

# UDENRIGSMINISTERIET

Det Politisk-Økonomiske Udvalg  
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Offentligt

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Til underretning for Folketingets Europaudvalg vedlægges formandskabets  
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15649/05.

*Bendt Bendtsen*

**PART I**

**EXPENDITURE**

## Renewal of the Interinstitutional Agreement

6. The current financial framework and Interinstitutional Agreement (IIA) 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 the European Parliament, 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 European Parliament and Commission on a new IIA reflecting the outcome of these conclusions.

11. The European Council invites the Commission in cooperation with the European Investment Bank to examine the possibility of strengthening their support for Research and Development by up to a maximum of € 10 billion through a financing facility with risk-sharing components to foster additional investment in European research and development, particularly by the private sector.

11bis In order further to promote nuclear safety in the Union, the European Council calls on the Budgetary Authority to ensure that the following amounts are allocated for nuclear power plant decommissioning during the next Financial Perspective:

- € 375 million for V-1 Jaslovske Bohunice in Slovakia
- € 865 million for Ignalina in Lithuania

12. The European Council agrees that a Globalisation Adjustment Fund will be established, designed to provide additional support for workers made redundant as a result of major structural changes in world trade patterns, to assist them with their re-training and job search efforts. Activation of the Fund will be subject to strict criteria relating to the scale of economic dislocation and its impact on local, regional or national economies, which the European Council invites the Council to establish on the basis of a proposal from the Commission. The maximum amount of expenditure from the Fund shall be up to € 500 million per year. No specific financial provision for the Fund will be made in the Financial Perspectives. Instead it should be financed through underspends against the budget ceilings established in these conclusions (defined in commitments terms) and/or from funds which are de-committed.

## Improving delivery

17. 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

18. 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)				(Million euros, 2004 prices)		
2007	2008	2009	2010	2011	2012	2013
41696	42115	42654	42455	42676	43354	44040

Pursuing the goal of achieving economic and social cohesion in the enlarged Union will require a level of financial commitment for 2007-2013 of 0.36% of EU-27 GNI.

19. 81.6% of these funds (243,984 million euros) will be allocated to the Convergence objective, of which 20.0% (59,630 million euros) for the Cohesion Fund and 4.1% (12,202 million euros) for the "phasing out" regions and Member States.

15.9% (47,505 million euros) of these funds will be allocated to the Regional competitiveness and employment objective, of which 3.2% (9,688 million euros) to the "phasing in" regions.

The Territorial co-operation objective will be allocated 2.5% (7,500 million euros) of these funds.

25. 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, subject to the limits set out in paragraph 40.

### **Definition of the European Territorial Cooperation Objective**

26. 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.
27. 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.
28. The list of eligible trans-national regions will be drawn up by the Commission following close consultations with Member States.
29. 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**

30. 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:

## Allocation method for the Cohesion Fund

32. The total theoretical financial envelope is obtained by multiplying average per capita aid intensity of € 44,7 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%).
33. 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  $\frac{1}{3}$  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 32.
34. Member States' eligibility for the Cohesion Fund will be reviewed in 2010 on the basis of data relating to the EU-25.

## TRANSITIONAL ARRANGEMENTS

37. In the interest of equity and to allow the process of convergence to be completed, transitional arrangements will be put in place.
38. The following categories of region and Member State are concerned:
- (a) the regions which would have been eligible for 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 eligible for 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.



## MAXIMUM LEVEL OF TRANSFERS FROM FUNDS SUPPORTING COHESION

40. 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: 3.663% 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: 3.590% 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: 3.498% of their GDP
- for Member States whose average 2001-2003 per capita GNI (PPS) is equal to or above 55% and below 60% of the EU-25 average: 3.407% of their GDP
- for Member States whose average 2001-2003 per capita GNI (PPS) is equal to or above 60% and below 65% of the EU-25 average: 3.315% of their GDP
- for Member States whose average 2001-2003 per capita GNI (PPS) is equal to or above 65% and below 70% of the EU-25 average: 3.223% of their GDP
- for Member States whose average 2001-2003 per capita GNI (PPS) is equal to or above 70% and below 75% of the EU-25 average: 3.132% of their GDP
- thereafter, the maximum level of transfer is reduced by 0.09 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.

In the case of Romania and Bulgaria this shall be without prejudice to paragraph 2 above.

In order to reflect the value of the Polish zloty in the reference period, the result of the application of the cap above for Poland will be multiplied by a coefficient 1.04 for the period up to the review referred to in paragraph 42 (2007-2009).

45. As far as the transitional arrangements under paragraphs 37-39 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.
46. Notwithstanding paragraph 40, the Polish NUTS level II regions of Lubelskie, Podkarpackie, Warmińsko-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 € 95 per inhabitant over the period 2007-2013. Any upward adjustment of the amounts allocated to Poland pursuant to paragraph 42 shall be net of this additional funding.
- 46bis Notwithstanding paragraph 40, the NUTS level II region of Közép-Magyarország shall be allocated an additional envelope in order to ensure average per capita aid intensity of 115 euros over the period 2007-2013. For this region the same regulatory provisions would apply as for the region in paragraph 38(a).
- 46ter Notwithstanding paragraph 40, the NUTS level II region of Prague shall be allocated an additional envelope of € 200 million over the period 2007-2013.
47. Recognising that on the basis of revised figures for the period 1997-1999 Cyprus should have been eligible for Objective 1 in 2004-2006, Cyprus will benefit in 2007-2013 from the transitional arrangements applicable to the regions defined in paragraph 38 (b), its starting point in 2007 being established in accordance with paragraph 45.
48. 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 39 (a).

## CO-FINANCING RATES

55. 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 whose average per capita GDP from 2001 to 2003 was below 85% of the EU25 average, the ceiling for the rate of contribution by the ERDF or ESF for all operational programmes shall be 85%;
- in the other Member States eligible for the Cohesion Fund on 1 January 2007, 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 funding under the phasing-in according to paragraph 38 (b), shall be 80%.

The contribution from the Funds for operational programmes for the EU10 and Bulgaria and Romania shall be calculated in reference to the total eligible cost (public and private).

## ADVANCE PAYMENTS

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>
• 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%

## HEADING 2 – PRESERVATION AND MANAGEMENT OF NATURAL RESOURCES

60. 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:

<b>HEADING 2</b>		<b>(Million euros, 2004 prices)</b>					
	2007	2008	2009	2010	2011	2012	2013
	54504	53841	53186	52542	51906	51281	50664
of which Agriculture - Market-related expenditure and direct payments	43120	42697	42279	41864	41453	41047	40645

61. The amounts for market-related expenditure and direct payments correspond to those agreed at the October 2002 European Council, expressed in 2004 constant prices. These constitute a ceiling and also include the sums which, according to modulation arrangements<sup>1</sup>, will be transferred to and disbursed under the new Rural Development instrument.
62. At their discretion, Member States may transfer additional sums from within this ceiling to rural development programmes up to a maximum of 20% of the amounts that accrue to them from market related expenditure and direct payments. The European Council invites the Council, on the basis of a proposal from the Commission, to establish the modalities which will govern such transfers. Sums transferred to support rural development measures pursuant to such arrangements shall not be subject to the national co-financing and minimum spending per axes rules set out in the Rural Development Regulation<sup>2</sup>.

<sup>1</sup> Including those equivalent arrangements covering the cotton and tobacco sectors and additional voluntary modulation at the discretion of individual Member States.

<sup>2</sup> Regulation 1698/2005

### HEADING 3A) – FREEDOM, SECURITY AND JUSTICE

66. 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:

<b>SUB-HEADING 3a)</b>							(Million euros, 2004 prices)
2007	2008	2009	2010	2011	2012	2013	
600	690	790	910	1,050	1,200	1,390	

### HEADING 3B) – OTHER INTERNAL POLICIES

67. 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 stabilisation at levels 1% higher in real terms throughout the period covered by the Financial Perspective as compared to 2006, should not exceed:

<b>SUB-HEADING 3b)</b>							(Million euros, 2004 prices)
2007	2008	2009	2010	2011	2012	2013	
520	520	520	520	520	520	520	

72. 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. In addition, the Union should ensure that the relevant conclusions of the Council (GAERC) of 21-22 November 2005 on EU official development assistance are taken into account in allocating such assistance between beneficiary countries.
73. The European Council calls upon the Budgetary Authority to ensure a substantial increase in the Common Foreign and Security Policy budget from 2007 in order to meet real predictable needs, assessed on the basis of forecasts drawn up annually by the Council, together with a reasonable margin for unforeseen activities.

#### **HEADING 5 – ADMINISTRATION**

74. 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, which represents 2% annual real growth compared with 2006 levels, should not exceed:

<b>HEADING 5</b>				<b>(Million euros, 2004 prices)</b>		
2007	2008	2009	2010	2011	2012	2013
6720	6800	6950	6980	7120	7250	7480

75. This Heading will, without prejudice to the Activity-Based Budgeting approach now used in establishing the annual budget, lay down the ceiling for the administrative expenditure of all the Institutions. The principle of budgetary discipline shall apply equally to all the institutions.

## RESOURCES

76. 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.
77. The own resources arrangements should be guided by the overall objective of equity. These arrangements should therefore ensure, in line with the relevant conclusions of the 1984 Fontainebleau European Council, that no Member State sustains a budgetary burden which is excessive in relation to its relative prosperity. These arrangements should accordingly introduce provisions covering specific Member States.

### Changes to the Own Resources Decision

78. The Own Resources Decision and the accompanying Working Methods paper shall be modified so that the ratification process for the Own Resources Decision can be completed by all Member States to allow entry into force from no later than the beginning of 2009 and in order to introduce the changes below. These changes shall take effect from 1 January 2007, and will be applied retroactively if necessary.
- (a) the rate of call (in effect the "uniform rate") of the VAT resource shall be fixed at 0,30%;
  - (b) for the period 2007-13 only, the rate of call of the VAT resource for Germany shall be fixed at 0,15% and for the Netherlands and Sweden at 0,10%;
  - (c) for the period 2007-13 only, the Netherlands will benefit from a gross reduction in its annual GNI contribution of € 210 million. Sweden will benefit from a gross reduction in its annual GNI contribution of € 150 million over the same period;
  - (d) for the period 2007-13 only, the Netherlands will also benefit from being allowed to retain an additional benefit equivalent to 15% of the amounts referred to in Article 2(1.a) and 2(1.b) of the Own Resources Decision in addition to the collection costs foreseen in Article 2(3) of that Decision;

**PART III**

**REVIEW**



## OVERVIEW OF THE NEW FINANCIAL PERSPECTIVE 2007-2013

All figures are shown in 2004 prices, EUR Billion

Commitments Appropriations	2007	2008	2009	2010	2011	2012	2013	Total 2007-2013
<b>1. Sustainable Growth</b>	49.926	50.955	52.144	52.635	53.606	55.094	56.640	370.999
1a Competitiveness for Growth and Employment	8.230	8.840	9.490	10.180	10.930	11.740	12.600	72.010
1b Cohesion for Growth and Employment	41.696	42.115	42.654	42.455	42.676	43.354	44.040	298.989
<b>2. Preservation and Management of Natural Resources</b>	54.504	53.841	53.186	52.542	51.906	51.281	50.664	367.924
of which: market related expenditure and direct payments	43.120	42.697	42.279	41.864	41.453	41.047	40.645	293.105
<b>3. Citizenship, freedom, security and justice</b>	1.120	1.210	1.310	1.430	1.570	1.720	1.910	10.270
3a Freedom, Security and Justice	0.600	0.690	0.790	0.910	1.050	1.200	1.390	6.630
3b Citizenship	0.520	0.520	0.520	0.520	0.520	0.520	0.520	3.640
<b>4. EU as a global player</b>	6.280	6.550	6.830	7.120	7.420	7.740	8.070	50.010
<b>5. Administration</b>	6.720	6.800	6.950	6.980	7.120	7.250	7.480	49.300
<b>6. Compensations</b>	0.419	0.191	0.190	0.000	0.000	0.000	0.000	0.800
<b>Total appropriations for commitments</b>	118.959	119.536	120.598	120.696	121.610	123.073	124.753	849.303
as a percentage of GNI	1.08%	1.06%	1.05%	1.02%	1.01%	1.00%	0.99%	1.03%
<b>Total appropriations for payments</b>	115.656	118.546	110.492	116.671	113.899	117.268	116.787	809.319
as a percentage of GNI	1.05%	1.05%	0.96%	0.99%	0.95%	0.95%	0.93%	0.98%
Margin available	0.19%	0.19%	0.28%	0.25%	0.29%	0.29%	0.31%	0.26%
Own Resources Ceiling as a percentage of GNI	1.24%	1.24%	1.24%	1.24%	1.24%	1.24%	1.24%	1.24%