COUNCIL OF
THE EUROPEAN UNION

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NOTE

from :	the Presidency
to :	Council
Subject :	Financial Perspective 2007-2013

1. The Presidency hereby submits to delegations a further revised version of the "negotiating box" on the Financial Perspectives. This was foreseen in the Presidency's plans for the organisation of future work circulated in January (document 5045/05). Drawing on the experience of the Agenda 2000 negotiations, the Presidency considers that the negotiating box is central to achieving the objective agreed by the European Council in December 2004 of reaching political agreement by June 2005.

2. Both the structure and format of the negotiating box are based on that used in the Agenda 2000 negotiations. It is important to underline that <u>the negotiating box is not a report on the discussions so far</u>. These are instead covered in the two reports drawn up at the end of the Irish and Dutch Presidencies as well as the separate summary of work to date under the Luxembourg Presidency (doc. 6825/05 CADREFIN 35). <u>Nor does the negotiating box at this stage constitute an attempt to draw up a global compromise package</u> on the negotiations.

It is rather a tool designed to provide a solid framework and give focus and momentum to the discussions. To this end it incorporates two kinds of elements: language on principles and issues which might serve as the basis for the conclusions of the June European Council (presented in normal typeface), and descriptions of the main problems which the Presidency considers will need to be addressed if an overall agreement is to be reached (presented in italics).

3. The negotiating box has been drawn up under the sole responsibility of the Presidency. It is not binding on any delegation. This will remain the case throughout the negotiating process. The Presidency continues to be guided by the principle that nothing is agreed until everything is agreed.

4. The negotiating box is intended to be a dynamic document which will both guide and reflect the discussions. The Presidency will assume responsibility for amending and supplementing the text in the light of the evolving negotiations. These negotiations will be conducted according to the indicative work plan already distributed to delegations (doc. 6826/05 CADREFIN 36).

<u>**ANNEX**</u>

NON-PAPER

FINANCIAL PERSPECTIVE 2007-2013

NEGOTIATING BOX [1]

[1] The basis for calculating the figures contained in this negotiating box is set out in Fiches no. 29 REV 1 and 92 circulated by the Commission.

INTRODUCTION

[PM]

THE NEW FINANCIAL PERSPECTIVE - GENERAL

1. The new Financial Framework should provide the financial means necessary to address effectively and equitably future internal and external challenges, including those resulting from disparities in the levels of development in an enlarged Union. It should, in parallel, attest to determined efforts towards budgetary discipline in all policy areas within a general context of budgetary consolidation in the Member States. Policies agreed in accordance with the Treaty should be consistent with the principles of subsidiarity, proportionality and solidarity. They should also provide added value.

2. The new financial perspective should cover the seven years between 2007 and 2013 and be drawn up for a European Union comprising 27 Member States on the working assumption that Bulgaria and Romania will join the Union in 2007.

3. Expenditure under the new Financial Perspective should be grouped under 5 headings designed to reflect the Union's political priorities and providing for the necessary flexibility in the interest of efficient allocation of resources. Where a heading is divided into sub-headings, these will have the same status as separate headings.

4. In the light of the above, the maximum total figure for expenditure for EU 27 for the period 2007-2013 is X in appropriations for commitments, representing A% of EU GNI, and Y in appropriations for payments, representing B% of EU GNI. The breakdown of appropriations for commitments is as described below. The same figures are also set out in Table A (attached). They are expressed using constant 2004 prices with automatic annual technical adjustments for inflation.

5. Expenditure will be financed under a ceiling for own resources maintained at its current level of 1,31% of EU GNI for appropriations for commitments and 1,24% of EU GNI for appropriations for payments.

   p.m. *Reference to the opinion of the European Parliament on the Financial Perspective packet (expected in June 2005)*

Renewal of the Interinstitutional Agreement

6. The current financial framework and Interinstitutional Agreement have largely succeeded in their objective of ensuring financial discipline, the orderly evolution of expenditure and smooth budgetary procedures. The new agreement to be established between EP, Council and Commission will have to pursue the same objectives and should allow for the degree of flexibility needed to strike a satisfactory balance between budgetary discipline and efficient resources allocation. For the purposes of sound financial management, the institutions will ensure as far as possible that, with the exception of sub-heading 1b, sufficient margins are left available annually beneath the ceilings for the various headings and sub-headings. Moreover, this renewed agreement should also be used to update and simplify the various existing agreements and joint declarations concerning budgetary matters.

7. The European Council calls on the Council, on the basis of a common position and subject to acceptable terms being attainable, to reach agreement with the EP and Commission on a new IIA reflecting the outcome of these conclusions.

HEADING 1A) – COMPETITIVENESS FOR GROWTH AND EMPLOYMENT

8. The level for sub-Heading 1a) should provide adequate financing for initiatives taken at the European level in support of and in synergy with action by the Member States to contribute to the goals of the Lisbon Strategy. These are grouped under the following five broad objectives: research and technological development, connecting Europe through EU networks, education and training, promoting competitiveness in a fully-integrated single market, and the social policy agenda. Nuclear de-commissioning will also be financed under this sub-Heading. The level of commitments, which represents just over 8% annual real growth compared to 2006, should not exceed:

SUB-HEADING 1a)				(Mio euros, 2004 prices)		
2007	2008	2009	2010	2011	2012	2013
8280	8950	9670	10450	11290	12190	13170

9. On the basis of these levels of commitments, and taking into account the indicative figures proposed by the Commission for each of the objectives under this sub-Heading, the European Council invites the Council, together with the European Parliament as appropriate, to come to a timely agreement through the legislative procedure on the content and appropriate funding of the instruments pertaining to this sub-Heading in the light of the various priorities expressed by the Member States. In this context, as far as the specific area of research is concerned, due attention will need to be paid to excellence and to ensuring fair and balanced access to the 7th Framework Programme.

HEADING 1B) – COHESION FOR GROWTH AND EMPLOYMENT

10. The operation of cohesion policy will have contributed significantly over the current financial perspective period to fulfilling the Treaty aim of reducing disparities between the levels of development of the various regions. The recent enlargement, and the one to come, has considerably increased the economic and social disparities at both regional and national level, thus underscoring the need to maintain the goal of achieving economic and social cohesion firmly at the centre of the Union's policy objectives over the next financial perspective period while, at the same time, supporting the Lisbon Strategy goals.

11. Accordingly, there should be an appropriate concentration of structural and cohesion fund assistance on the least developed regions and Member States while providing for satisfactory transitional arrangements in particular for those contributing most to such a concentration. Actions supported by cohesion policy should be focussed on investment in a limited number of priorities organised around three Objectives: **Convergence; Regional competitiveness and employment; Territorial cooperation**.

12. A number of reforms will improve the delivery of structural funds, by encouraging a more strategic approach to programming, bringing about greater decentralisation of responsibilities and enhancing management and control systems. In this connection, the work of the Cohesion Fund will be integrated into the programming of structural assistance to ensure greater coherence among the various Funds.

OVERALL LEVEL OF ALLOCATIONS

13. The appropriate level of commitment appropriations to be entered in the financial perspective for the structural funds and the Cohesion Fund shall be:

SUB-HEADING 1b)				(Mio euros, 2004 prices)		
2007	2008	2009	2010	2011	2012	2013
xxx	xxx	xxx	xxx	xxx	xxx	xxx

Pursuing the goal of achieving economic and social cohesion in the enlarged Union will require a level of financial commitment for 2007-2013 of 0,37% of EU-27 GNI.

14. [82%] of these funds (yyy million euros) will be allocated to the Convergence objective, of which xxx% (yyy million euros) for the Cohesion Fund, xxx% (yyy million euros) for the "phasing out" regions and Member States.

    [15%] (yyy million euros) of these funds will be allocated to the Regional competitiveness and employment objective, of which xxx% (yyy million euros) to the "phasing in" regions.

    The Territorial cooperation objective will be allocated [3%] (yyy million euros) of these funds.

15. As under the current Financial Framework, total transfers from funds supporting cohesion to any Member State, including those funds transferred to the new Rural development and Fisheries instruments, should not exceed 4% of that Member State's GDP, in order to pay regard to the finite capacity of Member States to utilise effectively the resources available.

DEFINITION OF THE DIFFERENT OBJECTIVES AND ELIGIBILITY

Definition of the Convergence Objective

16. The Convergence Objective shall be aimed at speeding up the convergence of the least-developed regions and Member States.

17. The regions eligible for funding from the structural funds under this Objective are the current NUTS level II regions whose per capita GDP, measured in purchasing power parities and calculated on the basis of Community figures for the period 2000-2002, is less than 75% of the EU 25 average.

18. The Member States eligible for funding from the Cohesion Fund shall be those whose per capita GNI, measured in purchasing power parities and calculated on the basis of Community figures for the period 2001-2003, is less than 90% of the EU 25 average and which have a programme for meeting the economic convergence conditions referred to in Article 104 of the Treaty.

Definition of the Regional Competitiveness and Employment Objective

19. This Objective shall be aimed at strengthening regions' competitiveness and attractiveness as well as employment. The respective contributions of the ERDF and ESF shall be fixed by the Member States in consultation with the Commission.

20. The entire territory of the Community shall be eligible, with the exception of the regions eligible for funding from the structural funds under the Convergence Objective and the regions covered by transitional arrangements (cf. paragraph 35).

Definition of the European Territorial Cooperation Objective

21. This Objective aims at strengthening territorial cooperation at the cross-border, trans-national and inter-regional levels and at establishing cooperation networks and furthering the exchange of experience at the appropriate territorial level.

22. The regions eligible for cross-border cooperation financing shall be all NUTS level III regions along the internal land borders, certain NUTS level III regions along the external land borders and certain NUTS level III regions along the maritime borders separated, as a general rule, by a maximum of 150 kms, taking into account potential adjustments needed to ensure the coherence and continuity of the cooperation action.

23. The list of eligible trans-national regions will be drawn up by the Commission on the basis of the Community- level strategic guidelines established by the Council.

24. The entire territory of the Community shall be eligible for the financing of inter-regional cooperation and cooperation networks and exchange of experience.

ALLOCATION METHOD

Allocation method for convergence regions

25. The specific level of allocations to each Member State should be based on an objective method and calculated as follows:

Each Member State's allocation is the sum of the allocations for its individual eligible regions, the latter calculated on the basis of relative regional and national prosperity and the unemployment rate according to the following steps:

(i) determination of an absolute amount (in euros) obtained by multiplying the population of the region concerned by the difference between that region's GDP per capita (PPS) and EU 25 average GDP per capita (PPS);

(ii) application of a percentage to the above absolute amount in order to determine that region's financial envelope; this percentage is graduated to reflect the relative prosperity, as compared to the EU 25 average, of the Member State in which the eligible region is situated, i.e.:

- 4,20% for regions in Member States whose level of GNI per capita is below 82% of the Community average

- 3,36% for regions in Member States whose level of GNI per capita is between 82% and 99% of the Community average

- 2,52% for regions in Member States whose level of GNI per capita is over 99% of the Community average

(iii) to the amount obtained under step (ii) is added, if applicable, an amount resulting from the allocation of a premium of 700 euros per unemployed person, applied to the number of persons unemployed in that region exceeding the number that would be unemployed if the average unemployment rate of all the EU convergence regions applied.

26. The level of funds determined by the application of these parameters will include that part to be transferred to Heading 2 (cf. paragraph 46).

<u>Allocation method for the Cohesion Fund</u>

27. The total theoretical financial envelope is obtained by multiplying average per capita aid intensity of 37,5 euros by the eligible population. Each eligible Member State's a priori allocation of this theoretical financial envelope corresponds to a percentage based on its population, surface area and national prosperity, and obtained by applying the following steps:

1) calculation of the arithmetical average of that Member State's population and surface area shares of the total population and surface area of all the eligible Member States; if, however, a Member State's share of total population exceeds its share of total surface area by a factor of 5 or more, reflecting an extremely high population density, only the share of total population shall be used for this step;

2) adjustment of the percentage figures so obtained by a coefficient representing one third of the percentage by which that Member State's GNI per capita (PPS) exceeds or falls below the average GNI per capita of all the eligible Member States (average expressed as 100%).

28. In order to reflect the significant needs of new Member States in terms of transport and environment infrastructure, the share of the Cohesion Fund will be set at ⅓ of the total financial allocation (structural funds plus Cohesion Fund) for the new Member States on average over the period, with the annual amounts being determined by the Member States in consultation with the Commission. For the other Member States, their financial envelope results directly from the allocation method described in paragraph 26.

29. Member States' eligibility for the Cohesion Fund will be reviewed in 2010 on the basis of data relating to the EU-25.

<u>Allocation method for the Regional Competitiveness and Employment Objective</u>

30. The share of each Member State concerned is the sum of the shares of its eligible regions, with the latter determined according to the following criteria, weighted as indicated: total population (weighting 0,5), number of unemployed people in NUTS Level III regions with an unemployment rate above the group average (weighting 0,2), number of jobs needed to reach an employment rate of 70% (weighting 0,15), and number of employed people with a low educational level (weighting 0,10), low population density (weighting 0,05). The shares are then adjusted according to relative regional prosperity (for each region, increase or decrease of its total share by +5%/-5% according to whether its GDP per capita is below or above the average GDP per capita for the group). The share of each Member State shall not however be less than two thirds of its share in 2006 of combined funding under Objectives 2 and 3.

<u>Allocation method for the Territorial Cooperation Objective</u>

31. The allocation of resources between the beneficiary Member States is determined as follows:

- for the cross-border component (including the contribution of the ERDF to the cross-border strand of the European Neighbourhood and Partnership Instrument and the Instrument for Pre-accession), on the basis of the population of the NUTS level III regions in terrestrial and maritime border areas, as a share of the total population of all the eligible regions, it being understood that aid intensity for regions along the former external terrestrial borders between the EU-15 and the EU-12 will be 20% higher than for the other regions concerned.

Contributions provided from Heading 4 should be allocated simultaneously;

- for the transnational component, on the basis of the total population of the Member State, as a share of the total population of all the Member States concerned.

The shares of the cross-border, transnational and inter-regional cooperation components are 75%, 21% and 4% respectively.

REGIONS WITH SPECIFIC CHARACTERISTICS RECOGNISED UNDER THE TREATIES

32. The outermost regions identified in Article 299 of the Treaty and the NUTS level II regions fulfilling the criteria laid down in Article 2 of Protocol No 6 to the Treaty of Accession of Austria, Finland and Sweden shall, in view of their specific constraints, benefit from additional funding from the ERDF.

33. This funding will amount to 20 euros per inhabitant per year and will be in addition to any funding to which these regions are otherwise eligible.

TRANSITIONAL ARRANGEMENTS

34. In the interest of equity and to allow the process of convergence to be completed, transitional arrangements will be put in place.

35. The following categories of region and Member State are concerned:

    (a) the regions which would have enjoyed Convergence objective status had the eligibility threshold remained at 75% of average EU-15 GDP, but which lose eligibility because their nominal per capita GDP level will now exceed 75% of the new (lower) EU-25 average (the so-called "statistical" effect). These regions will be "phased out" of the Convergence objective;

(b) the regions currently enjoying full Objective 1 region status which cease to be eligible in the next financial perspective period because natural growth has brought their per capita GDP level to over 75% of the EU-15 average, corresponding to over 82,19% of the new EU-25 average ("growth" effect). These regions will be "phased into" the Regional competitiveness and employment objective;

(c) the Member States currently eligible for funding from the Cohesion Fund and which would have continued to be so had the eligibility threshold remained at 90% of average EU-15 GNI, but which lose eligibility because their nominal per capita GNI will now exceed 90% of the new (lower) EU-25 average. These Member States will be "phased out" of the Cohesion Fund element of the Convergence objective.

36. The allocations under these phasing out/in arrangements will result from the application of the following parameters:

(a) for the regions defined in paragraph 35 (a) *supra*, 80% of their individual 2006 per capita aid intensity level in 2007 and a linear reduction thereafter to reach the national average per capita aid intensity level for the regional competitiveness and employment objective in 2013.

When in a given Member State the regions defined in paragraph 35 (a) *supra* represent at least one third of the total population of the regions fully eligible for Objective 1 assistance in 2006, the rates of assistance shall be 80% of their individual 2006 per capita aid intensity level in 2007, 75% in 2008, 70% in 2009, 65% in 2010, 60% in 2011, 55% in 2012 and 50% in 2013.

The level of funds determined by the application of these parameters will include that part to be transferred to Heading 2 (cf. paragraph 46);

(b) for the regions defined in paragraph 35 (b) *supra*, 75% of their individual 2006 per capita aid intensity level in 2007 and a linear reduction thereafter to reach the national average per capita aid intensity level for the regional competitiveness and employment objective by 2011;

(c) for the Member States defined in paragraph 35 (c) *supra* the allocation shall be degressive over 2 years, with the amount in 2007 being x% and the amount in 2008 y% of the amount allocated in 2006 from the Cohesion Fund.

37. As far as those regions which were not eligible for Objective 1 status in the 2000-2006 period or whose eligibility started in 2004 are concerned, the above percentages will be applied to their theoretical 2006 per capita aid intensity level calculated on the basis of the 1999 Berlin allocation method with their regional per capita GDP level being assimilated to 75% of the EU 15 average.

MAXIMUM LEVEL OF TRANSFERS FROM FUNDS SUPPORTING COHESION

38. In order to contribute to the objectives of adequately concentrating cohesion funding on the least developed regions and Member States and reducing disparities in average per capita aid intensities resulting from capping, the maximum level of transfer to each individual Member State shall be as follows:

- for Member States whose average 2001-2003 per capita GNI (PPS) is under 40% of the EU-25 average: 4% of their GDP
- for Member States whose average 2001-2003 per capita GNI (PPS) is equal to or above 40% and below 50% of the EU-25 average: 3,9% of their GDP
- for Member States whose average 2001-2003 per capita GNI (PPS) is equal to or above 50% and below 55% of the EU-25 average: 3,8% of their GDP
- thereafter, the maximum level of transfer is reduced by 0,1 percentage point of GDP for each increment of 5 percentage points of average 2001-2003 per capita GNI (PPS) as compared to the EU-25 average.

39. Calculations of GDP by the Commission will be based on the latest statistics (available in April 2005). Individual national growth rates of GDP for 2007-2013, as projected by the Commission, will be applied for each Member State separately.

40. If it is established in 2010 that any Member State's cumulated GDP for the years 2007-2009 has diverged by more than ±5% from the cumulated GDP estimated according to paragraph 39, the amounts allocated for that period to that Member State pursuant to paragraph 38 will be adjusted accordingly. The total net effect, whether positive or negative, of such adjustments may not exceed 3 billion euros. Final adjustments will be spread in equal proportions over the years 2011-2013.

CO-FINANCING RATES

41. The ceilings for the contributions from the Structural and Cohesion Funds shall be those laid down in Articles 51 and 52 of the Commission's proposal of 16 July 2004 for a Council Regulation laying down general provisions on the ERDF, ESF and Cohesion Fund, except that the ceiling for the standard rate of contribution by the ERDF or ESF under operational programmes in regions eligible under the Convergence objective situated in Member States eligible for the Cohesion Fund shall be 80%.

ADVANCE PAYMENTS

42. Advance payments for each Member State shall not exceed the following percentages of its overall cohesion envelope for the 2007-2013 period:

	2007	2008	2009
• For the structural funds			
– EU 15 Member States	2%	3%	
– EU 10 Member States, Bulgaria and Romania	2%	3%	2%
• For the Cohesion Fund			
– EU 15 Member States	2%	3%	2,5%
– EU 10 Member States, Bulgaria and Romania	2,5%	4%	4%

HEADING 2 – PRESERVATION AND MANAGEMENT OF NATURAL RESOURCES

43. Commitment appropriations for this Heading, which is intended to cover agriculture, rural development, fisheries and a new financial instrument for the environment, and which include those funds transferred from sub-Heading 1b), should not exceed the following level:

HEADING 2				(Mio euros, 2004 prices)			
	2007	2008	2009	2010	2011	2012	2013
	xxx	xxx	xxx	xxx	xxx	xxx	xxx
of which Agriculture - Market-related expenditure and direct payments	yyy	yyy	yyy	yyy	yyy	yyy	yyy

44. The amounts for market-related expenditure and direct payments correspond to those agreed at the October 2002 European Council, expressed in 2004 constant prices, [and increased by [2] billion euros to take account of the accession of Bulgaria and Romania]. These constitute a ceiling and also include the sums which, according to the modulation arrangements [1] agreed in the context of CAP reform, will be transferred to and disbursed under the new Rural Development instrument. No other transfers from this ceiling to the rest of the Heading will be allowed.

45. The allocation for the new Rural development instrument, consisting essentially of amounts transferred from the funds supporting the regional component of the Convergence objective and amounts currently disbursed under the guarantee section of the EAGGF, will be [73-75] billion euros before modulation.

    The allocation for the new Fisheries instrument, consisting of amounts transferred from the funds supporting the regional component of the Convergence objective and the Regional competitiveness and employment objective, will be 4,3 billion euros. [2]

[1] Including those equivalent arrangements covering the cotton and tobacco sectors.
[2] These allocations are based on the working assumption that the shares to be transferred from Heading 1b are those proposed by the Commission.

46. The amounts transferred to these two new instruments from the funds supporting the regional component of the Convergence objective are determined by each Member State after consultation with the Commission, drawing on the historical percentages of expenditure in these areas during the period 2000–2006 (2004–2006 for the new Member States) as a reference point. They will not be subject to reallocation.

47. *The criteria for allocating the other amounts which make up these instruments still need to be determined (including any particular specificities, geographical or others, which may need to be taken into account).*

48. Member States are invited to ensure that the needs of the Natura 2000 network are properly covered through the means available under cohesion policy and the new rural development instrument.

HEADING 3A) –FREEDOM, SECURITY AND JUSTICE

49. The area of Freedom, Security and Justice covers a range of issues which relate specifically to the protection and rights of individual citizens. It includes the framing of a common policy on asylum, immigration and border control, taking a more effective, joint approach to cross-border problems such as illegal immigration and trafficking in and smuggling of human beings, as well as to terrorism and organised crime, promoting fundamental rights and developing judicial cooperation in civil and criminal matters. It is a sector certain to continue to grow in importance in support of action by the Member States. The level of commitments, which represents 18% annual real growth compared to 2006, should not exceed:

SUB-HEADING 3a)				(Mio euros, 2004 prices)		
2007	2008	2009	2010	2011	2012	2013
620	720	850	1010	1190	1410	1670

HEADING 3B) – OTHER INTERNAL POLICIES

50. A number of other actions concern in particular culture, youth, audiovisual matters and health and consumer protection, areas where the Union has a role as a catalyst for action by Member States. The level of commitments, which represents 5% annual real growth compared to 2006, should not exceed:

SUB-HEADING 3b)					(Mio euros, 2004 prices)	
2007	2008	2009	2010	2011	2012	2013
550	580	610	640	670	700	740

HEADING 4 – THE EU AS A GLOBAL PARTNER

51. The Union is a global player, with a wide range of instruments as its disposal. It needs to be ready to share in the responsibility for global security and in building a better world, and to have adequate funding to enable it to do so. The Union's external actions and policies are covered by Heading 4 and grouped in the main under the following six instruments: Pre-accession, Stability, Development cooperation and economic cooperation, European neighbourhood and partnership, Humanitarian aid and Macrofinancial assistance. The level of commitments , which represents around 5% annual real growth compared to 2006, should not exceed:

HEADING 4					(Mio euros, 2004 prices)	
2007	2008	2009	2010	2011	2012	2013
6310 6310	xxx [1] 6610 [2]	xxx 6930	xxx 7260	xxx 7600	xxx 7960	xxx 8340

[1] If the EDF is included from 2008 onwards.
[2] If the EDF remains outside the budget over the period.

52. On the basis of these levels of commitments, and taking into account the indicative figures proposed by the Commission for each of the objectives under this Heading, the European Council invites the Council, together with the European Parliament as appropriate, to come to a timely agreement through the legislative procedure on the content and appropriate funding of the four proposed new instruments falling under this Heading in the light of the various priorities expressed by the Member States.

53. Cooperation with the ACP countries will be allocated x billion euros; the amounts concerned [will be included in the EU budget from 2008] [will be provided for by a 10th EDF for the period 2008-2013].

54. The emergency aid reserve and the provisioning of the loan guarantee fund will be financed through Heading 4 and fixed at a level of 221 million euros each. They should be adequately ring-fenced.

55. The Union should aim to ensure over the period 2007–2013 that at least 90% of its overall external assistance be counted as official development assistance according to the present DAC definition.

56. The European Council calls upon the Budgetary Authority to ensure adequate increases in the CFSP budget for the period 2007–2013.

HEADING 5 – ADMINISTRATION

57. Taking account of the objective factors determining the current level of administrative expenditure, expenditure related to enlargement, increased operational activity and the effect of the new Statute, and savings made possible through efficiency gains and economies of scale, the level of commitments for the Union's administrative expenditure should not exceed:

HEADING 5					(Mio euros, 2004 prices)	
2007	2008	2009	2010	2011	2012	2013
6700	6900	7100	7320	7530	7760	7990

58. This Heading will, without prejudice to the ABB approach now used in establishing the annual budget, lay down the ceiling for the administrative expenditure of all the Institutions.

<u>OWN RESOURCES</u>

59. *In the light of the discussions so far, and taking into account the objectives of simplicity, transparency and equity, the Presidency is of the opinion that the Own Resources decision should be modified in order to reflect the following points.*

60. *In order to improve transparency and simplicity, the rate of call of the VAT resource should be frozen at 0,30%.*

61. *Taking Fontainebleau as a starting point:*

   a) *considering the subsequent substantial changes in relevant circumstances such as the decrease in agriculture expenditure as a proportion of the budget, the increase in cohesion expenditure as a result of successive enlargements and the increase in the UK's relative prosperity to amongst the highest in the Union, the amount of the UK budgetary correction should in 2007 correspond to its nominal average over the seven-year period immediately prior to the most recent enlargement (1997–2003). This amount should be set on a downward path from the following year;*

   b) *considering that the consequences of the above will have differing effects on different Member States and that, in line with Fontainebleau, no Member State should sustain a budgetary burden which is excessive in relation to its relative prosperity, specific measures should be introduced for Germany, the Netherlands and Sweden covering the period 2007–2013. These measures should consist in a reduction of the rate of call of the VAT resource for those Member States over the period 2007–2013.*

62. *In order to pave the way for a system with greater permanence, the Commission should be invited to present in 2010 a general review of the own resources system, including the possibility of modifying the structure of the own resources by creating new autonomous own resources.*