

Circle 2
Working document 03

NOTE

from :	Secretariat
to :	Discussion circle on the budgetary procedure
Subject :	Descriptive note on the budgetary procedure

1. Main stages of the procedure

The budgetary procedure is set out in Article 272 of the EC Treaty which stipulates the sequence of stages and the time-limits which must be respected by the two arms of the budgetary authority: the Council and Parliament. The budgetary procedure, as defined in the Treaty, extends from 1 September to 31 December of the year preceding the budget year in question.

In practice, however, a ‘pragmatic’ timetable has been applied by the three institutions since 1977. The different stages of the procedure are now as follows:

a) Establishment of the preliminary draft budget by the Commission and transmission to the budgetary authority by no later than 15 June

After an internal policy debate to lay down the main political and budgetary priorities for the coming year, the Commission prepares its ‘statement of estimates’ by compiling the requests of all spending departments and arbitrating between conflicting claims. It also takes account of the conclusions of a triologue meeting between the three institutions to discuss budgetary priorities. In

addition, it receives the estimates of the other institutions and puts them all together in a preliminary draft budget, which is the overall forecast of revenue and expenditure for a given year. This preliminary draft is adopted by the Commission early in May and sent to the budgetary authority in all Community languages by no later than 15 June.

Usually, the Commission presents a so-called ‘ad-hoc’ amending letter late October, to update the estimates of agricultural and international fisheries agreements expenditure.

The preliminary draft can subsequently be amended by the Commission by means of a letter of amendment to allow for new information which was not available when the preliminary draft was established.

b) Establishment of the draft budget by the Council

The Council conducts its first reading of the preliminary draft and, on this basis and after a conciliation meeting with a delegation from Parliament, establishes, before 31 July, the draft budget, which it sends to Parliament in the first half of September. While this reading is going on, the ad hoc conciliation procedure is initiated on the compulsory expenditure to be entered in the budget, leading to a second triologue meeting between the institutions in late June or early July.

c) First reading by Parliament

After a new triologue meeting mid-October focused on the open issues of the future budget and the implementation of the current one, Parliament conducts its first reading in October on the basis of the Council’s draft; amendments to non-compulsory expenditure require the votes of a majority of members. Proposed modifications to compulsory expenditure require an absolute majority of votes cast.

d) Second reading by the Council

The Council conducts this second reading during the third week of November, after a conciliation meeting with a delegation from Parliament which has been prepared by a fourth triologue meeting mid-November to discuss the amending letter of late October and all other open issues. The draft budget is amended in the light of Parliament’s amendments (non-compulsory expenditure) or

proposed modifications (compulsory expenditure). As a rule the Council's decisions on second reading relating to compulsory expenditure determine the final amount: unless the entire budget is subsequently rejected by Parliament, the Council has the 'last word' on this category of expenditure. The draft budget as amended is returned to Parliament around 22 November.

e) Second reading by Parliament and adoption of the budget

As the Council has had the last word on compulsory expenditure, Parliament devotes most of its December part-session to reviewing non-compulsory expenditure, for which it can accept or refuse the Council's proposals.

Acting by a majority of its members and three fifths of the votes cast, Parliament then adopts the budget. The President of Parliament declares the budget adopted and it can then be implemented.

For important reasons, the Parliament may also reject the draft budget by a majority and two thirds of votes cast.

2. Supplementary and amending budgets

In the event of unavoidable, exceptional or unforeseen circumstances, the Commission may propose during the year that the budget as adopted be amended; it does this by submitting preliminary draft supplementary and/or amending budgets. Amending budgets are also used to enter the balance from the previous year in the budget for the current year.
