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 3 of the Act of 20 October 2025 (Federal Law Gazette I, no 247))

Section 1 – Stability Council

(1) The Federation and the *Länder* establish a Stability Council with the aim of avoiding budgetary emergencies. The Stability Council consists of:

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

The Stability Council is established within the structure of the federal government.

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

(3) The Stability Council meets as required, but at least twice a year. The meetings are confidential and not public.

(4) To be passed, the decisions of the Stability Council require the vote of the Federation and a majority of two-thirds of the *Länder*. The vote of the Federation is cast by the Federal Minister of Finance. When a vote is taken on a decision affecting an individual *Land*, that *Land* is not entitled to vote. Notwithstanding sentence 1, decisions affecting the Federation require a majority of two-thirds of all voting members.

(5) The Stability Council adopts its own rules of procedure. These also include rules for representation in the event that members are unable to attend.

(6) To support the tasks of the Stability Council, a secretariat is established, headed jointly by 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

(1) The tasks of the Stability Council are:

1. monitoring the budgets of the Federation and the *Länder* on an ongoing basis and managing budget adjustment procedures,
2. monitoring compliance by the Federation and each individual *Land* with the debt rule set out in Article 109 (3) of the Basic Law[2],
3. issuing a statement on the general government net expenditure path that, pursuant to Regulation (EU) 2024/1263, must be set in the medium-term fiscal-structural plan to be submitted by the federal government, and
4. monitoring compliance with the general government net expenditure path endorsed by the Council of the European Union and observing trends in the general government debt-to-GDP ratio and the general government deficit.

Further tasks may be assigned to the Stability Council by law.

(2) The Stability Council adopts decisions on the results of each monitoring task and on the statement.

Section 3 – Ongoing budget monitoring

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[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.

[2] *Grundgesetz*

(1) The Stability Council monitors the current state of and trends in the budgets of the Federation and *Länder*. For this purpose, it defines suitable indicators based on data relating to the current budgetary situation and fiscal plan as well as a projection of medium-term budgetary trends based on standardised assumptions. Together, the indicators and the projection form the system of analysis for ongoing budget monitoring.

(2) The Stability Council conducts annual deliberations on the budgetary situation of the Federation and each individual *Land* on the basis of a report from the respective entity, which should contain information about the system of analysis referred to in subsection (1) and the results of the monitoring of compliance with federal and *Land* debt rules.

Section 4 – Review of an impending budgetary emergency

(1) The Stability Council adopts threshold values for the individual indicators referred to in section 3 (1) that may indicate an impending budgetary emergency in the case of non-compliance. Different threshold values are set for the Federation and the *Länder*.

(2) The Stability Council initiates a review to establish whether the Federation or a particular *Land* faces an impending budgetary emergency if:

1. in the course of general budget monitoring, 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* fails to comply with the threshold values referred to in subsection (1) for a majority of the indicators referred to in section 3 (1) or
3. the projection referred to in section 3 (1) predicts such a trend for the Federation or a *Land*. In this case, the review may be waived if the results of the projection have already been the subject of a review and have not changed significantly since then.

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

(4) On the basis of the results of the review referred to in subsection (3), the Stability Council decides 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 as per section 4 (4), it agrees on an adjustment programme with the affected entity. The Federation or the *Land* submits proposals for this.

(2) The adjustment programme and its implementation have the objective of improving the budgetary situation of the affected entity in such a way that the result of the ongoing budget monitoring as per section 3 for the affected *Land* or the Federation will cease to indicate an impending budgetary emergency in the foreseeable future.

(3) To achieve the overarching adjustment objective as per subsection (2), the adjustment programme defines annual target values that are tailored to the *Land* in question or the Federation and that relate to individual or multiple indicators or to the projection of medium-term budgetary trends as per section 3 (1), and also defines adjustment measures tailored to these target values.

(4) The duration of the adjustment programme for the Federation or the *Land* is at least two years. If indications of an impending budgetary emergency are no longer found during ongoing budget monitoring, the budget adjustment procedure may be terminated early. If indications of a continued impending budgetary emergency are found during budget monitoring before the end of the agreed adjustment programme, the adjustment programme may be extended by agreement between the Stability Council and the Federation or the *Land*.

(5) The Federation or the *Land* is responsible for implementing the agreed adjustment programme and reports to the Stability Council at least once a year. If the requirements of the adjustment programme are not met, the Stability Council reviews, in consultation with the Federation or the *Land*, whether further measures are needed in order to achieve the target values.

(6) If the Federation or the *Land* does not adequately implement the adjustment programme, the Stability Council adopts a request for enhanced budget consolidation. No later than one year after this request has been

made, the Stability Council reviews whether the Federation or the *Land* has taken the necessary budget consolidation measures. If the necessary measures have not been taken, the Stability Council again requests that the Federation or the *Land* intensify its budget consolidation efforts.

Section 6 – Monitoring of compliance with the constitutional debt rule

(1) The Stability Council monitors, with respect to the previous, current and following year, the compliance of the Federation and each individual *Land* with the debt rule set out in Article 109 (3) of the Basic Law.

(2) The Stability Council annually reviews each entity's findings derived from an analysis system that is agreed between the Federation and the *Länder* in line with the rules and procedures for compliance with budgetary discipline set out in legislation based on the Treaty on the Functioning of the European Union. A standardised cyclical adjustment method is used as a basis.

Section 7 – Statement regarding the net expenditure path and monitoring of compliance with the net expenditure path set in the medium-term fiscal-structural plan

(1) Before the medium-term fiscal-structural plan is submitted by the federal government, the Stability Council issues a statement regarding the net expenditure path that must be set in the medium-term fiscal-structural plan.

(2) Twice a year, the Stability Council reviews compliance with the net expenditure path set in the medium-term fiscal-structural plan. This review is based on a projection of the general government fiscal balance, the general government debt ratio as well as general government net expenditure trends. The projection on which the review is based encompasses one projection for the current year and a separate projection for the current year plus the remaining years of the planning period covered by the medium-term fiscal-structural plan, if a corresponding fiscal plan of the Federation is available, but at least the subsequent three years. Permissible deviations pursuant to Articles 25 and 26 of Regulation (EU) 2024/1263 and Article 2 of Regulation (EC) No 1467/97 are taken into account in this connection.

(3) If the review shows that the net expenditure path set in the medium-term fiscal-structural plan is being exceeded and that no permissible deviation pursuant to Articles 25 and 26 of Regulation (EU) 2024/1263 and Article 2 of Regulation (EC) No 1467/97 applies, the Stability Council recommends measures that are suitable for cutting the expenditure that exceeds the net expenditure path. The Council's recommendations pursuant to Article 4 of Regulation 2024/1263 are taken into account in this connection. The recommendations adopted by the Stability Council are submitted to the federal government and the *Länder* governments to be forwarded to their respective parliaments.

(4) If no decision is made by the Stability Council to issue a recommendation as per subsection (3), the chairs of the Stability Council submit to the federal government and the *Länder* governments a report outlining the results of the review and the measures discussed by the Stability Council, to be forwarded to their respective parliaments.

Section 8 – Independent advisory board to the Stability Council

(1) An independent advisory board is established to support the Stability Council in monitoring compliance with the net expenditure path set in the medium-term fiscal-structural plan as per section 7. The advisory board adopts its own rules of procedure by a majority of two-thirds of its members. The Federation and the *Länder* each pay half of the costs of the advisory board.

(2) The advisory board's members comprise:

1. one expert each from the Deutsche Bundesbank, the German Council of Economic Experts and the research institutes involved in preparing the Joint Economic Forecast,
2. four experts appointed by the Federation and *Länder*, which each appoint two experts for a period of five years via their representatives on the Stability Council, and
3. one expert appointed by the national associations of local authorities and one expert appointed by the national organisations of the social security funds, each for a period of five years.

(3) Twice a year, the advisory board issues a statement on compliance with the net expenditure path set in the medium-term fiscal-structural plan and, in this connection, evaluates the consistency, coherence and effectiveness of the national budgetary framework. To this end, the Stability Council makes the projection referred to in section 7 (2) available to the advisory board. The chair of the advisory board participates in the

Stability Council's consultations during this agenda item. If the advisory board reaches the conclusion that the net expenditure path set in the medium-term fiscal-structural plan is being exceeded and that no permissible deviation pursuant to Articles 25 and 26 of Regulation (EU) 2024/1263 and Article 2 of Regulation (EC) No 1467/97 applies, the advisory board may recommend measures that are suitable for cutting the expenditure that exceeds the net expenditure path. The advisory board's statement and recommendations are attached to the recommendations referred to in section 7 (3) and/or the report referred to in section 7 (4).

(4) The Stability Council publishes the statements and recommendations issued by the advisory board.

Section 9 – Publication of decisions and provision of information to the parliaments

(1) The Stability Council publishes the decisions referred to in section 2 (2) and the consultation documents on which they are based.

(2) The federal government and the *Länder* governments submit the Stability Council's decisions and the consultation documents on which they are based, as well as the advisory board's statements referred to in section 8 (3) sentence 1, to their respective parliaments.