



COMPLETING EUROPE'S ECONOMIC AND MONETARY UNION

The Commission's Contribution to the Leaders' Agenda #FutureofEurope #EURoad2Sibiu

INTEGRATION OF THE TREATY ON STABILITY, COORDINATION AND GOVERNANCE INTO EU LAW



"I see it as my key task to rebuild bridges in Europe after the crisis. To restore European citizens' confidence. To focus our policies on the key challenges ahead for our economies and for our societies. And to strengthen democratic legitimacy on the basis of the Community method."

Jean-Claude Juncker, Candidate for President of the European Commission, Strasbourg, 15 July 2014

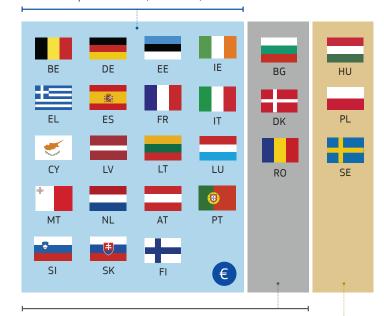
The **Treaty on Stability, Coordination and Governance in the Economic and Monetary Union** is an intergovernmental Treaty signed by 25 Member States (all except the Czech Republic, Croatia and the United Kingdom) in 2012. It complements the EU fiscal framework, such as the Stability and Growth Pact.

The proposal **integrates the substance** of the Treaty on Stability, Coordination and Governance into EU law. This foresees that a balanced budget rule in structural terms should be applied, along with a correction mechanism in case of significant deviation. As reported by the Commission in February 2017, relevant provisions have already been enacted into national laws.

The proposal takes into account the appropriate flexibility built into the Stability and Growth Pact and identified by the Commission since January 2015. The provisions are fully in line with existing rules defined in primary and secondary legislation.

The initiative is presented in the form of a proposal for a Council Directive under Article 126(14)(2) of the Treaty on the Functioning of the European Union.

▶ 19 Member States whose official currency is the euro (euro area)



- 22 Member States formally bound by the Fiscal Compact
- 25 Member States that signed the Treaty on Stability, Coordination and Governance

Article 16 of the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union



Within five years, at most, of the date of entry into force of this Treaty, on the basis of an assessment of the experience with its implementation, the necessary steps shall be taken, in accordance with the Treaty on the European Union and the Treaty on the Functioning of the European Union, with the aim of incorporating the substance of this Treaty into the legal framework of the European Union.

Why is the Commission proposing to integrate the Treaty into the Union legal framework?

The proposal **implements Article 16** of that Treaty, in which all the contracting parties legally committed to taking steps to incorporate the substance of that Treaty into Union law within five years after its entry into force, which corresponds to 1 January 2018. It is also a response to calls from the European Parliament.

The integration into the Union legal framework brings about **greater democratic accountability** and legitimacy across the Union.

Integrating that Treaty into Union law will allow for a **simplification of the legal framework** and continuous and improved monitoring as part of the overall EU economic governance framework.

What about non-euro Member States?

The proposal applies to all euro area Member States and includes "opt-in" provisions for non-euro Member States.

Benefits of integrating the Treaty

Greater efficiency Greater accountability **Greater unity** Consistency of EU fiscal rules within • Complements and reinforces the • Gives the Treaty a greater degree of democratic legitimacy by integrating Stability and Growth Pact while the Economic and Monetary Union it into the EU's legal and institutional taking into account the appropriate • Opt-in for non-euro Member States flexibility built into the Pact framework • Simplification of the legal framework • Improved monitoring and enforcement of fiscal rules

Next steps



Objective: By mid-2019, European Parliament and Council adopt proposal for integration of Treaty on Stability, Coordination and Governance into Union law