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Speeding up and clarifying the implementation of the excessive deficit procedure – amending Regulation

European Parliament legislative resolution of 23 April 2024 on the proposal for a Council regulation amending Regulation (EC) No 1467/97 on speeding up and clarifying the implementation of the excessive deficit procedure (15876/2023 – C9-0005/2024 – 2023/0137(CNS))

(Special legislative procedure – consultation)

(C/2025/3739)

The European Parliament,

— having regard to the Council draft (15876/2023),

— having regard to Article 126(14), second subparagraph, of the Treaty on the Functioning of the European Union, pursuant to which the Council consulted Parliament (C9-0005/2024),

— having regard to Rule 82 of its Rules of Procedure,

— having regard to the letter from the Committee on Budgets,

— having regard to the report of the Committee on Economic and Monetary Affairs (A9-0444/2023),

1. Approves the Council draft as amended;

2. Calls on the Council to notify Parliament if it intends to depart from the text approved by Parliament;

3. Asks the Council to consult Parliament again if it intends to substantially amend its draft;

4. Instructs its President to forward its position to the Council, the Commission and the national parliaments.

Amendment 2

AMENDMENTS BY THE EUROPEAN PARLIAMENT (*)

to the Council draft

COUNCIL REGULATION

amending Regulation (EC) No 1467/97 on speeding up and clarifying the implementation of the excessive deficit procedure

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 126(14), second subparagraph, 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 Parliament ([1]),

Having regard to the opinion of the European Central Bank ([2]),

Acting in accordance with a special legislative procedure,

Whereas:

(1) The coordination of the economic policies of the Member States within the Union, as provided for by the Treaty on the Functioning of the European Union (TFEU), entails compliance with the guiding principles of stable prices, sound public finances and monetary conditions and a sustainable balance of payments.

(2) The economic governance framework of the Union, which comprises an elaborate system of policy coordination and surveillance of Member States' economic policies, has guided Member States in achieving their economic and fiscal policy objectives. Since the Treaty of Maastricht of 1992, the framework has helped achieve macroeconomic convergence, safeguard sound public finances and address macroeconomic imbalances. Together with a common monetary policy and a common currency in the euro area, the framework has created conditions for economic stability, sustainable and inclusive economic growth and higher employment for citizens of the Union.

(3) The Stability and Growth Pact (SGP), which initially consisted of Council Regulation (EC) No 1466/97 ([3]), Council Regulation (EC) No 1467/97 of 7 July 1997 ([4]) and the Resolution of the European Council of 17 June 1997 on the SGP ([5]), is based on the objective of sound and sustainable government finances as a means of strengthening the conditions for price stability and for strong sustainable and inclusive growth underpinned by financial stability, thereby supporting the achievement of the Union's objectives for sustainable growth and employment.

(4) In stage three of the Economic and Monetary Union (EMU), the Member States are, according to Article 126(1) TFEU, under the obligation to avoid excessive government deficits.

(*) Amendments: new or replacement text is marked in bold italics, and deletions are indicated by the symbol ▌.

([1]) OJ C , , p . .

([2]) OJ C 290, 18.8.2023, p. 17.

([3]) Council Regulation (EC) No 1466/97 of 7 July 1997 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies (OJ L 209, 2.8.1997, p. 1).

([4]) Council Regulation (EC) No 1467/97 of 7 July 1997 on speeding up and clarifying the implementation of the excessive deficit procedure (OJ L 209, 2.8.1997, p. 6).

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

(5) The economic governance framework of the Union should be adapted to better take into account the increased heterogeneity of fiscal positions, public debt, economic challenges and other vulnerabilities across Member States. The strong policy response to the COVID-19 pandemic proved highly effective in mitigating the economic andsocial consequences of the crisis, but resulted in a significant increase in public- and private-sector debt ratios, underscoring the importance of reducing debt ratios and deficits to prudent levels in a gradual, realistic, sustained and growth-friendly manner, allowing leeway for counter-cyclical policies and addressing macroeconomic imbalances, while paying due attention to employment and social objectives. At the same time, the economic governance framework of the Union should be adapted to help address the medium- and long-term challenges facing the Union, including achieving a fair digital and green transition, including the Climate Law ([6]), ensuring energy security, supporting open strategic autonomy, addressing demographic change, strengthening social and economic resilience and sustained convergence, and implementing the strategic compass for security and defence, all of which requires reforms and sustained high levels of investment in the years to come.

(6) The economic governance framework of the Union should promote sound and sustainable public finances and sustainable and inclusive growth and therefore differentiate between Member States by taking into account their public debt and economic challenges and allowing multi-annual country-specific fiscal trajectories, while ensuring effective multilateral surveillance and respecting the principle of equal treatment.

(7) At the same time, to ensure a transparent and common Union framework based on the reference values referred to in Article 126(2) TFEU and Protocol No 12 on the excessive deficit procedure annexed to the TFEU and the Treaty on the European Union (TEU), stronger enforcement underpinning multilateral surveillance should be the necessary counterpart of a risk-based surveillance framework that allows for country-specific fiscal trajectories.

(8) In order to simplify the Union fiscal framework and increase transparency, a single operational indicator anchored in debt sustainability should serve as a basis for setting the net expenditure path and carrying out annual fiscal surveillance for each Member State. That single indicator should be based on nationally financed net primary expenditure, that is to say***: government*** expenditure net of ***interest expenditure,*** discretionary revenue measures***, expenditure on programmes of the Union fully matched by revenue from Union funds*** and ***national*** expenditure ***on co-financing of programmes funded by the Union,*** as well as cyclical ***elements of*** unemployment ***benefit*** expenditure. In line with the guiding principles that have been used by the European Commission for classifying transactions as one-offs, one-offs and other temporary measures should also be excluded from net expenditure. This indicator allows for macro-economic stabilisation as it is not affected by the operation of automatic stabilisers, including revenue and expenditure fluctuations outside the direct control of the government.

(9) The excessive deficit procedure (EDP) for breaches of the deficit reference value of 3 % of gross domestic product (GDP) ('deficit-based EDP'), referred to in Article 126(2) TFEU and Protocol No 12 is a well-established element of the Union's fiscal surveillance framework that has been effective in influencing fiscal policy in the Member States.

(10) To strengthen the EDP for breaches of the debt criterion of 60 % of GDP ('debt-based EDP'), referred to in Article 126(2) TFEU and Protocol No 12 the focus should be on departures from the net expenditure path set by the Council under Regulation (EU) […] of the European Parliament and of the Council ([7]).

(13) In accordance with Articles 24 and 25 of Regulation (EU) [on the preventive arm], the Council, following a recommendation from the Commission, could allow Member States to deviate from the net expenditure path set by the Council under that Regulation in the event of a severe economic downturn in the euro area or the Union as a whole, or in the event of exceptional circumstances outside the control of the government with a major impact on the public finances of the Member State concerned, provided that it does not endanger fiscal sustainability in the medium term. As a consequence, such a deviation should not be registered in the control account nor lead to the opening of a debt-based EDP.

([6]) The European Climate Law sets a Union-wide climate neutrality objective by 2050 and requires Union institutions and Member States to progress in enhancing adaptive capacity, requiring significant public investment to reduce the negative socio-economic impacts of climate change on the EU and its Member States, including negative impacts on growth and fiscal sustainability.

([7]) Regulation (EU) […] of the European Parliament and of the Council of […] [on the effective coordination of economic policies and multilateral budgetary surveillance] (OJ L …, …, p….).

(14) When assessing the existence of an excessive deficit in accordance with Article 126(3) TFEU, the Commission should take into account all relevant factors. Substantial public debt challenges in the Member State concerned should be considered a key aggravating factor.

(14a) Acknowledging the rising geopolitical tensions and security challenges and the corresponding need for Member States to build-up their capabilities, the increase of government investment in defence, where applicable, should be considered as a relevant factor when assessing the existence of an excessive deficit in accordance with Article 126(3) TFEU. This factor could be assessed against EU averages, medium-term trends or other relevant benchmarks, considering also the statistical rules concerning the time of recording of military equipment expenditure.

(15) To keep track of actual deviations from the net expenditure path as set out in Article 21 of Regulation (EU) [on the preventive arm], the Commission should set up a control account for each Member State summing annual deviations over time. The information in the control account should be the basis of enforcement actions. In particular, the Commission shall prepare a report in accordance with Article 126(3) TFEU when the ratio of the government debt to GDP exceeds the reference value, the budgetary position is not close to balance or in surplus and when the deviations recorded in the control account of the Member State exceed the established annual or cumulative thresholds. The budgetary position shall be considered close to balance if the headline deficit does not exceed 0,5 percentage points of GDP.

(16) The corrective net expenditure path under the EDP should bring or keep the general government deficit below the reference value of 3 % of GDP referred to in Article 126(2) TFEU and Protocol No 12 by the deadline established by the Council. The corrective net expenditure path under the EDP would in principle be the one originally set by the Council, while taking into account the need to ensure a minimum structural adjustment of 0.5 % of GDP in case of a breach of the deficit criterion or the need to correct the deviation from that path as a rule in case of a breach of the debt criterion. In case the original path is no longer feasible, due to objective circumstances, the Council should be able to set a different path under the EDP.

(17) For Member States under an EDP, the Council, on a recommendation from the Commission, should continue to be able to extend the deadline for the correction of the excessive deficit where it establishes the existence of a severe economic downturn in the euro area or in the Union as a whole in accordance with Article 24 of Regulation (EU) [on the preventive arm], or in the case of exceptional circumstances outside the control of the government with a major impact on the public finances of an individual Member State in accordance with Article 25 of Regulation (EU) [on the preventive arm], and provided that it does not endanger fiscal sustainability in the medium term.

(18) Specific provisions of Regulation (EC) No 1467/97 related to the contributions to second pillar pension systems should be deleted since the net expenditure path set by the Council should already take into account the revenue loss related to such contributions.

(19) Independent fiscal institutions have proven their capacity to foster fiscal discipline and strengthen the credibility of Member States' public finances. In order to enhance national ownership, the role of independent fiscal institutions should be maintained in the reformed economic governance framework of the Union***, with a view to gradually building up their capacities.*** A more independent European Fiscal Board should play a more prominent advisory role in the economic governance framework of the Union.

(20) Clear conditions should be laid down for abrogation of excessive deficit procedures. Abrogation should require the deficit to remain credibly below the reference value of 3 % of GDP referred to in Article 126(2) TFEU and Protocol No 12 and, for a debt-based EDP, that the Member State demonstrates compliance with the net expenditure path under the EDP.

(21) The fines provided for in Article 126(11) TFEU should not provide for a minimum amount but they should accumulate until effective action is taken, in order to constitute a real incentive for compliance with the notices given to Member States under an EDP in accordance with Article 126(9) TFEU.

(22) Provisions related to the United Kingdom should be deleted.

(23) This Regulation is part of a package together with Regulation (EU) [on the preventive arm] and Directive (EU) […] amending 2011/85/EU on requirements for budgetary frameworks of the Member States. Together, they establish a reformed Union economic governance framework that incorporates into Union law the substance of Title III 'Fiscal Compact' of the Treaty on Stability, Coordination and Governance (TSCG) in the Economic and Monetary Union ([8]), in accordance with Article 16 thereof. By building on the experience with the implementation of the TSCG by the Member States, the proposed legislative package retains the Fiscal Compact's medium-term orientation as a tool to achieve budgetary discipline and growth promotion. The package includes a strengthened country-specific dimension aimed at enhancing national ownership, including by maintaining the role of independent fiscal institutions, which draws on the Fiscal Compact's common principles proposed by the Commission ([9]) in accordance with Article 3(2) of the TSCG. The analysis of expenditure net of discretionary revenue measures for the overall assessment of compliance required by the Fiscal Compact is set out in Regulation (EU) [on the preventive arm]. As in the Fiscal Compact, temporary deviations from the medium-term plan are allowed only in exceptional circumstances in accordance with Articles 24 and 25 in Regulation (EU) [on the preventive arm] and in line with the provisions on the control account. In a similar vein to the Fiscal Compact, in case of significant deviations from the medium-term plan, measures should be implemented to correct the deviations over a defined period of time. The package strengthens fiscal surveillance and enforcement procedures to deliver on the commitment of promoting sound and sustainable public finances and sustainable and inclusive growth. The economic governance framework reform, thus, retains the fundamental objectives of budgetary discipline and debt sustainability set out in the TSCG.

(24) Transitional provisions are needed for Member States that are under an EDP when the reformed framework enters into force. Recommendations under Article 126(7) TFEU and notices under Article 126(9) TFEU that have been adopted prior to the entry into force of this amending Regulation need to be revised in order to align them to the provisions of amended Article 3(4) and Article 5(1). This would allow the Council to set a corrective net expenditure path consistent with the new provisions for Member States that have taken action, without stepping up the excessive deficit procedure.

(24a) Whereas the rules of the deficit-based Excessive Deficit Procedure remain unchanged with a minimum annual structural improvement of at least 0,5 % of GDP as a benchmark, against the backdrop of the significantly changed interest rate environment, the Commission may, for a transitory period in 2025, 2026 and 2027 – in order not to compromise the positive effects of the Recovery and Resilience Facility – adjust the benchmark to take into account the increase in interest payments when setting the proposed corrective path relating to the first medium-term fiscal-structural plan for the years 2025, 2026 and 2027 within the Excessive Deficit Procedure, provided the Member State concerned fulfils the conditions laid out in Article 11 paragraph (c) of Regulation (EU) on the preventive arm, consistent with the objective of achieving a green and digital transition and the build-up of defense capabilities.

(25) Regulation (EC) No 1467/97 should therefore be amended accordingly,

HAS ADOPTED THIS REGULATION:

Article 1

Regulation (EC) No 1467/97 is amended as follows:

(1) Articles 1 and 2 are replaced by the following:

'*Article 1*

1. This Regulation lays down the provisions for speeding up and clarifying the implementation of the excessive deficit procedure. The objective of the excessive deficit procedure is to deter excessive government deficits and, if they occur, to further prompt their correction, where compliance with budgetary discipline is examined on the basis of the government deficit and government debt criteria.

2. For the purposes of this Regulation, "participating Member States" means those Member States whose currency is the euro. The definitions under Article 2 of the Regulation (EU) [on the preventive arm] apply.

([8]) Treaty on Stability, Coordination and Governance in the Economic and Monetary Union of 2 March 2012.
([9]) Communication COM(2012)0342 final of 20 June 2012 from the Commission 'Common principles on national fiscal correction mechanisms'.

Article 2

1. The excess of the government deficit over the reference value shall be considered exceptional, in accordance with Article 126(2), second indent, point (a), of the Treaty on the Functioning of the European Union (TFEU), if it results from the existence of a severe economic downturn in the euro area or the Union as a whole established by the Council in accordance with Article 24 of Regulation (EU) [on the preventive arm] or from exceptional circumstances outside the control of the government with a major impact on the public finances of the Member State concerned, in accordance with Article 25 of Regulation (EU) [on the preventive arm].

In addition, the excess over the reference value shall be considered temporary where budgetary forecasts as provided by the Commission indicate that the deficit will fall below the reference value following the end of the severe economic downturn or the exceptional circumstances referred to in the first subparagraph.

1a. When it exceeds the reference value, the ratio of the government debt to gross domestic product GDP shall be considered sufficiently diminishing and approaching the reference value at a satisfactory pace in accordance with Article 126(2), point (b), TFEU if the Member State concerned respects its net expenditure path.

2. The Commission shall prepare a report in accordance with Article 126(3) TFEU when the ratio of the government debt to GDP exceeds the reference value, the budgetary position is not close to balance or in surplus and when the deviations recorded in the control account of the Member State either exceed:

(a) 0,3 percentage points of GDP annually, or

(b) 0,6 percentage points of GDP cumulatively.

3. The Commission, when preparing a report under Article 126(3) TFEU, shall take into account all relevant factors as indicated in that Article, in so far as they significantly affect the assessment of compliance with the deficit and debt criteria by the Member State concerned.

The report shall reflect, as appropriate:

(a) the degree of public debt challenges based on the methodology referred to in Article 8 of Regulation [on the preventive arm], the evolution of the government debt position and its financing, and the related risk factors, in particular the maturity structure, the currency denomination of the debt and contingent liabilities, including any implicit liabilities related to ageing and private debt;

(b) the developments in the medium-term budgetary positions, including, in particular, the size of the actual deviation from the net expenditure path, in annual and cumulative terms as measured by the control account;

(c) the developments in the medium-term economic position, including potential growth, inflation developments and cyclical developments compared to the assumptions underlying the net expenditure path;

(d) the progress in the implementation of reforms and investments, including in particular policies to prevent and correct macroeconomic imbalances and policies to implement the common growth and employment strategy of the Union, including those supported by NextGenerationEU, and the overall quality of public finances, in particular the effectiveness of national budgetary frameworks;

(da) the increase of government investment in defence, where applicable, considering also the time of recording of military equipment expenditure.

4. The Commission shall give due and express consideration to any other factors which, in the opinion of the Member State concerned, are relevant in order to comprehensively assess compliance with the deficit and debt criteria and which the Member State has put forward to the Council and the Commission. In that context, particular consideration shall be given to financial contributions to fostering international solidarity and achieving the common priorities of the Union referred to in Regulation (EU) [on the preventive arm].

The Council and the Commission shall make a balanced overall assessment of all the relevant factors, specifically, the extent to which they affect the assessment of compliance with the deficit and/or the debt criteria as aggravating or mitigating factors. Where the Member State faces substantial public debt challenges as referred to in paragraph 3(a), it shall be considered a key aggravating factor. Favourable cyclical economic, budgetary and financial developments shall not be considered as mitigating factors, while unfavourable developments may be considered as mitigating factors.

When assessing compliance on the basis of the deficit criterion, if the ratio of the government debt to GDP exceeds the reference value, those factors shall be taken into account in the steps leading to the decision on the existence of an excessive deficit provided for in Article 126(4), (5) and (6) TFEU only if the double condition of the overarching principle — that, before these relevant factors are taken into account, the general government deficit remains close to the reference value and its excess over the reference value is temporary — is fully met.

However, those factors shall be taken into account in the steps leading to the decision on the existence of an excessive deficit when assessing compliance on the basis of the debt criterion.

5. Where Member States are allowed to deviate from their net expenditure path pursuant to Article 24 and Article 25 of Regulation (EU) [on the preventive arm], the Commission and the Council, in their assessment, may decide not to conclude on the existence of an excessive deficit.

6. If the Council, acting under Article 126(6) TFEU, decides that an excessive deficit exists in a Member State, the Council and the Commission shall, in the subsequent procedural steps of that Article of the TFEU, take into account the relevant factors referred to in paragraph 3 of this Article, as they affect the situation of the Member State concerned, including as specified in Article 5(2) of this Regulation, in particular in establishing a deadline for the correction of the excessive deficit and eventually extending that deadline. However, those relevant factors shall not be taken into account for the decision of the Council under Article 126(12) TFEU on the abrogation of some or all of its decisions under Article 126(6) to (9) and (11) TFEU.';

(*) Regulation (EU) […] of [insert a date] [insert full title] (OJ L …).'

(2) Article 3 is replaced by the following:

'*Article 3*

1. Within two weeks of the adoption by the Commission of a report issued in accordance with Article 126(3) TFEU, the Economic and Financial Committee shall formulate an opinion in accordance with Article 126(4) TFEU.

2. Taking fully into account the opinion referred to in paragraph 1 of this Article, the Commission, if it considers that an excessive deficit exists, shall address an opinion and a proposal to the Council in accordance with Article 126(5) and (6) TFEU and shall inform the European Parliament thereof.

3. The Council shall decide on the existence of an excessive deficit in accordance with Article 126(6) TFEU, as a rule within four months of the reporting dates established in Article 3(2) and (3) of Regulation (EC) No 479/2009. When it decides that an excessive deficit exists, the Council shall at the same time make recommendations to the Member State concerned in accordance with Article 126(7) TFEU. The Council shall make its decisions under Article 126(6) TFEU public.

4. The Council recommendation made in accordance with Article 126(7) TFEU shall establish a maximum deadline of six months for effective action to be taken by the Member State concerned. When warranted by the seriousness of the situation, the deadline for effective action may be three months. The Council recommendation shall also establish a deadline for the correction of the excessive deficit. In its recommendation, the Council shall also request that the Member State implements a corrective net expenditure path which ensures that the general government deficit remains or is brought and maintained below the reference value within the deadline set in the recommendation. Where the excessive deficit procedure was opened on the basis of the deficit criterion, for the years when the general government deficit is expected to exceed the reference value, the corrective net expenditure path shall be consistent with a minimum annual structural adjustment of at least 0,5 % of GDP as a benchmark.

Where the excessive deficit procedure was opened on the basis of the debt criterion, the corrective net expenditure path shall be at least as demanding as the net expenditure path adopted by the Council in accordance with Article 16 of Regulation (EU) [on the preventive arm], and correct as a rule the cumulated deviations of the control account by the deadline set by the Council.

5. Within the deadline provided for in paragraph 4 of this Article, the Member State concerned shall report to the Council and the Commission on action taken in response to the Council's recommendation under Article 126(7) TFEU. The report shall include the targets for government expenditure and revenue and for the discretionary measures on both the expenditure and the revenue side consistent with the Council's recommendation, as well as information on the measures taken and the nature of those envisaged to achieve the targets. The Member State shall make the report public. The Member State may invite the relevant independent fiscal institution to produce a non-binding, separate report on the sufficiency of the measures taken and envisaged with respect to the targets.

6. The Council may decide, on a recommendation from the Commission, to adopt a revised recommendation under Article 126(7) TFEU where:

(a) effective action has been taken in response to such recommendation and the conditions referred to in Article 25 of Regulation (EU) [on the preventive arm] apply, or

(b) the conditions referred to in Article 24 of Regulation (EU) [on the preventive arm] apply.

The revised recommendation may, in particular, extend the deadline for the correction of the excessive deficit by one year as a rule.';

(3) Article 4 is replaced by the following:

'*Article 4*

1. The Council, when considering whether effective action has been taken in response to its recommendations made in accordance with Article 126(7) TFEU, shall base its decision on the report submitted by the Member State concerned in accordance with Article 3(5) of this Regulation and its implementation, as well as on any other publicly announced and sufficiently detailed decisions by the government of the Member State concerned.

Where the Council establishes, in accordance with Article 126(8) TFEU, that the Member State concerned has failed to take effective action, it shall report to the European Council accordingly.

2. Any decision by the Council under Article 126(8) TFEU to make public its recommendations where it is established that no effective action has been taken, shall be taken immediately after the expiry of the deadline set in accordance with Article 3(4) of this Regulation.';

(4) Article 5 is amended as follows:

(a) paragraph 1 is replaced by the following:

'1. Any Council decision to give notice to the participating Member State concerned to take measures for the deficit reduction in accordance with Article 126(9) TFEU shall be taken within two months of the Council decision under Article 126(8) TFEU establishing that no effective action has been taken. In the notice, the Council shall request that the Member State implements a corrective net expenditure path in accordance with the requirements established in Article 3(4). The Council shall also indicate measures conducive to the achievement of the corrective net expenditure path.';

(b) paragraph 2 is replaced by the following:

'2. The Council may decide, on a recommendation from the Commission, to adopt a revised notice under Article 126(9) TFEU where:

(a) effective action has been taken in response to such a notice and the conditions referred to in Article 25 of Regulation (EU) [on the preventive arm] apply, or

(b) the conditions referred to in Article 24 of Regulation (EU) [on the preventive arm] apply.

The revised notice may, in particular, extend the deadline for the correction of the excessive deficit by one year as a rule.';

(5) in Article 6, paragraph 1 is replaced by the following:

'1. The Council, when considering whether effective action has been taken in response to its notice made in accordance with Article 126(9) TFEU, shall base its decision on the report submitted by the Member State concerned in accordance with Article 5(1a) of this Regulation and its implementation, as well as on any other publicly announced and sufficiently detailed decisions by the government of the Member State concerned. The outcome of the surveillance mission carried out by the Commission in accordance with Article 10a of this Regulation shall be taken into account.';

(6) Article 8 is replaced by the following:

'*Article 8*

1. Any Council decision under Article 126(11) TFEU to intensify sanctions shall be taken no later than two months after the reporting dates pursuant to Regulation (EC) No 479/2009.

2. Any Council decision under Article 126(12) TFEU to abrogate some or all of its decisions shall be taken as soon as possible and in any event no later than two months after the reporting dates pursuant to Regulation (EC) No 479/2009.

3. A Council decision shall only be taken pursuant to Article 126(12) TFEU where the deficit has been brought below the reference value and is projected by the Commission to remain so in the current and following year and, where the excessive deficit procedure was opened on the basis of the debt criterion, the Member State concerned respected the corrective net expenditure path set by the Council in accordance with Article 3(4) or Article 5(1) of this Regulation.';

(7) in Article 9, paragraph 1 is replaced by the following:

'1. The excessive deficit procedure shall be held in abeyance:

(a) where the Member State concerned acts in compliance with recommendations made in accordance with Article 126(7) TFEU;

(b) where the participating Member State concerned acts in compliance with notices given in accordance with Article 126(9) TFEU.';

(8) Article 10 is replaced by the following:

'*Article 10*

1. The Council and the Commission shall regularly monitor the implementation of action taken:

— by the Member State concerned in response to recommendations made under Article 126(7) TFEU;

— by the participating Member State concerned in response to notices given under Article 126(9) TFEU.

2. Where action by a participating Member State is not being implemented or, in the Council's view, is proving to be inadequate, the Council shall immediately take a decision under Article 126(9) TFEU or Article 126(11) TFEU respectively.

3. Where actual data pursuant to Regulation (EC) No 479/2009 indicate that an excessive deficit has not been corrected by a participating Member State within the time limits specified either in recommendations issued under Article 126(7) TFEU or notices issued under Article 126(9) TFEU, the Council shall immediately take a decision under Article 126(9) TFEU or Article 126(11) TFEU respectively.';

(9) Article 10a is amended as follows:

(a) paragraph 1 is replaced by the following:

'1. The Commission shall ensure a permanent dialogue with authorities of the Member States in accordance with the objectives of this Regulation. To that end, the Commission shall, in particular, carry out missions for the purpose of the assessment of the actual economic situation in the Member State and the identification of any risks or difficulties in complying with the objectives of this Regulation and allow an exchange with other relevant stakeholders, including the national independent fiscal institutions.';

(b) paragraph 2 is replaced by the following:

'2. Following the adoption by the Council of a notice under Article 126(9) TFEU, and if requested by the parliament of the Member State concerned, the Commission may present its assessment of the economic and fiscal situation in the Member State. Enhanced surveillance may be undertaken for Member States which are the subject of recommendations and notices issued following a decision pursuant to Article 126(8) TFEU and decisions under Article 126(11) TFEU for the purposes of on-site monitoring. The Member States concerned shall provide all necessary information for the preparation and the conduct of the mission.';

(10) Article 12 is replaced by the following:

'*Article 12*

1. The amount of the fine shall amount to up to 0,05 % of the latest estimate of the previous year's GDP for a 6-month period and be paid every 6 months until the Council assesses that the Member State concerned has taken effective action in response to the notice issued under Article 126(9) TFEU.

2. In each 6-month period following that in which a fine is imposed, until the decision on the existence of an excessive deficit is abrogated, the Council shall assess whether the participating Member State concerned has taken effective action in response to the Council notice in accordance with Article 126(9) TFEU. In this semi-annual assessment the Council shall decide, in accordance with Article 126(11) TFEU, to intensify the sanctions, unless the participating Member State concerned has complied with the Council's notice.';

(11) Articles 14 and 15 are replaced by the following:

'*Article 14*

1. In accordance with Article 126(12) TFEU, the Council shall abrogate the sanctions referred to in Article 126(11), first and second indent, TFEU depending on the significance of the progress made by the participating Member State concerned in correcting the excessive deficit.

Article 15

In accordance with Article 126(12) TFEU, the Council shall abrogate all outstanding sanctions if the decision on the existence of an excessive deficit is abrogated. Fines imposed in accordance with Article 12 of this Regulation will not be reimbursed to the participating Member State concerned.***'***;'

(12) Article 16 is replaced by the following:

'*Article 16*

The fines referred to in Article 12 shall constitute general revenue for the Union budget.';'

(12a) Article 17 is deleted.

(13) Article 17a is replaced by the following:

'1. By 31 December 2030 and every five years thereafter, the Commission shall prepare 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 report shall review the effectiveness of this Regulation in achieving its objectives, as referred in Article 1 and the progress in ensuring closer coordination of economic policies and sustained convergence of economic performances of the Member States in accordance with the TFEU.

3. The report shall be forwarded to the European Parliament and to the Council.***'***;'

(14) the following Article 17b is inserted:

'*Article 17b*

The Council, on a recommendation from the Commission, shall adopt a revised recommendation under Article 126(7) TFEU or a revised notice under Article 126(9) TFEU to Member States subject to a recommendation under Article 126(7) TFEU or to a notice under Article 126(9) TFEU on [date of entry into force of amending Regulation], and that have taken effective action.

It shall adopt the revised recommendation or notice together with the adoption of the recommendation pursuant to Article 16 of Regulation (EU) [on the preventive arm] setting the net expenditure path.';'

(15) the Annex is deleted.

Article 2

Entry into force

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

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

Done at Brussels,

For the Council *The President*