

## **Joint Language on Ownership and Financing of BICC**

In December, the Euro Summit agreed on a set of comprehensive reforms to pave the way for a strengthened EMU. Leaders endorsed a term sheet to strengthen the ESM and a terms of reference that sets out how the backstop to the Single Resolution Fund (SRF) will be operationalized.

The Euro Summit also mandated the Eurogroup to work on the design, modalities of implementation and timing of a budgetary instrument for convergence and competitiveness (BICC) for the euro area and ERM II Member States on a voluntary basis. Leaders agreed that the instrument will be part of the EU budget, coherent with other EU policies, and subject to criteria and strategic guidance from the euro area Member States.

We reiterate that the aim of the BICC is to foster economic convergence and competitiveness in the euro area and the wider EU. A prosperous and stable EMU depends above all upon strong national economies and sound national policies. Competitive and resilient economic structures, as well as sustainable public finances and national fiscal tools, promote sustainable economic growth and allow Member States to stabilize their economies at the national level. The new instrument would aim to foster both structural reforms and related high quality investments, targeting the economic challenges where the potential for improving convergence and competitiveness is highest, while avoiding overlap with other existing EU instruments. Without prejudice to our respective general positions on the size and content of the next MFF, the new instrument would supersede the Commission proposal for a Reform Delivery Tool (RDT) and its financial envelope.

The instrument should contain adequate safeguards to ensure complementarity and ownership, for instance by requiring national cofinancing from Member States. Cyclical modulation of the instrument (i.e. varying contributions, payouts or cofinancing in accordance with the cycle) would complicate the operation of the instrument and go beyond the mandate given by Leaders. Access to the instrument should be subject to sound budgetary principles and the applicable conditionalities that reflect our shared values, including with respect to rule of law, and obligations under the Stability and Growth Pact (SGP) and the Macroeconomic Imbalance Procedure (MIP). The instrument should strengthen the dialogue within the Semester between the Commission, individual Member States and the Council. In final decisions on reform and investments plans under the instrument and their subsequent implementation, the Eurogroup and/or Council and its Member States should play a key role.

The size of the instrument should be agreed upon as part of the MFF negotiations and fit under both the expenditure and own resources ceilings and should be significantly below the amount currently envisaged in the Commission proposal for a RDT. Financing of the instrument by participating Member States should be through the general own resources of the Union. A legal solution should be found to ensure that non-participating Member States are exempted from the financing of the instrument. We are not in favor of dedicated taxes as it challenges national competences. We underline the importance of unity of the budget as a key principle of the EU's budgetary framework and are not convinced of the need for external assigned revenue through an intergovernmental agreement. If some Member States nevertheless wished to supplement their share of the available funds through an intergovernmental agreement, there cannot be any presumption for others to participate.

To ensure fair burden sharing and consistency with the legal basis, the instrument could have separate windows for (1) euro area and (2) non-euro area Member States choosing to participate, within an EU instrument, but alternative structures consistent with the Euro Summit Statement could be explored. There could be a link to the relevant euro area recommendations in the context of the European Semester and the convergence criteria for those Member States preparing to join the euro or other reforms. Member States that do not participate in the BICC would in any case be compensated through the revenue side of the MFF.