Council of the EU

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Term sheet on the budgetary instrument for convergence and competitiveness (BICC)

Governance

Key principles building on draft Regulation under Art. 136:

- Process kick-started by a discussion on strategic priorities by the Eurosummit and Eurogroup, followed by a strengthened Euro Area Recommendation (EAR) including priorities relevant to the BICC
- Member States to submit in spring proposals which should as a rule consist of packages of reforms and investments, linked to the NRP and compatible with the national budgetary process
- Involvement of relevant preparatory committees and, if warranted, of the Eurogroup in the assessment of the proposals, based on Commission initial feed-back.
- Approval by the Commission, taking into account the strategic priorities included in the EAR and the previous year's Country Specific Recommendations.

ERM II participation in Art. 136 process:

- Eurogroup commits to ensure the participation of ERM II MS in meetings and to take their views into account to the largest extent possible.

Financing

- The size of the instrument will be defined in the context of the MFF. The Finnish Presidency informed the Eurogroup of its intention to take into account the euro area share of the financial envelope of the Reform Delivery Tool, as in the Commission original MFF proposal, in setting the size of the contribution to the BICC in its proposed negotiating box.
- Discussions on an IGA, whose legal status will be explained in an annex to the summing up letter by the Council Legal Service, will continue at the level of the EWG. The EWG should submit a report covering the need, the content, modalities and the size of an IGA in due time to allow for a final decision in the context of the MFF.
- An enabling clause to be included in the Regulation based on Art 175

Allocation and modulation

- For at least 80% of the funds, allocation key to be based on population and inverse of GDP per capita, with a 70% floor
- Up to 20% of the funds could be used on a more flexible basis to react to country specific challenges by supporting packages of reforms and investments that are especially ambitious as measured against the euro area priorities
- National co-financing rate of 25%
- Modulation of the national co-financing rate based on a trigger related to severe economic circumstances, as defined in the SGP, to be applied in a transparent and predictable manner by the Commission following a discussion in the Eurogroup. The modalities will be defined in the context of the legislative process, following further discussions in the Eurogroup.
- When warranted, based on the trigger, national co-financing rate should be reduced to half

Appropriate arrangements should be defined for non-euro area Member States not participating in the BICC. These arrangements should take the form of a dedicated instrument or a financial arrangement to address their full financial liability in relation to the BICC, depending on the circumstances of each Member State*, and should be reflected in the negotiating box.

* Sweden and Denmark are expected to decide on the latter option subject to decision in the national Parliaments

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