



**COUNCIL OF
THE EUROPEAN UNION**

Brussels, 28 October 2005

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NOTE

from : the Presidency
to : Council

Subject : Financial Perspective 2007-2013

1. The relevant conclusions of the June European Council on the FP read as follows:

"The European Council regretted that it was not possible to reach an overall agreement on the Financial Perspective at this stage. It underlined the need for clarity over the resources available in the Union in support of common policies over the future financing period, and undertook to continue to make every effort to achieve this objective. It noted that the preparatory work undertaken collectively has allowed work on this issue to advance significantly. It agreed that the focus and momentum given to the discussion through the negotiating box drawn up at the initiative of the Presidency need in particular to be maintained.

The European Council invites the incoming Presidency to take forward these discussions, drawing on the progress made to date, with a view to resolving all the elements necessary for achieving an overall agreement as soon as possible."

2. Since then the Presidency has held bilateral consultations with all Member States and the Commission.
3. The President of the Commission wrote separately to the President of the European Council on 20 October 2005 with "Five Proposals to Relaunch Negotiations".
4. In the light of its bilateral consultations, and President Barroso's letter, the Presidency considers that a discussion among Ministers at the 7 November GAERC would contribute to its objective of an agreement before the end of the year. With a view to that debate, the Presidency sets out its assessment of the current position as follows.
5. There are elements in the negotiating box drawn up at the initiative of the Luxembourg Presidency which continue to enjoy widespread support and could contribute towards an agreement in December. But in order to reach a final agreement, the Presidency believes that it will be necessary to make further progress on three key issues.
6. **The structure of EU spending.** The President of the Commission has made certain proposals which would help the European Union adjust more rapidly to the challenges of globalisation, notably in respect of: an earmarking of funds from Headings 1b and 2 (rural development); a Globalisation Adjustment Fund; and Heading 2 (rural development). The Presidency considers that this is a useful starting-point for a discussion about how proposals relating to the future level and structure of expenditure in the negotiating box might be adjusted with a view to achieving an overall agreement.
7. **Modernising the budget.** The Presidency believes that a long-term aspiration for the Union should be to focus on the Union's needs in the 21st century as set out in the Commission's contribution (doc. 13175/05) to the October Meeting of Heads of State and Government, and that these require a more modern budget on both the revenue and expenditure side. An agreement at the December European Council on the timetable for a review of the budget, and on the scope of that review, would help serve an overall agreement on the FP.

8. **Own resources.** The June proposals for changes to the existing arrangements were unable to secure the agreement of all 25 Member States. The Presidency's aim is to make proposals in line with the generally shared principle of fair treatment for Member States of comparable levels of prosperity.

 9. The Presidency invites Ministers to comment on the points set out above. In the light of that debate, and if delegates accept this as the point of departure for further work, the Presidency will work up more specific proposals for discussion in Coreper and at the 21 November GAERC.
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