



Brussels, 2 March 2012

## **Fiscal compact signed: Strengthened fiscal discipline and convergence in the euro area**

Twenty-five European leaders today<sup>1</sup> signed the Treaty on Stability, Coordination and Governance aimed at strengthening fiscal discipline and introducing stricter surveillance within the euro area, in particular by establishing a "balanced budget rule". The content of the treaty had been endorsed at the last European Council meeting in January.

The main elements of the so-called fiscal compact include a requirement for national budgets 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 GDP at market prices. This balanced budget rule must be incorporated into the member states' national legal systems, preferably at constitutional level, within one year after the entry into force of the treaty. In the event of deviation from this rule, an automatic correction mechanism will 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 in the case of euro area member states.

The treaty signed today also reinforces fiscal rules for the euro area by incorporating a commitment on the part of the contracting parties whose currency is the euro to adopt Council decisions in the framework of the excessive deficit procedure unless opposed by a qualified majority.

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<sup>1</sup> The treaty was signed in the margins of the European Council meeting on 1 and 2 March.

# **P R E S S**

The 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.

As of 1 March 2013, any granting of financial assistance under the European Stability Mechanism will be conditional on ratification of the treaty and transposition of the balanced budget rule into national legislation in due time. The provisions of the new treaty are to be incorporated into the legal framework of the EU within five years after the treaty's entry into force.

The fiscal compact will be legally binding as an international agreement and will enter into force following ratification by at least 12 euro area member states. It will only apply to those contracting parties whose currency is the euro, while the others will be bound by its provisions once they adopt the euro, unless they declare their intention to be bound by certain provisions at an earlier date.

More information

[The text of the Treaty on Stability, Coordination and Governance](#)

[Speech by President Herman Van Rompuy during the signing ceremony of the Treaty on Stability, Coordination and Governance of the Economic and Monetary Union](#)

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