Negotiating box on the Financial Perspective 2007–2013 (15 June 2005)

Caption: On 15 June 2005, the Presidency of the Council of the European Union submits a revised version of the ‘negotiating box’ on the Financial Perspective 2007–2013 to the European Council, with a view to the meeting to be held on 16 and 17 June 2005.

Source: Council of the European Union. Financial Perspective 2007-2013 Negotiating box (revised version), 10090/05 - CADREFIN 130. Brussels: 15 June 2005. 26 p.

URL: http://www.cvce.eu/obj/negotiating_box_on_the_financial_perspective_2007_2013_15_june_2005-en-54ea956e-4290-4b50-af62-451c39ca7cee.html

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Financial perspective 2007-2013 — Negotiating box 1

The Presidency submits to delegations a further revised version of the “negotiating box” on the Financial Perspectives in view of the meeting of the European Council on 16/17 June 2005.

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 1,06% of EU GNI, and Y in appropriations for payments, representing 1,00% of EU GNI. The breakdown of appropriations for commitments is as described below. The same figures are also set out in the table contained in Annex I. They are expressed using constant 2004 prices with automatic annual technical adjustments for inflation.

5. The European Council takes note of the resolution from the European Parliament on the Financial Perspective which was adopted on 8 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. Building on the institutional dialogue to date, 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, and the financial consequences of this commitment shall be drawn in line with the Treaties of Accession. The level of commitments, which represents 7,5% annual real growth compared to 2006, should not exceed:

SUB-HEADING 1a) (Mio euros, 2004 prices)

2007	2008	2009	2010	2011	2012	2013
8230	8840	9490	10180	10930	11740	12600

9. On the basis of these levels of commitments, 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, a substantial enhancement of the EU's research effort, based on excellence, is generally recognised to be one of the most promising and effective drivers of innovation and growth; the 7th Framework Programme, balanced access to which should be ensured for all Member States, will play an important role in achieving this objective.

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
42427	42863	42983	43785	44090	44827	45533

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. 82,30% of these funds (252249 million euros) will be allocated to the Convergence objective, of which 24,56% (61.953 million euros) for the Cohesion Fund and 4,84% (12.202 million euros) for the "phasing out" regions and Member States.

15,26% (46758 million euros) of these funds will be allocated to the Regional competitiveness and employment objective, of which 20,30% (9.494 million euros) to the "phasing in" regions.

The Territorial cooperation objective will be allocated 2,45% (7500 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 33).

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 all 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.:

• 4,25% 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

• 2,62% for regions in Member States whose level of GNI per capita is over99% 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 56).

Allocation method for the Cohesion Fund

27. The total theoretical financial envelope is obtained by multiplying average per capita aid intensity of 42,0 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 I of the total financial allocation (structural funds plus Cohesion Fund) for the new Member States on average over the period. For the other Member States, their financial envelope results directly from the allocation method described in paragraph 27.

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

Allocation method for the Regional Competitiveness and Employment Objective

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 three-quarters of its share in 2006 of combined funding under Objectives 2 and 3.

Allocation method for the Territorial Cooperation Objective

31. The allocation of resources between the beneficiary Member States (including the contribution of the ERDF to the cross-border strand of the European Neighbourhood and Partnership Instrument and the Instrument for Pre-accession) is determined as follows:

• for the cross-border component, 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. 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 77%, 19% and 4% respectively.

Transitional arrangements

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

33. 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.

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

(a) for the regions defined in paragraph 33 (a), 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. To the allocation thus obtained is added, if applicable, an amount resulting from the allocation of a premium of 600 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.

The level of funds determined by the application of these parameters will include that part to be transferred to Heading 2 (cf. paragraph 56);

(b) for the regions defined in paragraph 33 (b), 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. To the allocation thus obtained is added, if applicable, an amount resulting from the allocation of a premium of 600 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;

(c) for the Member States defined in paragraph 33 (c) the allocation shall be degressive over 2 years, with the amount in 2007 being 1,2 billion euros (representing 68% of the 2006 level) and the amount in 2008 0,8 billion euros (representing 46% of the 2006 level).

Maximum level of transfers from funds supporting cohesion

35. 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.

36. 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 in April 2005, will be applied for each Member State separately.

37. 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 36, the amounts allocated for that period to that Member State pursuant to paragraph 35 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.

Additional provisions

38. The methods, definitions and arrangements set out above form the common bedrock for allocating cohesion funds to the Member States. However, their necessarily general nature and the impossibility in practice of building in all relevant factors do not allow an adequate response to a number of objective situations, which accordingly call for special treatment for a variety of reasons: the need to take into account revisions of the most recent statistical data, the disproportionate impact on certain regions and countries of mechanically applying certain criteria, exceptional geographic and demographic circumstances, etc... In order to pay full regard to these different elements in the interests of fairness and balance the following additional provisions will be applied when implementing the allocation of cohesion expenditure.

39. When in a given Member State the "phasing-out" regions defined in paragraph 33 (a) 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.

40. As far as the transitional arrangements under paragraphs 32-34 are concerned, the starting point in 2007 for those regions which were not eligible for Objective 1 status in the 2000-2006 period or whose eligibility started in 2004 will be 90% of 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.

41. Notwithstanding paragraph 35, the Polish NUTS level II regions of Lubelskie, Podkarpackie, Warmínsko-Mazurskie, Podlaskie and Świętokrzyskie, whose per capita GDP levels (PPS) are the five lowest in the EU-25, shall benefit from funding from the ERDF over and above the funding to which they are otherwise eligible. This additional funding will amount to 10 euros per inhabitant per year over the period 2007-2013. Any upward adjustment of the amounts allocated to Poland pursuant to paragraph 37 shall be net of this additional funding.

42. Recognising that on the basis of revised figures for the period 1997-1999 Cyprus should have been eligible to Objective 1 in 2004-2006, Cyprus will benefit in 2007–2013 from the transitional arrangements applicable to the regions defined in paragraph 33 (b), its starting point in 2007 being established in accordance with paragraph 40.

43. The NUTS level II regions of Itä-Suomi and Madeira, while keeping the status of phasing-in regions, will benefit from the financial transitional arrangements laid down in paragraph 34 (a).

44. 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. This funding will amount to 30 euros per inhabitant per year and will be in addition to any funding to which these regions are otherwise eligible.

45. As far as allocations under the Territorial Cooperation Objective are concerned, aid intensity for regions along the former external terrestrial borders between the EU-15 and the EU-12 and between the EU-25 and the EU-2 will be 50% higher than for the other regions concerned.

46. In recognition of the special effort for the peace process in Northern Ireland, a total of 200 million euros will be allocated for the PEACE Programme for the period 2007–2013.

Co-financing rates

47. 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, for Member States eligible for the

Cohesion Fund, the ceiling for the standard rate of contribution by the ERDF or ESF under operational programmes in regions eligible under the Convergence objective, and in regions eligible for the phasing-in according to paragraph 33 (b), shall be 80%.

Advance payments

48. 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 <u>structural funds</u>						
– EU 15 Member States				2%	3%	
– EU 10 Member States, Bulgaria and Romania		2%	3%	2%		
• For the <u>Cohesion Fund</u>						
– EU 15 Member States				2%	3%	2,5%
– EU 10 Member States, Bulgaria and Romania		2,5%	4%	4%		

Other regulatory provisions

49. In order to take account of the specificity of the Cohesion Fund, the N+2 automatic decommitment rule shall be applied at the level of the total annual allocation committed from the Cohesion Fund for a Member State in any given year from 2007 to 2013, and not at the level of each operational programme. Furthermore, for all major projects financed by the cohesion fund, expenditure will be eligible retroactively as from the start of the programming period, which is the date of the submission of the programme or 1 January 2007, whichever is the sooner. Also, the starting point for the application of the automatic de-commitment rule will be the date of the Commission's approval of the major project in question.

50. The provisions governing the eligibility of non-reimbursable VAT will be as follows: VAT shall not be eligible for co-financing. However an exception shall be made for non-recoverable VAT when it is genuinely and definitively borne by beneficiaries other than non taxable persons foreseen at Article 4(5), 1st subparagraph of the 6th Council VAT Directive (States, regional and local government authorities and other bodies governed by public law).

Heading 2 – preservation and management of natural resources

51. 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
	54502	54483	54421	53916	53630	53483	53366

of which Agriculture - Market-related expenditure and direct

payments	43120	42797	42429	42114	41753	41547	41345

52. The amounts for market-related expenditure and direct payments correspond to those agreed at the October 2002 European Council, expressed in 2004 constant prices, adjusted to take account of the foreseen accession of Bulgaria and Romania. These constitute a ceiling and also include the sums which, according to the modulation arrangements [1] agreed within the 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.

53. 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 74 billion euros before modulation.

54. The Commission is invited to allocate the rural development envelope originating from the EAGGF guarantee section among the Member States according to the allocation key set out in the table contained in Annex II.

55. 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 3,9 billion euros.

56. The amounts transferred to the Rural Development and Fisheries instruments from the funds supporting the regional component of the Convergence objective have been 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.

57. 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

58. 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 15% annual real growth compared to 2006, should not exceed:

SUB-HEADING 3a) (Mio euros, 2004 prices)

2007	2008	2009	2010	2011	2012	2013
600	690	790	910	1050	1200	1390

Heading 3b) – other internal policies

59. 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 about 4,5% annual real growth compared to 2006, should not exceed:

SUB-HEADING 3b) (Mio euros, 2004 prices)

2007	2008	2009	2010	2011	2012	2013

550	570	600	620	650	680	700

Heading 4 – the EU as a global partner

60. 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 close to 4,5% annual real growth compared to 2006, should not exceed:

HEADING 4 (Mio euros, 2004 prices)

2007	2008	2009	2010	2011	2012	2013
6280	6550	6830	7120	7420	7740	8070

61. 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.

62. Cooperation with the ACP countries will be allocated 22,682 billion euros in current prices for the period 2008-2013. This amount is separate from the figures contained in the above table. The contribution key for financing this amount is as set out in Annex III.

63. The emergency aid reserve and the provisioning of the loan guarantee fund will be financed through Heading 4. The emergency aid reserve will be fixed at a level of 221 million euros and should be adequately ring-fenced. The provisioning of the loan guarantee fund will be adequately funded as foreseen in the related legislative mechanism.

64. 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.

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

Heading 5 – administration

66. 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
6660	6830	7000	7180	7360	7540	7730

67. 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.

Own resources

68. The ceilings for own resources will be maintained at their current levels of 1,31% of EU GNI for appropriations for commitments and 1,24% of EU GNI for appropriations for payments.

69. The own resources arrangements should be guided by the overall objectives of simplicity, transparency and equity. They should take due account of the substantial changes since Fontainebleau such as the considerable decrease in agricultural expenditure as a proportion of the budget, the increase in cohesion expenditure as a result of enlargement to states with substantially lower levels of prosperity, and the increase in the UK's relative prosperity to amongst the highest in the Union. They should also ensure, in line with Fontainebleau, that no Member State sustains a budgetary burden which is excessive in relation to its relative prosperity, and accordingly introduce provisions covering specific Member States.

70. Accordingly, the Own Resources Decision shall be modified in order to introduce the following four changes:

a) the rate of call of the VAT resource shall be frozen at 0,30%;

b) the present mechanism for calculating the UK budgetary correction shall be replaced by a system whereby the nominal amount of the correction to be budgeted as from 2007 shall correspond to its nominal average over the seven-year period immediately prior to the most recent enlargement (1997–2003);

c) for the period 2007-2013 the rate of call of the VAT resource for Germany, the Netherlands and Sweden shall be fixed at 0,15%;

d) on top of the collection costs foreseen in Article 2(3) of the own resource decision, for the period 2007-2013 the Netherlands and Sweden shall be allowed to retain an additional benefit equivalent to 10% of the amounts referred to in Article 2(1.a) and 2(1.b) of the same decision.

71. In line with Fontainebleau, the problem of budgetary imbalances should ultimately be resolved through expenditure policy. A key element to achieving greater convergence between Member States with similar levels of prosperity in the future is a better balance in the structure of expenditure in the overall budget. Any change to the level of the UK budgetary correction after 2013 will depend in particular on the evolution of market-related expenditure and direct payments in agriculture post 2013.

72. In order to pave the way for a system with greater permanence, and taking into account developments in the structure of expenditure, the Commission is invited to present in 2011 a general review of the own resources system, including the possibility of modifying the structure of own resources by creating new autonomous own resources.

Annex I

P.M.

Annex II

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Annex III

Cooperation with the ACP countries contribution key

Belgium	3,24
Bulgaria	0,14
Czech Republic	0,51
Denmark	2,00
Germany	22,21
Estonia	0,05
Greece	1,47
Spain	6,85
France	19,51
Ireland	0,91
Italy	12,86
Cyprus	0,09
Latvia	0,07
Lithuania	0,12
Luxembourg	0,24
Hungary	0,55
Malta	0,03
Netherlands	4,80
Austria	2,41
Poland	1,30
Portugal	1,15
Romania	0,37
Slovenia	0,18
Slovakia	0,21
Finland	1,47
Sweden	2,74
United Kingdom	14,52

[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.
[2] Including those equivalent arrangements covering the cotton and tobacco sectors.