

Act on the Establishment of a Stability Council and on the Avoidance of Budgetary Emergencies (Stability Council Act)¹

(Stability Council Act of 10 August 2009 (Federal Law Gazette I, p. 2702), last amended by Article 4 of the Act of 14 August 2017 (Federal Law Gazette I, p. 3122))

Section 1 – Stability Council

(1) With the aim of avoiding budgetary emergencies, the Federation and the *Länder* shall form a Stability Council. The Stability Council shall consist of:

1. the Federal Minister of Finance,
2. the *Länder* ministers responsible for finance,
3. the Federal Minister for Economic Affairs and Energy.

The Stability Council shall be established within the structure of the federal government.

(2) The Federal Minister of Finance and the chair of the *Länder* Finance Minister Conference shall co-chair the Stability Council.

(3) The Stability Council shall meet as required but at least twice a year. The meetings shall be confidential and not public.

(4) The resolutions of the Stability Council shall require the vote of the Federation and a majority of two-thirds of the *Länder* votes to be passed. The vote of the Federation shall be cast by the Federal Minister of Finance. In the case of decisions affecting individual *Länder*, the affected *Land* shall not be entitled to vote. Notwithstanding the first sentence above, decisions affecting the Federation shall be taken by a majority of two-thirds of all voting members. The resolutions and the consultation documents on which they are based shall be published.

(5) The Stability Council shall adopt its own rules of procedure. These shall also include rules for representation if members are unable to attend.

(6) To support the tasks of the Stability Council, a secretariat shall be established comprising one representative from the Federal Ministry of Finance and one representative appointed by the *Länder* Finance Minister Conference.

Section 2 – Tasks of the Stability Council

The Stability Council's tasks shall be to monitor the budgets of the Federation and the *Länder* on a regular basis and to carry out the budget adjustment procedure pursuant to section 5. As of 2020, the Stability Council shall be responsible for reviewing the Federation's and each individual *Land*'s compliance with the budgetary discipline requirements set out in Article 109 paragraph 3 of the Basic Law.¹ The Stability Council shall monitor compliance with the upper limit for the general government structural deficit under section 51 subsection (2) of the Budgetary Principles Act (*Haushaltsgrundsätze-gesetz*). Further tasks may be assigned to the Stability Council by law.

Section 3 – Regular budgetary surveillance

(1) The Stability Council shall monitor the current state and development of the budgets of the Federation and *Länder* on a regular basis.

(2) The Stability Council shall consult annually on the budgetary situation of the Federation and each individual *Land*. The basis for these consultations shall be a report from the respective entity, which is to contain certain

¹ This working translation of the *Gesetz zur Errichtung eines Stabilitätsrates und zur Vermeidung von Haushaltsnotlagen (Stabilitätsratsgesetz – StabiRatG)* is provided by the Language Service of the Federal Ministry of Finance. Only the German text of this Act is authentic.

indicators regarding the current budgetary situation and financial plan, compliance with the constitutional limits on borrowing, as well as a forecast of the medium-term budgetary trend based on standardised assumptions. The Stability Council shall specify suitable indicators that are generally applicable.

(3) The budgetary indicators submitted and the conclusions of the Stability Council shall be published.

Section 4 – Impending budgetary emergency

(1) The Stability Council shall adopt generally applicable threshold values for the individual indicators pursuant to section 3 subsection (2), which may indicate an impending budgetary emergency if exceeded. Different threshold values shall be set for the Federation than for the *Länder*.

(2) The Stability Council shall initiate a review to establish whether the Federation or a particular *Land* faces an impending budgetary emergency where

1. as part of general budgetary surveillance, the Federation or a *Land* indicates that the budget for which it is responsible faces an impending emergency, or
2. the Federation or a *Land* exceeds the threshold values pursuant to subsection (1) above for a majority of the indicators pursuant to section 3 subsection (2), or the forecast predicts a corresponding trend.

(3) The review shall take full account of all relevant areas of the affected budget. The Federation or the *Land* shall be obliged to provide the information required for this review.

(4) The results of the review shall be presented in a report to the next meeting of the Stability Council. The report shall include a statement on whether the Federation or the relevant *Land* is facing an impending budgetary emergency and shall provide a corresponding recommendation for a resolution.

(5) On the basis of the review report pursuant to subsection (4) above, the Stability Council shall adopt a resolution on whether the Federation or the relevant *Land* is facing an impending budgetary emergency.

Section 5 – Budget adjustment procedure

(1) If the Stability Council determines that the Federation or a *Land* is facing an impending budgetary emergency pursuant to section 4 subsection (5), it shall agree on an adjustment programme with the Federation or *Land*. The Federation or the *Land* shall provide proposals in this regard. The adjustment programme shall generally cover a period of five years; it shall contain specifications regarding the envisaged reduction increments for annual net borrowing as well as suitable adjustment measures. Adjustment measures shall be considered suitable only if they fall under the sole responsibility of the affected entity.

(2) The Federation or the *Land* shall be responsible for implementing the agreed adjustment programme and shall report to the Stability Council every six months on its compliance with the agreed reduction increments for annual net borrowing. If actual net borrowing diverges from the agreed net borrowing, the Stability Council shall review, in consultation with the Federation or the *Land*, whether additional measures are necessary and if so which.

(3) If the Federation or the *Land* presents unsuitable or inadequate proposals for adjustment measures or if the Federation or *Land* does not adequately implement the agreed measures, the Stability Council shall adopt a request for enhanced budget consolidation. No later than one year after this request has been made, the Stability Council shall review whether the Federation or the *Land* has taken the necessary budget consolidation measures. If the necessary measures have not been taken, the Stability Council shall again request that the Federation or the *Land* intensify its budget consolidation efforts.

(4) Upon conclusion of the adjustment programme, the Stability Council shall review the budgetary situation of the Federation or the *Land*. In the event that there continues to be an impending budgetary emergency despite the full implementation of the agreed adjustment programme, a new adjustment programme shall be agreed between the Stability Council and the Federation or the *Land*.

Section 5a – Reviewing compliance with the constitutional debt rule

(1) In the autumn of each year, the Stability Council shall conduct a regular review of the Federation's and each individual *Land's* compliance with the debt rule set out in Article 109 paragraph 3 of the Basic Law, for the previous, current and following year.

(2) The monitoring pursuant to subsection (1) above shall follow the requirements and procedures for compliance with budgetary discipline as contained in legislation based on the Treaty on the Functioning of the European Union. A uniform cyclical adjustment method shall be used as a basis. The decisions and reports shall be published.²

Section 6 – Compliance with the upper limit for the general government structural deficit pursuant to section 51 subsection (2) of the Budgetary Principles Act

(1) The Stability Council shall, on the basis of an estimate of the general government financial balance, twice annually review compliance with the upper limit for the general government structural deficit pursuant to section 51 subsection (2) of the Budgetary Principles Act for the current year and the four subsequent years. The Stability Council's resolutions shall be published.

(2) If the review leads to the conclusion that the upper limit for the general government structural deficit will be exceeded, the Stability Council shall recommend suitable measures for eliminating the excessive deficit. The European Council's recommendations pursuant to 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), last amended by Regulation (EU) No 1175/2011 (OJ L 306, 23.11.2011, p. 12), shall be taken into account in this regard. The recommendations adopted by the Stability Council shall be submitted to the federal government and the *Länder* governments to be forwarded to their respective parliaments.

(3) If no resolution is made by the Stability Council to issue a recommendation pursuant to subsection (2) above, the chairs of the Stability Council shall submit a report outlining the results of the review and the measures discussed by the Stability Council to the federal government and the *Länder* governments to be forwarded to their respective parliaments. The opinions and recommendations of the independent advisory board to the Stability Council pursuant to section 7 subsection (3) are to be attached to this report.

Section 7 – Independent advisory board to the Stability Council

(1) An independent advisory board shall be established to support the Stability Council in monitoring compliance with the upper limit for the general government structural deficit pursuant to section 51 subsection (2) of the Budgetary Principles Act. The advisory board shall adopt its own rules of procedure by a majority of two-thirds of its members. The Federation and the *Länder* shall each pay half of the costs of the advisory board.

(2) The advisory board's members shall include: one representative each from the Deutsche Bundesbank and the German Council of Economic Experts, one representative from the research institutes involved in preparing the Joint Economic Forecast, four experts appointed by the Federation and *Länder*, which shall each appoint two experts for a period of five years via their representatives on the Stability Council, and two experts appointed by the national associations of local authorities and the national organisations of the social security funds, which shall each appoint one expert for a period of five years.

(3) The advisory board shall issue a statement on compliance with the upper limit for the general government structural deficit pursuant to section 51 subsection (2) of the Budgetary Principles Act. If it reaches the conclusion that the upper limit has not been complied with, it shall recommend suitable measures for eliminating the excessive deficit. The chair of the advisory board shall participate in the Stability Council's consultations in this respect.

(4) The opinions and recommendations submitted by the advisory board shall be published.

² Section 2 subsection (2) and section 5a of the Stability Council Act enter into force on 1 January 2020.

Section 8 – Provision of information to the parliaments

The federal government and the *Länder* governments shall submit the resolutions and reports pursuant to section 1 subsection (4), section 3 subsection (3), section 5a subsection (2) and section 6 subsection (1) to the respective parliaments.