1) THE RECOGNITION OF EUROGROUP

**Before the Lisbon Treaty**

- **Monetary Policy:**
  - European Central Bank (ECB) is competent with regard to Euro Area States.
  - Each Euro Area non-member is competent with regard to its own monetary policy.

- **Budgetary and Fiscal Policies:**
  - Member States are solely responsible.
  - They must however co-ordinate their policies with other Member States and ensure the respect of the Stability and Growth Pact rules.

**Euro Area Members:**

- since 1999: Austria, Germany, Belgium, Spain, Finland, France, Ireland, Italy, Luxembourg, the Netherlands, Portugal;
- since 2001: Greece;
- since 2007: Slovenia;
- since 2008: Cyprus and Malta;
- since 2009: Slovakia

**With the Lisbon Treaty**

- There have not been many modifications but they establish the official existence of the Eurogroup.

  The structuring of links between Member States who have adopted the euro has been clarified in order to provide greater co-ordination with regard to their economic, budgetary and fiscal policies.

**Eurogroup**

Informal monthly meeting of Economy and Finance Ministers of the Member States of the Euro Area. These meetings allow them to work together, notably, on the budgetary policy.

Since January 2005 it has been chaired by Jean-Claude Juncker, Prime Minister and Finance Minister of Luxembourg.

2) THE STABILITY AND GROWTH PACT

**What is the Stability and Growth Pact?**

- The Stability and Growth Pact which was signed in 1997 by the future members of the euro area establishes three main rules:
  - **public deficit** must remain below 3% of the GDP;
  - **public debt** must be maintained below 60% of the GDP;
  - States must aim for budgetary balance mid-term.

- To encourage the application of the Pact several monitoring procedures were created:
  - Multilateral preventive surveillance: Euro Area States present their mid-term budgetary targets in an updated stability programme each year. On this basis the Council adopts conclusions and makes recommendations.
  - An excessive deficit procedure: if the rules of the Stability and Growth Pact are not respected the Council issues recommendations and possibly imposes sanctions in the form of a fine which may range between 0.2% and 0.5% of the GDP.
WITH THE LISBON TREATY

- The Commission maintains its role of guardian of the treaties in terms of the control of public deficit as part of the Stability and Growth Pact.
- The Commission acquires the right to issue opinions to Member States who have an excessive deficit.
- The sanctions procedure will now be adopted by the Council of Ministers, on the basis of a proposal from the Commission (and not on a simple recommendation as was the case before the Lisbon Treaty).
- The Council of Ministers may go against the initiative taken by the Commission.

We see that there has been a re-adjustment of powers in terms of controlling the respect of the rules of the Stability and Growth Pact.

3) THE EUROPEAN BUDGET

- The Lisbon Treaty includes a clause whereby the European Parliament will decide in this domain on an equal footing with the Council of Ministers.

Via the Council of Ministers the States will no longer have the final word, as at present, with regard to the "compulsory expenditure".

Compulsory expenditure / Non-compulsory expenditure

Operational expenses in the community budget were until now divided into two types:

- **Obligatory expenses**: they represent expenses that automatically result from the Treaties and community rules; they mainly involve agricultural expenses;
- **Non-obligatory expenses**: they cover other expenses notably the economic and social cohesion policy, internal policies (research, culture, training, environment, etc.), external activities and administrative costs.

- The unanimity rule will continue to apply in the definition of the financial framework.

This means that each Member State will continue to have the right to veto with regard to:
- the definition and establishment of its contribution to the community budget;
- the adoption of the European Union’s financial framework.

We should note however the existence of "bridging clauses" which make it possible to transfer the unanimity rule over to that of the majority which would introduce greater flexibility into the definition of the European financial framework.

Financial Framework and Financial Perspectives

This is a multi-annual expenditure programme, which means in financial terms, the political priorities of the Union. It establishes expenditure ceilings for the European Union for a given period and thereby imposes budgetary discipline.

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