 1 and with this paragraph.

4. Paragraph 3 shall not apply to a Member State receiving financial assistance on a precautionary basis in the form of a credit line, which is not conditional on that Member State adopting new policy measures, provided that the credit line is not drawn.

5. The Commission shall publish, for information purposes, a list of the instruments providing precautionary financial assistance, as referred to in paragraph 3 and shall keep it updated to take into account possible changes in the financial support policy of the ESM, the EFSF or of another relevant international financial institution.

Article 3

Enhanced surveillance

1. A Member State subject to enhanced surveillance shall, after consulting, and in cooperation with, the Commission, acting in liaison with the ECB, the ESAs, the ESRB and, where appropriate, the IMF, adopt measures aimed at addressing the sources or potential sources of difficulties. In so doing, the Member State shall take into account any recommendations addressed to it under Council Regulation (EC) No 1466/97 of 7 July 1997 on the strengthening of budgetary positions and the surveillance and coordination of economic policies⁽¹⁾, Council Regulation (EC) No 1467/97 of 7 July 1997 on

speeding up and clarifying the implementation of the excessive deficit procedure⁽²⁾, or Regulation (EU) No 1176/2011 concerning its national reform programme and its stability programme.

The Commission shall inform the competent committee of the European Parliament, the EFC, the Eurogroup Working Group, and the parliament of the Member State concerned, where relevant and in accordance with national practice, of the measures referred to in the first subparagraph.

2. The closer monitoring of the fiscal situation laid down in Article 10(2), (3) and (6) 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⁽³⁾ shall apply to a Member State subject to enhanced surveillance, irrespective of the existence of an excessive deficit in that Member State. The report drawn up in accordance with Article 10(3) of that Regulation shall be submitted on a quarterly basis.

3. On a request from the Commission, a Member State subject to enhanced surveillance pursuant to Article 2(1) shall:

(a) communicate to the ECB in its supervisory capacity, and, where appropriate, to the relevant ESAs, in accordance with Article 35 of Regulations (EU) No 1093/2010, (EU) No 1094/2010 and (EU) No 1095/2010, at the requested frequency, disaggregated information on developments in its financial system, including an analysis of the results of any stress test exercises or sensitivity analyses carried out under point (b) of this paragraph;

(b) carry out, under the supervision of the ECB in its supervisory capacity, or, where appropriate, under the supervision of the relevant ESAs, stress test exercises or sensitivity analyses, as necessary, to assess the resilience of the financial sector to various macroeconomic and financial shocks, as specified by the Commission and the ECB, in liaison with the relevant ESAs and with the ESRB;

(c) be required to submit to regular assessments of its supervisory capacities over the financial sector in the framework of a specific peer review carried out by the ECB, in its supervisory capacity, or, where appropriate, by the relevant ESAs;

⁽¹⁾ OJ L 209, 2.8.1997, p. 1.

⁽²⁾ OJ L 209, 2.8.1997, p. 6.

⁽³⁾ See page 11 of this Official Journal.

- (d) communicate to the Commission any information needed for the monitoring of macroeconomic imbalances in accordance with Regulation (EU) No 1176/2011.

On the basis of the analysis of the results of the stress test exercises and sensitivity analyses referred to in point (a) of the first subparagraph, and taking into account the conclusions of the assessment of the relevant indicators of the scoreboard for macroeconomic imbalances established in Regulation (EU) No 1176/2011, the ECB, in its supervisory capacity, and the relevant ESAs shall prepare, in liaison with the ESRB, an assessment of the potential vulnerabilities of the financial system and shall submit that assessment to the Commission, at the frequency indicated by the latter, and to the ECB.

4. On a request from the Commission, a Member State subject to enhanced surveillance pursuant to Article 2(3) shall:

- (a) communicate to the Commission, the ECB and, where appropriate, the relevant ESAs, in accordance with Article 35 of Regulations (EU) No 1093/2010, (EU) No 1094/2010 and (EU) No 1095/2010, at the requested frequency, disaggregated information on developments in its financial system, including an analysis of the results of any stress test exercises or sensitivity analyses carried out under point (b);
- (b) carry out, under the supervision of the ECB, in its supervisory capacity, or, where appropriate, under the supervision of the relevant ESAs, stress test exercises or sensitivity analyses, as necessary, to assess the resilience of the financial sector to various macroeconomic and financial shocks, as specified by the Commission and the ECB, in liaison with the relevant ESAs and with the ESRB, and share the detailed results with them;
- (c) be required to submit to regular assessments of its supervisory capacities over the financial sector in the framework of a specific peer review carried out by the ECB, in its supervisory capacity, or, where appropriate, by the relevant ESAs;
- (d) communicate to the Commission any information needed for the monitoring of macroeconomic imbalances in accordance with Regulation (EU) No 1176/2011.

The Commission, the ECB and the relevant ESAs shall treat any disaggregated information communicated to them as confidential.

5. The Commission, in liaison with the ECB and with the relevant ESAs and, where appropriate, with the IMF, shall conduct regular review missions in the Member State subject to enhanced surveillance to verify the progress made by that Member State in the implementation of the measures referred to in paragraphs 1, 2, 3 and 4.

Every quarter, the Commission shall communicate its assessment to the competent committee of the European Parliament and to the EFC. In that assessment, it shall examine, in particular, whether further measures are needed.

The review missions referred to in the first subparagraph shall replace the on-site monitoring provided for in Article 10a(2) of Regulation (EC) No 1467/97.

6. When preparing the assessment referred to in paragraph 5, the Commission shall take into account the results of any in-depth review under Regulation (EU) No 1176/2011, including the evaluation of spill-over effects of national economic policies on the Member State subject to enhanced surveillance, in accordance with Article 5(2) of that Regulation.

7. Where the Commission concludes that, on the basis of the review missions provided for in paragraph 5, further measures are needed and the financial and economic situation of the Member State concerned has significant adverse effects on the financial stability of the euro area or of its Member States, the Council, acting by a qualified majority on a proposal from the Commission, may recommend to the Member State concerned to adopt precautionary corrective measures or to prepare a draft macroeconomic adjustment programme.

The Council may decide to make its recommendation public.

8. Where a recommendation referred to in paragraph 7 is made public:

- (a) the competent committee of the European Parliament may offer the opportunity to the Member State concerned and to the Commission to participate in an exchange of views;
- (b) representatives of the Commission may be invited by the parliament of the Member State concerned to participate in an exchange of views;
- (c) the Council shall inform the relevant committee of the European Parliament in due time about the content of the recommendation.

9. During the course of the enhanced surveillance process, the competent committee of the European Parliament and the parliament of the Member State concerned may invite representatives of the Commission, the ECB and the IMF to participate in an economic dialogue.

Article 4

Reporting in the event of financial support for the recapitalisation of financial institutions

Member States subject to enhanced surveillance or to a macroeconomic adjustment programme receiving financial support for the recapitalisation of their financial institutions shall report twice a year to the EFC on the conditions imposed on those financial institutions, including the conditions relating to executive remuneration. Those Member States shall also report on the credit conditions offered by the financial sector to the real economy.

Article 5

Information on envisaged financial assistance requests

A Member State intending to request financial assistance from one or several other Member States or third countries, the ESM, the EFSF, or another relevant international financial institution, such as the IMF, shall immediately inform the President of the Eurogroup Working Group, the member of the Commission responsible for Economic and Monetary Affairs and the President of the ECB of its intention.

After receiving an assessment from the Commission, the Eurogroup Working Group shall hold a discussion about the intended request with a view to examining, inter alia, the possibilities available under existing Union or euro area financial instruments before the Member State concerned addresses potential lenders.

A Member State intending to request financial assistance from the EFSM shall immediately inform the President of the EFC, the member of the Commission responsible for economic and monetary affairs and the President of the ECB of its intention.

Article 6

Evaluation of the sustainability of the government debt

Where a Member State requests financial assistance from the EFSM, the ESM, or the EFSF, the Commission shall assess, in liaison with the ECB and, where possible, with the IMF, the sustainability of that Member State's government debt and its actual or potential financing needs. The Commission shall submit that assessment to the Eurogroup Working Group where the financial assistance is to be granted under the ESM or the EFSF, and to the EFC where the financial assistance is to be granted under the EFSM.

The assessment of the sustainability of the government debt shall be based on the most likely macroeconomic scenario or a more prudent scenario and budgetary forecasts using the most up-to-date information and taking proper account of the outcome of the reporting referred to in point (a) of Article 3(3) as well as any supervisory task exercised in accordance with point (b) of Article 3(3). The Commission shall also assess the impact of macroeconomic and financial shocks and adverse developments on the sustainability of government debt.

The Commission shall make public the macroeconomic scenario, including the growth scenario, the relevant parameters underpinning the assessment of the sustainability of the government debt of the Member State concerned, and the estimated impact of the aggregate budgetary measures on economic growth.

Article 7

Macroeconomic adjustment programme

1. Where a Member State requests financial assistance from one or several other Member States or third countries, the EFSM, the ESM, the EFSF or the IMF, it shall prepare, in agreement with the Commission, acting in liaison with the ECB and, where appropriate, with the IMF, a draft macroeconomic adjustment programme which shall build on and substitute any economic partnership programme under Regulation (EU) No 473/2013 and which shall include annual budgetary targets.

The draft macroeconomic adjustment programme shall address the specific risks emanating from that Member State for the financial stability in the euro area and shall aim at rapidly re-establishing a sound and sustainable economic and financial situation and restoring the Member State's capacity to finance itself fully on the financial markets.

The draft macroeconomic adjustment programme shall be based on the assessment of the sustainability of the government debt referred to in Article 6, which shall be updated to incorporate the impact of the draft corrective measures negotiated with the Member State concerned, and shall take due account of any recommendation addressed to that Member State under Articles 121, 126, 136 or 148 TFEU and of its actions to comply with any such recommendation, while aiming at broadening, strengthening and deepening the required policy measures.

The draft macroeconomic adjustment programme shall take into account the practice and institutions for wage formation and the national reform programme of the Member State concerned in the context of the Union's strategy for growth and jobs.

The draft macroeconomic adjustment programme shall fully observe Article 152 TFEU and Article 28 of the Charter of Fundamental Rights of the European Union. The Commission shall orally inform the Chair and Vice-Chairs of the competent committee of the European Parliament of the progress made in the preparation of the draft macroeconomic adjustment programme. That information shall be treated as confidential.

2. The Council, acting by a qualified majority on a proposal from the Commission, shall approve the macroeconomic adjustment programme prepared by the Member State requesting financial assistance in accordance with paragraph 1.

The Commission shall ensure that the memorandum of understanding signed by the Commission on behalf of the ESM or of the EFSF is fully consistent with the macroeconomic adjustment programme approved by the Council.

3. The Commission shall ensure consistency in the process of economic and budgetary surveillance with respect to a Member State under a macroeconomic adjustment programme to avoid duplication of reporting obligations.

4. The Commission, in liaison with the ECB and, where appropriate, with the IMF, shall monitor the progress made by a Member State in the implementation of its macroeconomic adjustment programme.

Every three months, the Commission shall inform the EFC of such progress. The Member State concerned shall fully cooperate with the Commission and with the ECB. It shall, in particular, provide the Commission and the ECB with all the information that they consider to be necessary for the monitoring of the implementation of the macroeconomic adjustment programme in accordance with Article 3(4).

The Commission shall inform the Chair and Vice-Chairs of the competent committee of the European Parliament orally of the conclusions drawn from the monitoring of the macroeconomic adjustment programme. That information shall be treated as confidential.

5. The Commission, in liaison with the ECB and, where appropriate, with the IMF, shall examine with the Member State concerned the changes and updates that may be needed to its macroeconomic adjustment programme in order to take proper account, inter alia, of any significant gap between macroeconomic forecasts and realised figures, including possible consequences resulting from the macroeconomic

adjustment programme, adverse spill-over effects and macroeconomic and financial shocks. The Council, acting by a qualified majority on a proposal from the Commission, shall decide on any change to be made to that programme.

6. The Member State concerned shall consider, in close cooperation with the Commission, whether to take all necessary measures to invite private investors to maintain their overall exposure on a voluntary basis.

7. Where the monitoring referred to in paragraph 4 highlights significant deviations from a Member State's macroeconomic adjustment programme, the Council, acting by a qualified majority on a proposal from the Commission, may decide that the Member State concerned does not comply with the policy requirements contained in its programme. The Commission, in its proposal, shall assess explicitly whether such significant deviations are due to reasons that are not within the control of the Member State concerned.

The budgetary consolidation efforts set out in the macroeconomic adjustment programme shall take into account the need to ensure sufficient means for fundamental policies, such as education and health care.

Where a decision is taken under this paragraph, the Member State concerned shall, in close cooperation with the Commission and in liaison with the ECB and, where appropriate, with the IMF, take measures aimed at stabilising markets and preserving the good functioning of its financial sector.

8. A Member State subject to a macroeconomic adjustment programme experiencing insufficient administrative capacity or significant problems in the implementation of the programme shall seek technical assistance from the Commission, which may constitute, for that purpose, groups of experts composed of members from other Member States and other Union institutions or from relevant international institutions. The objectives and the means of the technical assistance shall be explicitly outlined in the updated versions of the macroeconomic adjustment programme and focus on the area where major needs are identified. Technical assistance may include the establishment of a resident representative and supporting staff to advise authorities on the implementation of the programme.

The macroeconomic adjustment programme, including its objectives and the expected distribution of the adjustment effort, shall be made public.

The conclusions of the assessment of the sustainability of the government debt shall be annexed to the macroeconomic adjustment programme.

9. A Member State subject to a macroeconomic adjustment programme shall carry out a comprehensive audit of its public finances in order, inter alia, to assess the reasons that led to the building up of excessive levels of debt as well as to track any possible irregularity.

10. The competent committee of the European Parliament may offer the opportunity to the Member State concerned and to the Commission to participate in an exchange of views on the progress made in the implementation of the macroeconomic adjustment programme.

11. Representatives of the Commission may be invited by the parliament of the Member State concerned to participate in an exchange of views on the progress made in the implementation of its macroeconomic adjustment programme.

12. This Article shall not apply to instruments providing financial assistance on a precautionary basis, to loans made for the recapitalisation of financial institutions, or to any new ESM financial instrument for which the ESM rules do not provide for a macroeconomic adjustment programme.

For information purposes, the Commission shall establish a list of the financial assistance instruments referred to in the first subparagraph and shall keep it updated to take into account possible changes in the financial support policy of the ESM.

Concerning those instruments, the Council, acting on a recommendation from the Commission, shall, by a decision addressed to the Member State concerned, approve the main policy requirements which the ESM or the EFSF plans to include in the conditionality for its financial support, to the extent that the content of those measures falls within the competence of the Union as laid down by the Treaties.

The Commission shall ensure that the memorandum of understanding signed by the Commission on behalf of the ESM or the EFSF is fully consistent with such a Council decision.

Article 8

Involvement of social partners and civil society

A Member State shall seek the views of social partners as well as relevant civil society organisations when preparing its draft

macroeconomic adjustment programmes, with a view to contributing to building consensus over its content.

Article 9

Measures to safeguard tax revenue

A Member State shall, where necessary, take measures in close cooperation with the Commission and in liaison with the ECB and, where appropriate, with the IMF, aiming to reinforce the efficiency and effectiveness of revenue collection capacity and the fight against tax fraud and evasion, with a view to increasing its fiscal revenue.

Article 10

Consistency with the Stability and Growth Pact

1. Where a Member State is subject to a macroeconomic adjustment programme, and the changes thereto, under Article 7 of this Regulation, it shall be exempt from submitting a stability programme, under Article 3 of Regulation (EC) No 1466/97, and shall integrate the content of such a stability programme into its macroeconomic adjustment programme.

2. Where a Member State subject to a macroeconomic adjustment programme is also the subject of a recommendation under Article 126(7) TFEU or of a decision to give notice under Article 126(9) TFEU for the correction of an excessive deficit:

- (a) it shall be exempt from submitting, as appropriate, the reports under Article 3(4a) and Article 5(1a) of Regulation (EC) No 1467/97;
- (b) the annual budgetary targets in each macroeconomic adjustment programme shall be integrated into the recommendation or decision to give notice, respectively under Article 3(4) and Article 5(1) of Regulation (EC) No 1467/97, and, where the Member State concerned is subject to a decision to give notice under Article 126(9) TFEU, the measures conducive to those targets in the macroeconomic adjustment programme shall be integrated into the decision to give notice in accordance with Article 5(1) of Regulation (EC) No 1467/97;
- (c) with regard to the monitoring provided for by Article 7(4) of this Regulation, it shall be exempt from monitoring under Article 10(1) and Article 10a of Regulation (EC) No 1467/97 and monitoring underlying any decision under Article 4(2) and Article 6(2) of that Regulation.

*Article 11***Consistency with Regulation (EU) No 1176/2011**

Where a Member State is subject to a macroeconomic adjustment programme, Regulation (EU) No 1176/2011 shall not apply to that Member State for the duration of that programme, save that the indicators in the scoreboard established in Regulation (EU) No 1176/2011 shall be integrated into the monitoring of that programme.

*Article 12***Consistency with the European Semester for economic policy coordination**

Where a Member State is subject to a macroeconomic adjustment programme, it shall be exempt from the monitoring and assessment of the European Semester for economic policy coordination under Article 2-a of Regulation (EC) No 1466/97 for the duration of that programme.

*Article 13***Consistency with Regulation (EU) No 473/2013**

Where a Member State is subject to a macroeconomic adjustment programme, Regulation (EU) No 473/2013 shall not apply to that Member State for the duration of that programme, with the exception of Articles 1 to 5 and 13 to 18 of that Regulation.

*Article 14***Post-programme surveillance**

1. A Member State shall be under post-programme surveillance as long as a minimum of 75 % of the financial assistance received from one or several other Member States, the EFSM, the ESM or the EFSF has not been repaid. The Council, on a proposal from the Commission, may extend the duration of the post-programme surveillance in the event of a persistent risk to the financial stability or fiscal sustainability of the Member State concerned. The proposal from the Commission shall be deemed to be adopted by the Council unless the Council decides, by a qualified majority, to reject it within 10 days of the Commission's adoption thereof.

2. On a request from the Commission, a Member State under post-programme surveillance shall comply with the requirements under Article 3(3) of this Regulation and shall provide the information referred to in Article 10(3) of Regulation (EU) No 473/2013.

3. The Commission shall conduct, in liaison with the ECB, regular review missions in the Member State under post-programme surveillance to assess its economic, fiscal and

financial situation. Every six months, it shall communicate its assessment to the competent committee of the European Parliament, to the EFC and to the parliament of the Member State concerned and shall assess, in particular, whether corrective measures are needed.

The competent committee of the European Parliament may offer the opportunity to the Member State concerned to participate in an exchange of views on the progress made under post-programme surveillance.

4. The Council, acting on a proposal from the Commission, may recommend to a Member State under post-programme surveillance to adopt corrective measures. The proposal from the Commission shall be deemed to be adopted by the Council unless the Council decides, by a qualified majority, to reject it within 10 days of the Commission's adoption thereof.

5. The parliament of the Member State concerned may invite representatives of the Commission to participate in an exchange of views on the post-programme surveillance.

*Article 15***Voting within the Council**

For the measures referred to in this Regulation, only members of the Council representing Member States whose currency is the euro shall vote and the Council shall act without taking into account the vote of the member of the Council representing the Member State concerned.

A qualified majority of the members of the Council referred to in the first paragraph shall be calculated in accordance with Article 238(3)(a) TFEU.

*Article 16***Application to Member States in receipt of financial assistance**

Member States in receipt of financial assistance on 30 May 2013 shall be subject to this Regulation as from that date.

*Article 17***Transitional provisions**

Notwithstanding Article 14, Member States that are under post-programme surveillance on 30 May 2013 shall be subject to the post-programme surveillance rules, conditions and procedures applicable to the financial assistance from which they benefit.

*Article 18***Informing the European Parliament**

The European Parliament may invite representatives of the Council and of the Commission to enter into a dialogue on the application of this Regulation.

*Article 19***Reports**

By 1 January 2014, and every five 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.

The reports referred to in the first subparagraph shall evaluate, inter alia:

(a) the effectiveness of this Regulation;

(b) progress in ensuring closer coordination of economic policies and sustained convergence of economic performance of the Member States in accordance with the TFEU;

(c) the contribution of this Regulation to the achievement of the Union's strategy for growth and jobs.

*Article 20***Entry into force**

This Regulation shall enter into force on the third 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 the Member States in accordance with the Treaties.

Done at Strasbourg, 21 May 2013.

For the European Parliament
The President
M. SCHULZ

For the Council
The President
L. CREIGHTON

**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**

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

⁽¹⁾ OJ C 141, 17.5.2012, p. 7.

⁽²⁾ Position of the European Parliament of 12 March 2013 (not yet published in the Official Journal) and decision of the Council of 13 May 2013.

⁽³⁾ OJ L 209, 2.8.1997, p. 1.

⁽⁴⁾ OJ L 209, 2.8.1997, p. 6.

⁽⁵⁾ OJ L 306, 23.11.2011, p. 12.

⁽⁶⁾ OJ L 306, 23.11.2011, p. 33.

⁽⁷⁾ OJ L 306, 23.11.2011, p. 1.

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⁽¹⁾. Where appropriate, opinions issued in the context of an economic partnership programme, as established by this Regulation, should also be 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 policies 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.

⁽¹⁾ OJ L 306, 23.11.2011, p. 25.

- (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⁽¹⁾ 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

⁽¹⁾ OJ L 306, 23.11.2011, p. 41.

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 a case, no follow-up to the early guidance from the Commission should be considered as an aggravating factor.
- (23) Also, based on an overall assessment of the draft budgetary plans by the Commission, the Eurogroup should discuss the budgetary situation and prospects for the euro area as a whole.
- (24) Member States whose currency is the euro and which are subject to an excessive deficit procedure should be monitored more closely, in order to secure a full, sustainable and timely correction of the excessive deficit. Closer monitoring by means of additional reporting requirements should ensure prevention and early correction of any deviations from the Council recommendations to correct the excessive deficit. Such monitoring should complement the provisions set out in Regulation (EC) No 1467/97. Those additional reporting requirements should be proportionate to the stage of the procedure to which the Member State is subject, under Article 126 TFEU. As a first step, the Member State concerned should carry out a comprehensive assessment of in-year budgetary execution for

the general government and its subsectors, taking into account in particular financial risks associated to contingent liabilities with potentially large impacts on public budgets.

- (25) Additional reporting requirements for Member States whose currency is the euro and which are subject to an excessive deficit procedure should enable a better exchange of information between the Member States concerned and the Commission, and, as a consequence, the identification of risks in the compliance of a Member State with the deadline which has been set by the Council to correct its excessive deficit. In the event of such risks being identified, the Commission should issue a recommendation to the Member State concerned setting out appropriate measures to be taken within a given timeframe. Upon request, the Commission should present its recommendation to the parliament of the Member State concerned. Compliance with the recommendation should lead to a prompt correction of any developments putting at risk the correction of the excessive deficit within the established deadline.
- (26) Assessment of compliance with the Commission recommendation should be part of the continuous assessment made by the Commission of effective action to correct an excessive deficit. When deciding whether effective action to correct the excessive deficit has been taken, the Council should also base its decision on whether or not the Member State complied with the Commission recommendation, while giving due consideration to Article 3(5) and Article 5(2) of Regulation (EC) No 1467/97.
- (27) Indeed, Regulation (EC) No 1467/97, which sets out in detail the excessive deficit procedure based on Article 126 TFEU, embeds elements of flexibility which allow unexpected adverse economic events to be taken into account. Article 3(5) and Article 5(2) of that Regulation provide that if effective action has been taken in compliance with, respectively, a recommendation under Article 126(7) TFEU or a decision to give notice under Article 126(9) TFEU, and unexpected adverse economic events with major unfavourable consequences for government finances occur after the adoption of that recommendation or decision to give notice, the Council may decide, on a recommendation from the Commission, to adopt a revised recommendation under Article 126(7) TFEU or a revised decision to give notice under Article 126(9) TFEU. The revised recommendation or revised decision to give notice, taking into account the relevant factors referred to in Article 2(3) of Regulation (EC) No 1467/97 may, in particular, extend the deadline for the correction of the excessive deficit by one year as a rule.

- The Council should assess the existence of unexpected adverse economic events with major unfavourable consequences for government finances against the economic forecasts in its initial recommendation or decision to give notice. In the case of a severe economic downturn in the euro area or in the Union as a whole, the Council may also decide, on a recommendation from the Commission, to adopt a revised recommendation under Article 126(7) TFEU or a revised decision to give notice under Article 126(9) TFEU, provided that that does not endanger fiscal sustainability in the medium term. In addition, Article 2(1a) of Regulation (EC) No 1467/97 provides that, in implementing the debt ratio adjustment benchmark, account shall be taken of the influence of the cycle on the pace of debt reduction. Thus, a Member State would not be considered as having breached the debt criterion laid down in Article 126(2)(b) TFEU if that is only because of negative cyclical conditions.
- (28) Also, since budgetary measures might be insufficient to ensure a lasting correction of the excessive deficit, Member States whose currency is the euro and are subject to an excessive deficit procedure should present an economic partnership programme detailing the policy measures and structural reforms needed to ensure an effective and lasting correction of the excessive deficit, building on the latest update of their national reform programme and their stability programme.
- (29) Furthermore, strengthening economic governance has involved a closer dialogue with the European Parliament. While recognising that the counterparts of the European Parliament in the framework of the dialogue are the relevant institutions of the Union and their representatives, the competent committee of the European Parliament may offer an opportunity to participate in an exchange of views to a Member State which is the subject of a Commission recommendation or of a Council opinion in accordance with this Regulation. The Member State's participation in such an exchange of views is voluntary.
- (30) In order to specify the extent of the reporting obligations for Member States subject to an excessive deficit procedure, the power to adopt acts in accordance with Article 290 TFEU should be delegated to the Commission in respect of the content and scope of such reporting. It is of particular importance that the Commission carry out appropriate consultations during its preparatory work, including at expert level. The Commission, when preparing and drawing up delegated acts, should ensure a simultaneous, timely and appropriate transmission of relevant documents to the European Parliament and to the Council.
- (31) The power to adopt opinions on economic partnership programmes, as established by this Regulation should be conferred on the Council. Those opinions are complementary to the excessive deficit procedure laid down under Article 126 TFEU in accordance with which the Council is to decide on the existence of an excessive deficit and on the measures required to put an end to it.
- (32) Recalling the importance of sound public finances, structural reform and targeted investment for sustainable growth, the Member States' Heads of State or Government signed a Compact for Growth and Jobs on 29 June 2012, demonstrating their determination to stimulate job-creating growth in parallel to their commitment to sound public finances. The Compact includes, in particular, measures to boost the financing of the economy. EUR 120 000 million (equivalent to around 1 % of the Union's Gross National Income) are being mobilised for fast-acting growth measures. As recommended in the annual growth survey in 2012 and 2013, the Member States should strive to maintain an adequate pace of fiscal consolidation while preserving investment aiming to achieve the Europe 2020 goals for growth and jobs.
- (33) The Commission is monitoring the impact of tight budget constraints on growth enhancing public expenditure and on public investment. The Union's fiscal framework offers scope to balance the acknowledgement of productive public investment needs with fiscal discipline objectives: while fully respecting the SGP, the possibilities offered by the Union's existing fiscal framework to balance productive public investment needs with fiscal discipline objectives can be exploited in the preventive arm of the SGP. The Commission has announced its intention to report on the scope for possible action within the boundaries of the existing Union fiscal framework.
- (34) The European Parliament's resolution of 20 November 2012 with recommendations to the Commission on the report of the Presidents of the European Council, the European Commission, the European Central Bank and the Eurogroup 'Towards a Genuine Economic and Monetary Union' and the Commission's Communication of 28 November 2012 entitled 'A blueprint for a deep and genuine EMU' outline, respectively, the views of the European Parliament and of the Commission on the steps needed to achieve a deeper and better integrated economic and monetary union. Following the report 'Towards a Genuine Economic and Monetary Union', the European Council, in its conclusions in December 2012, set out its views on a number of issues with a view to the further strengthening of EMU,

HAVE ADOPTED THIS REGULATION:

CHAPTER I

GENERAL PROVISIONS

Article 1

Subject matter and scope

1. This Regulation sets out provisions for enhanced monitoring of budgetary policies in the euro area and for ensuring that national budgets are consistent with the economic policy guidance issued in the context of the SGP and the European Semester for economic policy coordination, by:

- (a) complementing the European Semester, as established in Article 2-a of Regulation (EC) No 1466/97, with a common budgetary timeline;
- (b) complementing the procedure for the prevention and correction of excessive macroeconomic imbalances, as established by Regulation (EU) No 1176/2011;
- (c) complementing the multilateral surveillance system of budgetary policies, as established by Regulation (EC) No 1466/97, with additional monitoring requirements in order to ensure that Union policy recommendations in the budgetary area are appropriately integrated in the national budgetary preparations;
- (d) complementing the procedure for correcting a Member State's excessive deficit, as established by Article 126 TFEU and by Regulation (EC) No 1467/97, with closer monitoring of the budgetary policies of Member States subject to an excessive deficit procedure in order to secure a timely and lasting correction of an excessive deficit;
- (e) guaranteeing the consistency between budgetary policies and measures and reforms taken in the context of the procedure for prevention and correction of excessive macroeconomic imbalances as established by Regulation (EU) No 1176/2011 and, where appropriate, in the context of an economic partnership programme as referred to in Article 9.

2. The application of this Regulation shall be in full compliance with Article 152 TFEU and the recommendations issued under this Regulation shall respect national practice and

institutions for wage formation. In accordance with Article 28 of the Charter of Fundamental Rights of the European Union, this Regulation shall not affect the right to negotiate, conclude or enforce collective agreements or to take collective action in accordance with national law and practice.

3. This Regulation shall apply to Member States whose currency is the euro.

Article 2

Definitions

1. For the purposes of this Regulation, the following definitions shall apply:

- (a) 'independent bodies' means bodies that are structurally independent or bodies endowed with functional autonomy *vis-à-vis* the budgetary authorities of the Member State, and which are underpinned by national legal provisions ensuring a high degree of functional autonomy and accountability, including:
 - (i) a statutory regime grounded in national laws, regulations or binding administrative provisions;
 - (ii) not taking instructions from the budgetary authorities of the Member State concerned or from any other public or private body;
 - (iii) the capacity to communicate publicly in a timely manner;
 - (iv) procedures for nominating members on the basis of their experience and competence;
 - (v) adequate resources and appropriate access to information to carry out their mandate;
- (b) 'independent macroeconomic forecasts' means macroeconomic forecasts produced or endorsed by independent bodies;
- (c) 'medium-term budgetary framework' means medium-term budgetary framework as described in point (e) of Article 2 of Directive 2011/85/EU;

(d) 'stability programme' means stability programme as described in Article 3 of Regulation (EC) No 1466/97.

(4) where appropriate, opinions on economic partnership programmes, as referred to in Article 9.

In order to ensure consistency across the independent macroeconomic forecasts referred to in point (b) of the first subparagraph, the Member States and the Commission shall, at least annually, engage in a technical dialogue concerning the assumptions underpinning the preparation of macroeconomic and budgetary forecasts in accordance with Article 4(5) of Directive 2011/85/EU.

2. The definitions of 'general government sector' and of 'sub-sectors of the general government sector', set out in point 2.70 of Annex A to Regulation (EC) No 2223/96 of 25 June 1996 on the European system of national and regional accounts in the Community ⁽¹⁾ shall also apply to this Regulation.

3. The application of this Regulation is without prejudice to Article 9 TFEU.

CHAPTER II

ECONOMIC POLICY COORDINATION

Article 3

Consistency with the framework for economic policy coordination

The Member States' budgetary procedure shall be consistent with:

(1) 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;

(2) the recommendations issued in the context of the SGP;

(3) where appropriate, 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

CHAPTER III

COMMON BUDGETARY PROVISIONS

Article 4

Common budgetary timeline

1. Member States shall, in the context of the European Semester, make public, preferably by 15 April but no later than 30 April each year, their national medium-term fiscal plans in accordance with their medium-term budgetary framework. Such plans shall include at least all the information to be provided in their stability programmes and shall be presented together with their national reform programmes and the stability programmes. Such plans shall 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. They shall also 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 referred to in Article 9.

National medium-term fiscal plans and national reform programmes shall 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. Furthermore, national medium-term fiscal plans or national reform programmes shall include indications on the expected economic returns on non-defence public investment projects that have a significant budgetary impact. National medium-term fiscal plans and stability programmes may be the same document.

2. The draft budget for the forthcoming year for the central government and the main parameters of the draft budgets for all the other subsectors of the general government shall be made public annually not later than 15 October.

3. The budget for the central government shall be adopted or fixed upon and made public annually not later than 31 December together with the updated main budgetary parameters for the other sub-sectors of the general government. Member States shall have in place reversionary budget procedures to be applied if, for objective reasons beyond the control of the government, the budget is not adopted or fixed upon and made public by 31 December.

⁽¹⁾ OJ L 310, 30.11.1996, p. 1.

4. National medium-term fiscal plans and draft budgets referred to in paragraphs 1 and 2 shall be based on independent macroeconomic forecasts, and shall indicate whether the budgetary forecasts have been produced or endorsed by an independent body. Those forecasts shall be made public together with the national medium-term fiscal plans and the draft budgets that they underpin.

Article 5

Independent bodies monitoring compliance with fiscal rules

1. Member States shall have in place independent bodies for monitoring compliance with:

(a) numerical fiscal rules incorporating in the national budgetary processes their medium-term budgetary objective as established in Article 2a of Regulation (EC) No 1466/97;

(b) numerical fiscal rules as referred to in Article 5 of Directive 2011/85/EU.

2. Those bodies shall, where appropriate, provide public assessments with respect to national fiscal rules, *inter alia* relating to:

(a) the occurrence of circumstances leading to the activation of the correction mechanism for cases of significant observed deviation from the medium-term objective or the adjustment path towards it in accordance with Article 6(2) of Regulation (EC) No 1466/97;

(b) whether the budgetary correction is proceeding in accordance with national rules and plans;

(c) any occurrence or cessation of circumstances referred to in the tenth subparagraph of Article 5(1) of Regulation (EC) No 1466/97 which may allow a temporary deviation from the medium-term budgetary objective or the adjustment path towards it, provided that such a deviation does not endanger fiscal sustainability in the medium term.

CHAPTER IV

MONITORING AND ASSESSMENT OF MEMBER STATES DRAFT BUDGETARY PLANS

Article 6

Monitoring requirements

1. Member States shall submit annually to the Commission and to the Eurogroup a draft budgetary plan for the forthcoming year by 15 October. That draft budgetary plan shall be consistent with the recommendations issued in the context of the SGP and, where applicable, 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 the economic partnership programmes referred to in Article 9.

2. As soon as the draft budgetary plans referred to in paragraph 1 have been submitted to the Commission, they shall be made public.

3. The draft budgetary plan shall contain the following information for the forthcoming year:

(a) the targeted budget balance for the general government as a percentage of Gross Domestic Product (GDP), broken down by subsector of general government;

(b) the projections at unchanged policies for expenditure and revenue as a percentage of GDP for the general government and their main components, including gross fixed capital formation;

(c) the targeted expenditure and revenue as a percentage of GDP for the general government and their main components, taking into account the conditions and criteria to establish the growth path of government expenditure net of discretionary revenue measures under Article 5(1) of Regulation (EC) No 1466/97;

(d) relevant information on the general government expenditure by function, including on education, healthcare and employment, and, where possible, indications on the expected distributional impact of the main expenditure and revenue measures;

- (e) a description and quantification of the expenditure and revenue measures to be included in the draft budget for the year to come at the level of each subsector in order to bridge the gap between the targets referred to in point (c) and the projections at unchanged policies provided in accordance with point (b);
- (f) the main assumptions of the independent macroeconomic forecasts and important economic developments which are relevant to the achievement of the budgetary targets;
- (g) an annex containing the methodology, economic models and assumptions, and any other relevant parameters underpinning the budgetary forecasts and the estimated impact of aggregated budgetary measures on economic growth;
- (h) indications on how reforms and measures in the draft budgetary plan, including in particular public investment, address the current recommendations to the Member State concerned in accordance with Articles 121 and 148 TFEU and are instrumental to the achievement of the targets set by the Union's strategy for growth and jobs.

The description referred to in point (e) of the first subparagraph may be less detailed for measures with a budgetary impact estimated to be lower than 0,1 % of GDP. Particular and explicit attention shall be paid to major fiscal policy reform plans with potential spill-over effects for other Member States whose currency is the euro.

4. Where the budgetary targets reported in the draft budgetary plan in accordance with paragraph 3 or the projections at unchanged policies differ from those in the most recent stability programme, the differences shall be duly explained.

5. The specification of the content of the draft budgetary plan shall be set out in a harmonised framework established by the Commission in cooperation with the Member States.

Article 7

Assessment of the draft budgetary plan

1. The Commission shall adopt an opinion on the draft budgetary plan as soon as possible and in any event by 30 November.

2. Notwithstanding paragraph 1, where, in exceptional cases, after consulting the Member State concerned within one week of submission of the draft budgetary plan, the Commission identifies particularly serious non-compliance with the budgetary policy obligations laid down in the SGP, the Commission shall adopt its opinion within two weeks of submission of the draft budgetary plan. In its opinion, the Commission shall request that a revised draft budgetary plan be submitted as soon as possible and in any event within three weeks of the date of its opinion. The Commission's request shall be reasoned and shall be made public.

Article 6(2), (3) and (4) shall apply to revised draft budgetary plans submitted pursuant to the first subparagraph of this paragraph.

The Commission shall adopt a new opinion on the revised draft budgetary plan as soon as possible and in any event within three weeks of submission of the revised draft budgetary plan.

3. The Commission's opinion shall be made public and shall be presented to the Eurogroup. Thereafter, at the request of the parliament of the Member State concerned or of the European Parliament, the Commission shall present its opinion to the parliament making the request.

4. The Commission shall make an overall assessment of the budgetary situation and prospects in the euro area as a whole, on the basis of the national budgetary prospects and their interaction across the area, relying on the most recent economic forecasts of the Commission services.

The overall assessment shall include sensitivity analyses that provide an indication of the risks to public finance sustainability in the event of adverse economic, financial or budgetary developments. It shall also, as appropriate, outline measures to reinforce the coordination of budgetary and macroeconomic policy at the euro area level.

The overall assessment shall be made public and shall be taken into account in the annual general guidance to Member States issued by the Commission.

The methodology (including models) and assumptions of the most recent economic forecasts of the Commission services for each Member State, including estimates of the impact of aggregated budgetary measures on economic growth, shall be annexed to the overall assessment.

5. The Eurogroup shall discuss opinions of the Commission on the draft budgetary plans and the budgetary situation and prospects in the euro area as a whole on the basis of the overall assessment made by the Commission in accordance with paragraph 4. The results of those discussions of the Eurogroup shall be made public where appropriate.

Article 8

Reporting on debt issuance

1. Member States shall report to the Commission and the Eurogroup, *ex ante* and in a timely manner, on their national debt issuance plans.

2. The harmonised form and content of the report referred to in paragraph 1 shall be laid down by the Commission, in cooperation with the Member States.

CHAPTER V

ENSURING THE CORRECTION OF EXCESSIVE DEFICIT

Article 9

Economic partnership programmes

1. If the Council, acting under Article 126(6) TFEU, decides that an excessive deficit exists in a Member State, the Member State concerned shall present to the Commission and to the Council an economic partnership programme describing the policy measures and structural reforms that are needed to ensure an effective and lasting correction of the excessive deficit, as a development of its national reform programme and its stability programme, and fully taking into account the Council recommendations on the implementation of the integrated guidelines for the economic and employment policies of the Member State concerned.

2. The economic partnership programme shall identify and select a number of specific priorities aiming to enhance competitiveness and long-term sustainable growth and addressing structural weaknesses in the Member State concerned. Those priorities shall be consistent with the Union's strategy for growth and jobs. Where appropriate, potential financial resources shall be identified, including credit lines of the European Investment Bank and other relevant financial instruments, as appropriate.

3. The economic partnership programme shall be presented at the same time as the report provided for in Article 3(4a) of Regulation (EC) No 1467/97.

4. The Council, acting on a proposal from the Commission, shall adopt an opinion on the economic partnership programme.

5. A corrective action plan as referred to in Article 8(1) of Regulation (EU) No 1176/2011 may be amended in accordance with Article 9(4) of that Regulation to replace the economic partnership programme provided for in this Article. Where such a corrective action plan is submitted after the adoption of an economic partnership programme, the measures set out in the economic partnership programme may, as appropriate, be included in the corrective action plan.

6. The implementation of the programme, and the annual budgetary plans consistent with it, shall be monitored by the Council and by the Commission.

Article 10

Reporting requirements for Member States in excessive deficit procedure

1. Where the Council decides in accordance with Article 126(6) TFEU that an excessive deficit exists in a Member State, the Member State concerned shall, on a request from the Commission, be subject to reporting requirements in accordance with paragraphs 2 to 5 of this Article, until the abrogation of its excessive deficit procedure.

2. The Member State shall carry out a comprehensive assessment of in-year budgetary execution for the general government and its subsectors. The financial risks associated with contingent liabilities with potentially large impacts on public budgets, as referred to in Article 14(3) of Directive 2011/85/EU shall also be covered by the assessment to the extent that they may contribute to the existence of an excessive deficit. The result of that assessment shall be included in the report submitted in accordance with Article 3(4a) or Article 5(1a) of Regulation (EC) No 1467/97 on action taken to correct the excessive deficit.

3. The Member State shall report regularly to the Commission and to the Economic and Financial Committee, for the general government and its subsectors, the in-year budgetary execution, the budgetary impact of discretionary measures taken on both the expenditure and the revenue side, targets for the government expenditure and revenues, and information on the measures adopted and the nature of those envisaged to achieve the targets. The report shall be made public.

The Commission shall be empowered to adopt delegated acts in accordance with Article 14 specifying the content of the regular reporting referred to in this paragraph.

4. If the Member State concerned is the subject of a Council recommendation under Article 126(7) TFEU, the report referred to in paragraph 3 of this Article shall be submitted for the first time six months after the report provided for in Article 3(4a) of Regulation (EC) No 1467/97, and thereafter on a six-monthly basis.

5. If the Member State concerned is the subject of a Council decision to give notice under Article 126(9) TFEU, the report in accordance with paragraph 3 of this Article shall also contain information on the actions being taken in response to the specific Council notice. It shall be submitted for the first time three months after the report provided for in Article 5(1a) of Regulation (EC) No 1467/97, and thereafter on a quarterly basis.

6. Upon request and within the deadline set by the Commission, a Member State subject to an excessive deficit procedure shall:

- (a) carry out and report on a comprehensive independent audit of the public accounts of all subsectors of the general government conducted preferably in coordination with national supreme audit institutions, aiming to assess the reliability, completeness and accuracy of those public accounts for the purposes of the excessive deficit procedure;
- (b) provide available additional information for the purposes of monitoring progress towards the correction of the excessive deficit.

The Commission (Eurostat) shall assess the quality of statistical data reported by the Member State concerned under point (a) in accordance with Council Regulation (EC) No 479/2009 of 25 May 2009 on the application of the Protocol on the excessive deficit procedure annexed to the Treaty establishing the European Community ⁽¹⁾.

Article 11

Member States at risk of non-compliance with their obligation under their excessive deficit procedure

1. When assessing whether compliance with the deadline to correct the excessive deficit, as established by a Council recommendation under Article 126(7) TFEU or a Council decision to give notice under Article 126(9) TFEU, is at risk, the

Commission shall base its assessment, *inter alia*, on the reports submitted by the Member States in accordance with Article 10(3) of this Regulation.

2. In the case of a risk of non-compliance with the deadline to correct the excessive deficit, the Commission shall address a recommendation to the Member State concerned regarding full implementation of the measures provided for in the recommendation or decision to give notice referred to in paragraph 1, adoption of other measures, or both, within a timeframe consistent with the deadline for the correction of its excessive deficit. The recommendation by the Commission shall be made public and shall be presented to the Economic and Financial Committee. At the request of the parliament of the Member State concerned, the Commission shall present the recommendation to that parliament.

3. Within the timeframe set by the Commission recommendation referred to in paragraph 2, the Member State concerned shall report to the Commission on measures adopted in response to that recommendation together with the reports provided for in Article 10(3). The report shall include the budgetary impact of all discretionary measures taken, targets for the government expenditure and revenues, information on the measures adopted and the nature of those envisaged to achieve the targets, and information on the other actions being taken in response to the Commission recommendation. The report shall be made public and shall be presented to the Economic and Financial Committee.

4. On the basis of the report referred to in paragraph 3, the Commission shall assess whether the Member State has complied with the recommendation referred to in paragraph 2.

Article 12

Impact on the excessive deficit procedure

1. The extent to which the Member State concerned has taken into account the Commission's opinion referred to in Article 7(1) shall be taken into account by:

(a) the Commission when conducting a report under Article 126(3) TFEU and when recommending the imposition of a non-interest bearing deposit in accordance with Article 5 of Regulation (EU) No 1173/2011;

(b) the Council when deciding whether an excessive deficit exists in accordance with Article 126(6) TFEU.

⁽¹⁾ OJ L 145, 10.6.2009, p. 1.

2. The monitoring established by Articles 10 and 11 of this Regulation shall be an integral part of the regular monitoring, as provided for in Article 10(1) of Regulation (EC) No 1467/97, of the implementation of action taken by the Member State concerned in response to Council recommendations under Article 126(7) TFEU or Council decisions to give notice under Article 126(9) TFEU to correct the excessive deficit.

3. When considering whether effective action has been taken in response to recommendations under Article 126(7) TFEU or to decisions to give notice under Article 126(9) TFEU, the Commission shall take into account the assessment referred to in Article 11(4) in this Regulation and shall recommend, as appropriate, that the Council take decisions under Article 126(8) or Article 126(11) TFEU, giving due consideration to Article 3(5) and Article 5(2) of Regulation (EC) No 1467/97.

Article 13

Consistency with Regulation (EU) No 472/2013 ⁽¹⁾

Member States subject to a macroeconomic adjustment programme shall not be subject to Articles 6 to 12 of this Regulation.

CHAPTER VI

FINAL PROVISIONS

Article 14

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 Article 10(3) shall be conferred on the Commission for a period of three years from 30 May 2013. The Commission shall draw up a report in respect of the delegation of power not later than nine months before the end of the three-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 delegation of power referred to in Article 10(3) 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

⁽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 (see page 1 of this Official Journal).

of the power specified in that decision. It shall take effect 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. As soon as it adopts a delegated act, the Commission shall notify it simultaneously to the European Parliament and to the Council.

5. A delegated act adopted pursuant to Article 10(3) shall enter into force only if no objection has been expressed either by the European Parliament or by the Council within a period of two 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 two months at the initiative of the European Parliament or of the Council.

Article 15

Economic Dialogue

1. In order to enhance the dialogue between the Union institutions, in particular the European Parliament, the Council and the Commission, and to ensure greater transparency and accountability, the competent committee of the European Parliament may invite, where appropriate, the President of the Council, the Commission, the President of the European Council or the President of the Eurogroup to appear before the committee to discuss:

- (a) the specification of the content of the draft budgetary plan as set out in a harmonised framework established in accordance with Article 6(5);
- (b) the results of the discussion of the Eurogroup on the Commission opinions adopted in accordance with Article 7(1), to the extent that they have been made public;
- (c) the overall assessment of the budgetary situation and prospects in the euro area as a whole made by the Commission in accordance with Article 7(4);
- (d) Council acts referred to in Article 9(4) and in Article 12(3).

2. The competent committee of the European Parliament may offer the opportunity to the Member State that is the subject of a Commission recommendation under Article 11(2) or Council acts as referred to in paragraph 1(d) to participate in an exchange of views.

3. The European Parliament shall be duly involved in the European Semester in order to increase the transparency and ownership of, and the accountability for the decisions taken, in particular by means of the economic dialogue carried out pursuant to this Article.

Article 16

Review and reports on the application of this Regulation

1. By 14 December 2014, and every five 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.

The reports referred to in the first subparagraph shall evaluate, inter alia:

- (a) the effectiveness of this Regulation;
- (b) progress in ensuring closer coordination of economic policies and sustained convergence of economic performances of the Member States in accordance with the TFEU;
- (c) the contribution of this Regulation to the achievement of the Union's strategy for growth and jobs.

This Regulation shall be binding in its entirety and directly applicable in the Member States in accordance with the Treaties.

Done at Strasbourg, 21 May 2013.

For the European Parliament
The President
M. SCHULZ

For the Council
The President
L. CREIGHTON

2. By 31 July 2013, the Commission shall report on the possibilities offered by the Union's existing fiscal framework to balance productive public investment needs with fiscal discipline objectives in the preventive arm of the SGP, while complying with it fully.

Article 17

Transitional provisions

1. Member States already subject to an excessive deficit procedure at the time of the entry into force of this Regulation shall comply with the regular reporting in accordance with Article 10(3), (4) and (5) by 31 October 2013.

2. Article 9(1) and Article 10(2) shall apply to Member States that are already subject to an excessive deficit procedure at the time of the entry into force of this Regulation only when a Council recommendation in accordance with Article 126(7) TFEU, or a Council decision to give notice in accordance with Article 126(9) TFEU, is taken after 30 May 2013.

In such cases, the economic partnership programme shall be presented simultaneously with the report submitted in accordance with Article 3(4a) or Article 5(1a) of Regulation (EC) No 1467/97.

3. Member States shall comply with Article 5 by 31 October 2013.

Article 18

Entry into force

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

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