

Brussels, 18 October 2019

To Mr Donald Tusk, President of the Euro Summit

Dear President,

I would like to inform you that the Eurogroup in inclusive format agreed on the main pending issues on the budgetary instrument for convergence and competitiveness (BICC), following the mandate received from the Euro Summit of 21 June 2019.

The agreement we have reached covers the appropriate solutions for financing, key governance principles, the allocation methodology and the key features of the modulation of the national co-financing rate. These aspects are set out in the enclosed term sheet.

This complements the agreement we reached in June on the main features of the budgetary instrument for convergence and competitiveness for the euro area, and ERM II Member States on a voluntary basis. Work will continue in specific areas identified in the term sheet in the Eurogroup and at technical level.

We agreed that 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. This should be without prejudice for the upcoming MFF negotiations.

In this context, we also took note of the progress on a possible instrument for the non euro area Member States, the Convergence and Reform Instrument (CRI), steered by the Finnish Council Presidency. The CRI would aim at supporting the convergence of non-euro area Member States towards the euro area, by providing financial support for structural reforms. It is aimed at non-euro area countries with structural challenges as evidenced by income per capita below the euro area average. The CRI would build on the existing Commission legislative proposal. Its governance would be clearly distinct from the governance structure of the BICC. The CRI would draw on the coordination mechanisms of the European Semester, including the country-specific recommendations, to identify the focus areas of the instrument. The Finnish Presidency informed the Eurogroup of its intention to take into account the non euro area share of the financial envelope of the Reform Delivery Tool as well as the envelope assigned for the Convergence Facility, as in the Commission original MFF proposal, in setting the size of the contribution to the CRI in its proposed negotiating box.

I believe that on this basis, the Council can pursue legislative work. In line with the mandate of the Euro summit, the size of these instruments will be set in the context of the next MFF.

In parallel to the BICC, work has continued on the ESM reform, as well as on further strengthening of the Banking Union in the High Level Working Group on EDIS. I will report to you on the outcome of our deliberations by the end of the year.

Yours sincerely,



Mario Centeno