



Brussels, 30 January 2012

PRESSE

Agreement on strengthening fiscal discipline and convergence

European leaders¹ agreed a new Treaty on Stability, Coordination and Governance aimed at strengthening fiscal discipline and introducing more automatic sanctions and stricter surveillance within the euro area, in particular by introducing a "balanced budget rule".

According to the new "fiscal compact" treaty, national budgets are required to be in balance or in surplus, a criterion that would be met if the annual structural government deficit does not exceed 0.5% of nominal GDP. This balanced budget rule must be incorporated within one year into the member states' national legal systems, at constitutional level or equivalent. In the event of deviation from this rule, an automatic correction mechanism would be triggered. It will be defined by each member state on the basis of principles proposed by the European Commission.

The EU Court of Justice will be able to verify national transposition of the balanced budget rule. Its decision is binding, and can be followed up with a penalty of up to 0.1% of GDP, payable to the European Stability Mechanism.

The treaty agreed today also reinforces fiscal rules for the euro area by extending reversed qualified majority voting to the decision on whether to place a country in excessive deficit procedure. Reversed qualified majority voting would also be use for imposing sanctions.

The new treaty also contains provisions on the coordination and convergence of member states' economic policies and on governance of the euro area. In particular, Euro Summit meetings will take place at least twice a year.

¹ At an informal meeting of members of the European Council

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The treaty agreed today will be legally binding as an international agreement, and will be signed in the margins of the European Council meeting on 1 and 2 March. It will enter into force following ratification by at least 12 euro area member states and is open to the EU countries that are currently not members of the euro area.
