Over the last three years, we have taken unprecedented steps to combat the effects of the world-wide financial crisis, both in the European Union as such and within the euro area. The strategy we have put into place encompasses determined efforts to ensure fiscal consolidation as well as growth, support to countries in difficulty, and a strengthening of euro area governance. At our 21 July meeting we took a set of major decisions.

The ratification by all 17 Member States of the euro area of the measures related to the EFSF significantly strengthen our capacity to react to the crisis.

The agreement on a strong legislative package within the EU structures on better economic governance represents another major achievement. The euro continues to rest on solid fundamentals. The crisis is, however, far from over, as shown by the volatility of sovereign and corporate debt markets. Further action is needed to restore confidence. That is why today we agree on additional measures reflecting our strong determination to do whatever is required to overcome the present difficulties.

1. Sustainable public finances and structural reforms for growth

The European Union must improve its growth and employment outlook. We support the growth agenda agreed by today's European Council. We reiterate our full commitment to implement the country specific recommendations made under the first European Semester and on focusing public spending on growth areas.

All Member States are determined to continue their policy of fiscal consolidation and structural reforms. A particular effort will be required of those Member states who are experiencing tensions in sovereign debt markets. [In this context, we welcome the specific commitments made by Italy and Spain]

Concerning the programme countries, we are pleased with the progress made by Ireland in the implementation of its adjustment programme which is delivering positive results. Portugal is also making good progress with its programme. We invite both countries to keep up their efforts and to stick to the agreed targets. We want to reiterate our determination to continue to provide support to all countries under programmes until they have regained market access, provided they fully implement those programmes.

[pm strengthening of the monitoring of the Greek program]
[We welcome the decision by the Eurogroup on the disbursement of the 6th tranche of the EU-IMF support programme subject to the adoption of the prior actions agreed with the Greek government. We look forward to the conclusion of a sustainable and credible new EU-IMF multiannual programme by the end of November]
[pm: PSI to be prepared by the Eurogroup]

We reaffirm clearly our unequivocal commitment that private sector involvement is and will continue to be an exceptional solution applying only to Greece, as its unique condition requires a unique solution. All other euro area Member States solemnly reaffirm their inflexible determination to honour fully their own individual sovereign signature and all their commitments to sustainable fiscal conditions and structural reforms. The euro area Heads of State or Government fully support this determination as the credibility of all their sovereign signatures is a decisive element for ensuring financial stability in the euro area as a whole.

2. Stabilisation mechanisms
The ratification process of the revised EFSF has now been completed in all euro area Member States [and the Eurogroup has agreed on the implementing guidelines]. The decisions we took concerning the EFSF on 21 July are thus fully operational. All tools available will be used in an effective way to ensure financial stability in the euro area.

The ESM treaty will be amended to reflect all the decisions taken in July, and submitted to national procedures with a view to be enacted as soon as possible and timely before June 2013. To this end, the revised ESM treaty should be signed by Finance Ministers by the end of November.
[p.m.: full lending capacity of the ESM/ decision making procedures - to be discussed by the Eurogroup]

We fully support the ECB in its action to ensure price stability in the euro area, including its non-standard measures in the current exceptional financial market environment.

3. Banking system
[p.m. reinforcement of banking sector to be discussed by the Ecofin]

4. Economic and fiscal coordination and surveillance
The recent agreement on the legislative package on economic governance (the so-called “six pack”) opens the way to strengthened economic and fiscal policy coordination and surveillance. It will lead to closer monitoring and possibilities of sanctions in the preventive arm, more rapid reactions in case of slippages, more attention given to the debt ratio; and higher focus on macroeconomic imbalances.

We commit ourselves to the strict implementation of the new set of rules. We call on the Commission and the Council to exert rigorous surveillance and to make full use of the existing and new instruments available. We also recall our commitments made in the framework of the Euro Plus Pact.

Being part of a monetary union has far reaching implications and implies a much closer coordination and surveillance to ensure stability and sustainability of the whole area. The current crisis shows the need to address this much more effectively. Therefore, while we strengthen our crisis tools within the euro area, we will make further progress in integrating economic and fiscal policies by reinforcing coordination, surveillance and discipline, while preserving the integrity of the European Union as a whole.
More specifically, building on the "six pack", the European semester and the Euro Plus Pact, we as euro area Heads of States or Government commit to implement the following additional measures at the national level:

- adoption by each euro area Member State of a balanced budget rule translating the Stability and Growth Pact deficit and debt rules into national legislation, preferably at constitutional level, by the end of 2012;

- reinforcement of national fiscal frameworks beyond the Directive (….). In particular, national budgets should be based on growth forecasts produced independently from the government; in case of consistent upward bias, governments will be required to use the Commission forecasts.

- invitation to national parliaments to commit to take into account recommendations adopted at the EU level on the conduct of national policies.

- consultation of the Commission and euro area partners before the adoption of any major fiscal or economic policy reform plans, so as to give the possibility for an assessment of possible impact for the euro area as a whole.

We also agree that closer monitoring at the European level is warranted along the following lines:

- for euro area Member States in excessive deficit procedure and programme countries, the Commission and the Council will be enabled to examine national draft budgets before their submission to the national parliament, in order to adopt an opinion on these draft budgets, to monitor budget execution and, if necessary, to suggest amendments in the course of the year.

- the Eurogroup will be enabled to adopt a recommendation for a euro area Member State to engage into an adjustment program supported by the EFSF/ESM;

- in case of slippages of an adjustment program and difficulties in implementation, structures for closer monitoring and coordination of programme implementation will be put into place. In this respect, we look forward to the Commission's forthcoming proposal on closer monitoring to the Council and the European Parliament under Article 136 of the TFEU.

We will continue to implement the Euro Plus Pact to strengthen the economic pillar of the EMU and better coordinate economic policies. Building on the Pact, we will achieve further convergence of policies to promote growth and employment. Closer coordination in the euro area is also warranted in taxation matters which are essential for greater convergence and coordination of euro area economies. We recall in this context that we are all constructively engaged in the discussions on the Common Consolidated Corporate Tax Base.

5. Governance structure of the euro area
To deal more effectively with the challenges at hand and ensure closer integration, our governance structure for the euro area needs to be strengthened, while preserving the integrity of the European Union as whole.

We will thus meet regularly at our level, in Euro Summits, to provide strategic orientations on the economic and fiscal policies in the euro area. This will allow to better take into account the euro area dimension in our domestic policies.

The Eurogroup will, together with the Commission and the ECB, remain at the core of the daily management of the euro area. It will play a central role in the implementation by the euro area Member states of the European Semester. It will rely on a stronger preparatory structure. More detailed arrangements are presented in the annex to this paper.

6. Further integration
The euro is at the core of our European project. We will strengthen the economic union to make it commensurate with the monetary union.
We ask President Van Rompuy, in close collaboration with President Barroso and President Juncker, and with the help of high-level technical expertise, to identify possible steps to reach this end. The focus should be on how to further strengthen economic convergence within the euro area, to improve the effectiveness of enforcement mechanisms, and to deepen fiscal integration.

An interim report will be presented in December 2011 so as to agree on first orientations. A full report, including a roadmap on how to implement those measures will be finalised by [March/June] 2012, in full respect of the prerogatives of the institutions. This report will indicate any issues that require treaty change pursuant to Article 48 of the TEU.