

THE EUROGROUP

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Working Methods of the Eurogroup

At their 26 February 2007 meeting, ministers approved the following working methods of the Eurogroup which replace those dated 15 November 2004 as well as the addendum dated 5 July 2005. Ministers recall the Resolution of the Luxembourg European Council in December 1997 which defined the following mandate for the Eurogroup:

The Ministers of the States participating in the euro area may meet informally among themselves to discuss issues connected with their shared specific responsibilities for the single currency. The Commission, and the European Central Bank when appropriate, will be invited to take part in the meetings. Whenever matters of common interest are concerned, they will be discussed by Ministers of all Member States.

The informal character of the Eurogroup provides for both the flexibility of a pragmatic approach to the agenda-setting and the confidentiality for in-depth political discussions. The Eurogroup should function efficiently, notably by avoiding duplication with the Ecofin Council

1. Substance of discussions

In line with the Luxembourg Resolution, Eurogroup meetings will discuss matters of key importance to fiscal, monetary and structural policies in the euro area, and focus on themes of particular importance for the single currency, with a forward looking bias. Keeping in mind that the advent of the euro has significant implications for the patterns of economic adjustment in the euro area, the Eurogroup has a role in defining the economic policy strategy for the euro area as a whole, to identify common challenges and to formulate and agree on common approaches. This should foster the "ownership" by national authorities when translating them into policy action. This would also strengthen finance ministers' roles at home in implementing policies and advancing important reform projects.

Against this background, the Eurogroup is expected to discuss primarily the following areas:

i. Economic situation and outlook

Central to the work of the Eurogroup are regular exchanges of views, including with the Commissioner for Economic and Monetary Affairs and the president of the ECB, on the following key subjects:

- Economic situation and prospects: as a rule, an in-depth discussion of the economic situation and outlook, including price developments in the euro area and competitiveness developments in the different member states shall be held at least four times a year; to ensure a solid base for those discussions, the Commission provides two half-yearly and two interim forecasts; an assessment of recent developments could serve as background material for the participation of the Eurogroup president at meetings of the ECB Governing Council;
- Information on the ECB's monetary policy stance from the ECB president;
- The euro exchange rate: discussions and analysis of exchange rate developments of the euro and related issues (e.g. global imbalances, internationalisation of the euro);
- Preparation for the participation of the president of the Eurogroup in international meetings.

ii. Budgetary policy

Discussions on macroeconomic policies, particularly budgetary policies, are the natural follow-up to those on the economic situation and prospects. Experience with budgetary discussions in the Eurogroup has shown that budgetary policy co-ordination can be improved by a better timing of discussions which would focus more "up-stream" and ex-ante on expected budgetary developments and strategies, as well as appropriate adjustments, without pre-empting constitutional and parliamentary prerogatives.

In order to monitor the appropriateness of the fiscal policy stance for the euro area as a whole and to ensure that member states stick to their commitments under the Stability and Growth Pact, a **mid-term review of budgetary policies** should take place at the Eurogroup every year in the period from April to July. In the light of the Council opinions on the stability programmes and budgetary planning under way in member states, ministers should review budgetary policies, taking a more forward-looking and comprehensive ("horizontal") perspective. The mid-term review can provide Ministers with the background of a common Eurogroup perspective when proposing their budget bills to their parliaments.

To that end, the Eurogroup Working Group (see below) shall prepare, on the basis of Commission input, a document for the Eurogroup with key policy issues, taking into account the Stability programmes, the BEPGs, and the expected developments under unchanged policies. Ministers could then update their colleagues on the budgetary policies for the current and the coming year, including how to address divergences between budgetary targets and the most recent forecasts. Moreover and without prejudice to the prerogatives of national parliaments, ministers could consider during this mid-term review of budgetary policies, whether certain policy actions, which they would like to propose in their budget bills, could be coordinated with similar actions in other member states so as to enhance their visibility and impact. Member states may wish to adapt their budgetary policies for the coming year to such a strategy.

The outcome of these Eurogroup discussions should be summarised in a public statement for the horizontal part, and in unpublished written conclusions for the country-specific part.

Budgetary procedures could be better synchronised without pre-empting parliamentary requirements and national ownership.

In line with the Code of Conduct, **common external macroeconomic assumptions**, based on Commission input, should be used for the preparation of national stability

programmes and, as much as possible, national budgets. Significant divergences between the national and Commission forecasts should be explained in some detail.

Without prejudice to these arrangements, ministers in the Eurogroup are prepared to:

- exchange information on current budgetary developments in their countries, and to assess their consistency with Stability Programmes;
- exchange information on anticipated measures in response to unforeseen developments.

iii. Structural reforms

The Nice European Council welcomed the intention of the Eurogroup to extend the range of mainly structural matters dealt with in this forum with due regard for the Resolution of the Luxembourg European Council meeting.

In this light, ministers discuss structural issues such as the Lisbon agenda, from a euro area perspective, with a view to setting priorities and vigorously implementing them. Both structural issues in the direct domain of Eurogroup ministers as well as broader issues where the responsibility of Eurogroup ministers is indirect but which are of paramount importance for the proper functioning of EMU should be the focus of discussion.

The Eurogroup should further enrich its discussions on so-called "macro-structural" topics, i.e. structural reforms that have the potential to influence area wide macroeconomic and financial conditions or the smooth functioning of the internal market. Structural reforms in the euro area are not only necessary to raise potential growth but they are also needed to overcome structural rigidities that are hampering efficient adjustment. Discussions on these issues could also benefit from "external" expertise.

In order to lead to more concrete outcomes and policy orientations, discussions at the Eurogroup should increasingly focus on the interactions between and spillover effects of economic policies among euro area member states. In advance of the Spring European Council, the Eurogroup should also discuss, notably on the basis of the euro area "fiche" in the communication from the Commission to the Spring European Council, the extent to which the reforms proposed in the National Reform Programmes respond to key policy challenges in the euro area

To enhance the effectiveness of these horizontal macro-structural discussions, the Eurogroup should concentrate more on the formulation of country- or sector-specific policy conclusions, while agreeing on a procedure to monitor the follow up. It should also place more emphasis on the recommendations for the euro area and their appropriate implementation at the national level. This is not meant as a new surveillance mechanism, but as a coordination instrument to enhance overall policy effectiveness and thus economic growth. The preparation of "terms of reference" or "common understandings" in order to foster the development of a consistent economic strategy of the euro area and to ensure greater "ownership" at the national level could also help in this respect.

To enhance consistency and to ensure that structural issues are dealt with in depth, the same issue could be discussed in successive meetings so as to reach a proper understanding and a common view on the policy implications.

2. Procedural arrangements

i. Presidency

Eurogroup meetings are chaired by a president who shall be selected *ad personam* by his colleagues for a renewable two-year term. Thus the president's term would not coincide with the six-month rotating presidency of the Council.

The president of the Eurogroup shall, in the event of being prevented from fulfilling his/her duties, be replaced by an acting president, who will be either the minister of finance from the Eurogroup who holds the Ecofin presidency, or - if not applicable - the next president of the Ecofin to come from the euro area. This assistance will also be supportive to the coordination of activities between the Eurogroup and the Ecofin. If the president of the Eurogroup resigns, a new president will be selected as soon as possible.

Candidates for the office of president must hold the position of national minister of finance. Candidates should have acquired some experience and familiarity with the workings of the Eurogroup and enjoy general recognition for their knowledge in EMU matters. Their selection should take place irrespective of nationality and by giving equal treatment to candidates from all countries.

The president shall be elected by simple majority of Eurogroup members. However, regarding election procedures, useful lessons can be drawn from the EFC which has always managed to elect its president by consensus although its rules require simple majority.

The role of the Eurogroup president is *inter alia* to:

- Draw up meeting agendas as well as a longer-term work programme for the Eurogroup;
- Ensure proper preparation and sufficient input for the meetings (see section on preparation);
- Chair the meetings efficiently;
- Circulate informal conclusions in writing;
- Debrief Ecofin ministers if requested in the appropriate formation on the outcome of the Eurogroup discussions; and
- Present the outcomes of Eurogroup discussions to the public
- Represent the Eurogroup in meetings with third parties and in international fora.

ii. Attendance

Meetings are attended by the president and by two members from each member state (normally a minister and the Eurogroup Working Group (EWG) member). One Commission member and one Commission official are invited to take part in the meetings, in addition to the Commission president. The president of the ECB, accompanied by another member of the Executive Board or an ECB official of his choice, is also regularly invited to take part. In addition, the EWG president, the EFC secretary and one member of the EFC staff, an assistant to the Eurogroup president, an assistant to the Commissioner for Economic and Monetary Affairs, the secretary general of the Council, the Council Secretariat's director general for

Ecofin matters and one member of the Council Secretariat staff may attend. The EPC president or an EPC vice-president may attend whenever EPC input needs to be presented.

iii. Timing of meetings

As a rule, the Eurogroup convenes at the occasion of Ecofin Council meetings. Whenever urgent decisions need to be taken or statements need to be prepared and released, meetings or teleconferences may be held at other times.

iv. The Eurogroup Working Group

Main assistance to the Eurogroup and its president in preparing and guiding the meeting shall be provided by the EFC's Eurogroup Working Group (EWG).

The quality of the Eurogroup debate and the results depend greatly on good input, i.e. the preparation by the EWG and the quality of the material prepared by the Commission services. In order to improve the quality of the Eurogroup debate, ministers invite the EWG to prepare short discussion papers for ministers focussing on key policy issues. Where appropriate, the EWG shall also identify concrete policy implications and provide suggestions for the follow-up to the discussion. The EWG should also prepare short draft "terms of reference" or "common understandings", which could help crystallising Eurogroup views. These may also be used in the communication of the Eurogroup.

The analyses provided by the Commission, along with contributions from the ECB and member states, shall remain the key element in preparing EWG and Eurogroup discussions.

The Eurogroup Working Group consists of the EFC members from the administration of the member states having adopted the euro, and the members from the Commission and the ECB. The EFC secretary, a member of staff, the Council Secretariat's director general for Ecofin matters and an assistant of the Eurogroup president attend. Alternates to the above listed members may attend whenever members consider this to be appropriate.

Meetings of the EWG alternate members prepare EWG discussions on issues requesting preparatory work. The EWG may also set up ad hoc working groups to prepare EWG discussions on specific technical items.

The EPC may provide input on structural issues. Such input may be prepared in specific meetings of the EPC euro group working group. The EWG will inform the EPC sufficiently in advance of the structural issues on which its input is requested.

v. Secretariat, venue and languages

Secretariat tasks for the Eurogroup are shared between the Secretariat General of the Council (for logistics and procedural assistance to the President) and the EFC secretariat (for substance). Meetings are normally held in the Council buildings. The language regime remains as agreed in January 2002.

vi. Agendas, proceedings and documentation

The following best practices have evolved since the establishment of the Eurogroup:

- As a rule, agendas and documents are sent about a week ahead of the meeting;
- Before the start of each semester, the president will propose a work programme for the Eurogroup in the following six months. This would allow having a longer working horizon and help ensure a better preparation of issues for discussion;
- Agendas should be sufficiently detailed, to facilitate systematic consideration of complex issues. To ensure sufficiently deep discussions on the key issues, the number of agenda items should be limited, and topics should generally be confined to those outlined in section 1 above. Duplication with the Ecofin agenda must be avoided;
- The president may invite certain ministers beforehand to act as lead speakers on certain agenda items. Interventions should preferably be limited to a maximum of five minutes;
- Most documentation is provided by the Commission services. The EFC secretariat may also assist the Group with written documentation. Documents on structural issues should draw to the largest extent possible on existing material and procedures, including the work of the EPC. In this respect, the short EWG issues notes on structural topics are valuable inputs to the Eurogroup discussions. The EWG should remain at the centre of the Eurogroup preparations, implying that, in general, it should be in a position to examine all the documents discussed at the Eurogroup. Occasionally, the president, the Commissioner or the president of the ECB may consider to directly present an issue to ministers, e.g. via a letter. All documents must be circulated to ministers by the president, with the assistance of the EFC secretariat. There is a general obligation to safeguard the confidentiality of the documents prepared for the Eurogroup.

vii. Output of the discussions: conclusions and communication

Conclusions

The Eurogroup is an informal body and therefore it does not adopt any formal conclusions. However, following the meeting, the president writes a letter to the other Eurogroup members to summarise the debate, convey his/her understandings of the meeting, propose how to proceed further, and suggest topics on which to focus at the following meetings.

In order to clearly present the common policy analysis and conclusions, the Eurogroup can use "terms of reference" or "common understandings" to summarise common positions and common lines of action. This would lead towards the specification of an economic policy strategy for the euro area, while at the same time ensuring its internal (and inter-temporal) consistency.

Communication

The proceedings of the Eurogroup shall be confidential. Results shall be communicated systematically and visibly, thus improving the articulation of the euro area economic policy stance by sending clear messages, and thereby enhancing the support for policies and reforms in member states.

Common responses to the policy challenges and responses of the euro area as a whole shall be communicated with one voice in member states thus enhancing their legitimacy. In particular, only the Eurogroup president is mandated to communicate results of the Eurogroup discussions in press briefings following Eurogroup meetings, joined by the Commissioner for Economic and Monetary Affairs. The preparation of the president's language at press briefings in form of written press guidance is useful, also as a common understanding for further public comments by Eurogroup ministers. Preferably, such communication should refer to concrete action.

When necessary, public statements or press releases from the Eurogroup on common policy lines or policy reactions can also be used as a tool for communicating policy messages. The ECB president could join at appropriate occasions press briefings of the Eurogroup president, for example on exchange rate messages. The handling of press conferences is a matter for the president under the understanding that, whatever the approach chosen, the confidentiality of the internal discussion should be preserved.

To further improve communication, a dedicated Eurogroup internet site could be created. In addition to information regarding the remit, structure and functioning of the Eurogroup, this site could be updated regularly with Eurogroup "statements" and other policy-relevant information intended for the public (including for example formal decisions taken by the Ecofin and related to euro area countries). Common understandings and terms of reference, when approved by ministers, could also be posted on the website.

viii. Relations with other European institutions and groups

- In the spirit of the Luxembourg Resolution of December 1997, the coordination with Ecofin, in particular with the successive Ecofin presidencies, is a key element for the efficient functioning of EMU. Good relations with the Ecofin Council shall be assured, inter alia by keeping close contacts with the successive presidents of the Ecofin Council and by regularly informing the Ecofin-Council about the discussion at the Eurogroup;
- The president regularly informs the European Parliament on the priorities of the Eurogroup work programme and reports on progress achieved in the coordination of economic policies in the euro area;
- In addition to the participation of the Eurogroup president in the formal macroeconomic dialogue, informal contacts with the European social partners may be established by the president jointly with the Commissioner for Economic and Monetary Affairs, in order to present and to explain the main tenets of the economic policy strategy for the euro area in an informal setting.

ix. Euro area attendance at international meetings

• **G7**

G7 countries agreed to discuss macroeconomic and exchange rate issues with the active participation of the Eurogroup president and the ECB president. The Eurogroup, particularly those members who regularly attend G7 meetings, will work with the other G7 countries so that they accept the Eurogroup president's attendance on all G7

agenda items. This full participation of the Eurogroup president should be coupled with the Commission's participation on G7 agenda items within its competences.

The EWG president acts as deputy to the Eurogroup president at G7 finance meetings.

IMF

In the IMF Executive Board, the elected president of the Eurimf, if he is a representative of a euro area member state, presents the common view on issues of particular relevance to the euro area. The ECB has observer status at the IMF; the ECB actively participates in the coordination of the euro area members within the Eurimf on matters of relevance for the euro area. In the IMFC, the Eurogroup president should be in the front seat during the surveillance session so as to present euro area views in line with agreed procedures.

The EWG prepares an assessment of recent economic developments which could serve as background material for the participation of the Eurogroup president in these meetings.

• OECD

The euro area is represented at the OECD/EDRC reviews of the euro area by the Ecofin presidency or, if that country is not part of the euro area, the following Ecofin presidency from the euro area, the European Central Bank, and the European Commission.