

THE EUROPEAN COMMUNITIES' BUDGET

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INTRODUCTION

The importance of the budget for private individuals as well as for the States, public authorities and international organizations is well-known. As an estimate and authorization of revenue and expenditure, it has both a political and a technical nature: it provides the means for a policy. Although it is not fundamentally different from the other traditional budgets with which we are familiar, the budget of the European Communities nevertheless has specific features which differentiate it quite clearly both from the budgets of the States and from those of the other international organizations.

The first point to strike the reader of the journal is the amount: 4 439 million units of account for the financial year 1973. (Since a unit of account is equal to one dollar, this sum represents \$1 850 million, at official rates.

But what is equally important to the specialist is the nature and the contents of this budget in terms of revenue and expenditure. More than half the expenditure (57.9% in 1973) is covered, not by contributions from the Member States, but from the Communities' own resources - we will explain this concept - and nearly 90% of expenditure in 1973 is intervention expenditure.

The latter, connected with the implementation of the common policies, is characteristic of the Communities' budgetary trend. Intervention expenditure for each of the last three financial years (1969, 1970 and 1971) represents, on average, more than a hundred times the expenditure in 1958.

Let us remember that the ECSC, set up by the Treaty of Paris of 18 April 1951, began its activity in 1952. Intervention expenditure in the economic and social sectors was and still is outside the budget.

The Rome Treaties of 25 March 1957 set up Euratom and the EEC. They entered into force on 1 January 1958.

Euratom was endowed with two budgets: an operational budget and a research and investment budget.

The budget of the EEC showed all its expenditure save for that relating to the Development Fund for the overseas countries and territories. This exception is still valid.

Two treaties, that of 8 April 1965 "establishing a single Council and a single Commission of the European Communities" and that of 22 April 1970 "amending certain budgetary provisions of the Treaties establishing the European Communities and of the Treaty establishing a single Council and a single Commission of the European Communities" have amended and harmonized the budgetary provisions of the three Treaties of Paris and Rome.

In law, the three Communities (ECSC, Euratom and the EEC) still exist, but the four institutions - Parliament, Council, Commission, Court of Justice - are common to all, and henceforth there is a single, common budget for the three Communities.

The third characteristic aspect of the Community budget is the procedure for drawing it up and approving it. A common, single budget, approved by the same procedure, was drawn up for the first time for the financial year 1971. This procedure, which is completely original in the sense that the Council is the budgetary authority, will call for more active intervention by the Parliament, whose powers have been slightly extended since 1971 and will be even more so after 1975.

The Commission implements the budget and a special organ, the Audit Board, is responsible for auditing the accounts.

Therefore, bearing in mind both the similarities between the Community budget and a traditional budget and the special characteristics of the former, we shall study:

- I. The contents of the budget.
- II. The budgetary procedure.

I. THE CONTENTS OF THE BUDGET

Henceforth there is thus a single budget covering all the revenue and expenditure of the Communities, save for the two exceptions already mentioned: the operational activities of the ECSC and the revenue from the levy appropriated to cover them, and the expenditure of the EDF, financed by special contributions from the Member States.

We will study revenue and expenditure in turn.

1. Revenue

An important development has taken place in this field: contributions from Member States are being progressively replaced by the Communities' own resources.

A. Background

- (a) The Treaty of Paris provided for an original system of financing for the ECSC, the levy which we may call the first "European tax".

The levies¹ "shall be assessed annually on the various products (of coal and steel) according to their average value; the rate therefor shall not, however, exceed 1 per cent ..." (Art. 50(2)). It is therefore an indirect tax, the rate of which is defined and limited. "The mode of assessment and collection shall be determined avoiding cumulative imposition as far as possible." (Article 50). It is also a tax intended to cover

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¹ The text of the ECSC Treaty mentions "the levies". In fact, there is only one levy.

the expenditure listed in Article 50(1): administrative expenditure, non-repayable aid towards readaptation, a portion of the amounts required for servicing loans, any payments to be made under guarantees on loans contracted directly by undertakings, and expenditure on the promotion of technical and economic research. An indirect tax on certain products, the levy is thus a tax intended to cover certain categories of expenditure and of which the rate, under the 1% ceiling, and the mode of assessment and collection, are determined by the High Authority.

The levy continues to be collected, since the Commission has inherited the powers of the High Authority. It is still appropriated to the same expenditure, although it should be pointed out that the ECSC's contribution to administrative expenditure was fixed at a flat rate amount, subject to review, of eighteen million units of account¹ by Article 22(2) of the "Merger Treaty".²

The ECSC is also entitled to borrow in order to grant loans for facilitating the execution of investment programmes in the coal and steel industries.

.../...

¹ The unit of account (u.a.) is defined by Article 17 of the financial regulation of 30 July 1968 (Official Journal No. L 199, 1968).

² This is the name generally used to refer to the Treaty establishing a single Council and a single Commission of the European Communities, signed at Brussels on 8 April 1965. But the three Treaties, and therefore the three Communities - which now have all their organs in common - are still in existence. The "Merger Treaty" and the Treaty of 22 April 1972, amending certain budgetary provisions of the Treaties establishing the European Communities and of the "Merger Treaty", have unified the budgetary provisions of the three Treaties to a considerable extent. References will be to the EEC Treaty.

- (b) On the other hand, the resources of the EEC and Euratom were, in accordance with the stipulations of the Treaties of Rome, made up for the most part of contributions from the Member States.

However, we may mention:

- (i) Among sundry revenue, the yield of the tax on the salaries of officials and their contribution to the pension scheme.
- (ii) That Euratom, pursuant to the provisions of Article 172(4) of the Euratom Treaty, may raise loans for the financing of research and investment in the atomic energy field.

Some such loans have been concluded: in the budget they are shown as revenue, and the loans granted are shown as expenditure. This budget entry has the effect of giving the creditor the joint and several guarantee of the Member States.

But the resources come mainly from the Member States' contributions paid in accordance with various scales: there was a scale for operating expenses, one for the Social Fund, another for the research and investment budget. Then special scales were established for financing the expenditure of the common agricultural policy (Annex II).

But Article 201 of the EEC Treaty provided for the replacement of these contributions by "own resources".

B. Own resources

The provisions of Article 201 were implemented by the Decision of 21 April 1970.

- (a) Article 201 lays down:

"The Commission shall examine the conditions under which the financial contributions of Member States provided for in Article 200 could be replaced by the Community's own resources, in particular by revenue accruing from the common customs tariff when it has been finally introduced.

To this end, the Commission shall submit proposals to the Council.

After consulting the Assembly on these proposals the Council may, acting unanimously, lay down the appropriate provisions, which it shall recommend to the Member States for adoption in accordance with their respective constitutional requirements."

In this text the two sides of the question, political and technical, appear clearly.

The allotment to the Community of resources accruing from taxes and charges constitutes a transfer of powers in one of the State's traditional preserves. The authors of the Treaty therefore considered that this decision could not be taken by the Council, even acting unanimously, but that in each State it should be subject to ratification in accordance with the relevant constitutional requirements, in fact, in other words, that it should be approved by a law voted by each of the national Parliaments.

This exceptional procedure is provided for by the Treaties of Rome in two cases only, the second being the election of members of the Parliament by universal suffrage (Article 138(3) of the EEC Treaty).

On 21 April 1970 the Council of the Communities decided to subject to the procedure under Article 201 the provisions concerning "own resources", which it had recommended for adoption by the Member States. By the end of 1970, ratification by all the Member States was obtained.

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(b) The Decision of 21 April 1970.

(i) The Decision lays down two principles:

Firstly, the Communities shall be allocated resources of their own.

Secondly, these resources shall constitute their basic revenue, the Member States' contributions being of a supplementary nature throughout the transitional period, which will be discussed later. The very title of the Decision emphasizes this: "Decision on the replacement of financial contributions from Member States by the European Communities' own resources."

Moreover, the Decision confirms the rule of the universality of the budget: the "own resources" "shall be used without distinction to finance all expenditure entered in the budget" (Decision - Article 5).

(ii) The proposed system is divided for its implementation into two periods, a transitional period from 1 January 1971, and a final period from 1 January 1975.

The following will be entered as revenue in the budget of the European Communities:

From 1 January 1971, revenue accruing:

- (a) From the "agricultural levies" as defined in Article 2 of the abovementioned Decision;
- (b) In progressive stages, the duties under the Common Customs Tariff (CCT) as well as other duties established or to be established on trade with non-member countries and referred to as "customs duties";
- (c) A supplementary contribution from the Member States to the extent necessary to ensure that the budget is in balance.

From 1 January 1975, in addition to the resources already listed:

a/ Resources accruing from value added tax, obtained by applying a single rate to an assessment basis determined uniformly for the Member States in accordance with Community rules.

b/ If, on the above date, a certain number of Member States were not applying VAT according to a uniformly determined basis, a provisional system would be applied.

In outline, this system would consist in calculating the share of the Member States not applying VAT at a uniform basis of assessment as a percentage of their GNP.

Lastly, it should be noted that measures have been taken so that the yearly variations entailed for each Member State by the "own resources" system are not too great. The variation from year to year in the relative share of each Member State in the financing by "own resources" may not exceed 1% upwards and 1.5% downwards during the transitional period, and during the period from 1 January 1975 to 31 December 1977 may not exceed 2%.

The compensation machinery is defined in the Decision of 21 April and in Regulation No. 2/71 of 2 January 1971.

During the 5-year transitional period, the new Member States will contribute progressively to the expenses of the Communities. The principle is simple: their share is calculated as if they had to pay it in full. To this share is applied the coefficient under Article 130 of the Accession Treaty. The original Member States make up the difference (cf. Annex V).

2. Expenditure

A. Presentation of the budget

- (a) Simply from the point of view of material presentation the budget is an important document: the 1972 edition, for example, takes up 459 pages of the Official Journal of the European Communities.

If we examine the draft budget for 1973, at present before the Parliament,¹ it takes the form of seven volumes:

Volume I Revenue
 Calculation of the shares of Member States
 Summary of expenditure
 Establishment plan

The number of officials is limited by class and by grade. Then come the four sections of the budget:

Volume II Section I - European Parliament

Volume III Section II - Council

with, annexed thereto:

 the Economic and Social Committee
 the Audit Board
 the ECSC Auditor

Volume IV Section III - Commission

with, annexed thereto:

 the Official Publications Office

Volume V Euratom

 the revenue and expenditure position relative
 to research and investment activities (Euratom)

Volume VI Section IV - The Court of Justice

Volume VII Introductory statement by the Commission.

.../...

as the European Parliament.

¹ The text of the Treaties speaks of "the Assembly". It is usually referred to

- (b) Expenditure is classified according to kind, using a nomenclature which includes titles, chapters, articles and items.

The fundamental unit is the chapter: appropriations are classified under chapters and transfers between chapters may be made only by the budgetary authority, in other words, the Council.

For Section III, Commission, the number of chapters of expenditure in the 1973 budget is 61. The biggest is Chapter 61, cereals, with 879 600 000 u.a. Chapter 11, staff, amounts to 99 820 700 u.a.

The amount of appropriations for 1972 and 1973 is as follows:

Institutions	1972 appropriations		1973 estimates	
	Amount in u.a.	%	Amount in u.a.	%
1. Commission	4 132 581 723	98.93	5 004 045 250	98.76
2. Council	24 944 680	0.60	32 319 885	0.64
3. Parliament	15 960 195	0.38	23 988 175	0.47
4. Court of Justice	3 953 120	0.09	6 348 280	0.13
Grand total of appropriations	4 177 439 718	100	5 066 701 590	100

In the case of the expenditure of the research and investment budget, the presentation is as for an operational budget, in other words, by objectives.

B. Analysis of the expenditure in the 1973 budget

All the expenditure of the Parliament, the Council and the Court of Justice may be considered as operating expenditure, support expenditure, or even as "general expenses" of the Communities.

The Introduction to the 1973 budget distinguishes, in respect of the Commission, support costs and specific operating appropriations but, if we simplify, the appropriations may be divided into three main groups:

	as %	
	<u>1972</u>	<u>1973</u>
Operating appropriations (all institutions)	4.20	5.35
Appropriations for collecting own resources	4.43	5.31
Intervention appropriations	91.37	89.34

(a) Operating appropriations.

There is nothing very special to say about these.

I will mention a few points which may be of particular interest to officials: in the case of the Commission, staff expenditure is about equal to operating expenditure or to expenditure on equipment. This is an interesting trend to note, since, for a long time, staff expenditure was much greater than expenditure on equipment and operating expenditure.

Expenditure arising from the need to work in six official languages may be estimated at around 12% of staff and operating expenditure.

(b) Appropriations for the collection of own resources.

In order to make clear that the "own resources" belong to the Communities, they are paid to the latter in full. In payment for services rendered in the collection of this revenue, the Member States receive a fixed amount equal to 10% of its value.

(c) Intervention appropriations.

I am borrowing the analysis of this category of appropriations from the introductory statement to the 1973 draft budget.

"The Community budget is distinguished clearly from national budgets in so far as it is not the exclusive instrument used by the Community to attain economic policy objectives, in the manner of the States, which carry out certain specific policies through their budget, such as the regularization of growth, the stimulation of economic expansion and the management and financing of the investments of the major public services.

This does not mean, however, that the budget resembles that of the traditional international organizations; the Communities, owing mainly to the introduction of common policies, make large financial transfers for the benefit of certain sectors.

Intervention appropriations take up 91.37% of the Community budget for 1972 and 89.34% for 1973; this budget category results essentially, as is shown in Table No. 5, from the introduction of common policies in the agricultural, social and research fields, although in the two latter sectors the sums involved are, after all, only modest when compared to the social and research budgets of the Member States.

.../...

Table No. 5

Allocation of intervention appropriations according to sector				
Sector	1972	%	1973	%
1. Agricultural sector (EAGGF, expenditure under Title 3)*	3 630 475 300	95.12	4 148 582 600	91.66
2. Social sector (Social Fund, protection of health ...)	99 268 000	2.60	264 116 700	5.84
3. Policy of industrial, technological and scientific development (JRC ...)**	82 001 543	2.15	105 555 695	2.33
4. Development aid	516 150	0.012	1 057 500	0.02
5. Other (dissemination of information, Supply Agency, ...)		0.12	6 606 530	0.15
Total	3 816 651 563	100	4 525 919 025	100
* Including amounts unexpended				
** Including expenditure on staff				

In addition to this very unequal allocation according to sectors, it may be further established that intervention appropriations in fact fall into three groups:

- (i) Most of the financial transfers covered by these appropriations (EAGGF Guarantee Section, former Social Fund, ...) are called for under Community regulations, so that the appropriations which reflect them are in the nature of estimates and are subject to the influence of Community law-making.

Since the Communities' budgetary system recognizes only the concept of liminary credits, we have been led to provide for re-entry of amounts unexpended and multiannual carry-over arrangements. Moreover, since the existence of multiannual commitment credits is limited to research and investment expenditure, it has been necessary to introduce commitment

authorizations for the Social Fund. In both cases, this procedure enables the Communities to enjoy multianual appropriations, while respecting the traditional presentation of the budget.¹

(ii) A second group of intervention appropriations consists of those which, although, like the first, resulting from Community law-making, are yet different in so far as their amount is not determined automatically by such legislation. This is the case with the intervention appropriations arising from the introduction of the new Social Fund.

(iii) Lastly, there is a third group of intervention appropriations consisting of all those in respect of the EAGGF Guidance Section. This is a group which, because of its special features, may be considered as intermediate between the other two."

II. BUDGETARY PROCEDURE

This term will be understood in its widest sense, including the administrative process of preparing the budget and some brief information on the auditing of the accounts.

1. Background

(a) The system under Article 78 of the ECSC Treaty was very simple (Annex I). The ECSC has no budget, properly speaking. Firstly, its financial activities were and still are outside the budget. Secondly, an estimate of administrative expenditure was approved annually by the Conference of the Four Presidents (Assembly, Council, High Authority, Court of Justice) meeting under the chairmanship of the President of the Court of Justice.

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¹ One of the consequences of this system is that the amount of the appropriations always clearly exceeds that of actual expenditure.

- (b) The EEC and Euratom Treaties provided for a budgetary procedure (Annex III) in accordance with an outline which is still at the basis of the present system: it will be set out in detail together with the amendments introduced by the Treaties of 8 April 1965 and 22 April 1970.

Let us recall - so that we need not come back to it - that:

- (i) Various scales existed according to categories of expenditure;
- (ii) In calculating the votes forming the qualified majority for Euratom's research and investment budget, the relative importance of each Member State's contributions was taken into account;
- (iii) The timetable was a bit different from the present one. The preliminary draft budget had to be submitted to the Council by the Commission on 30 September, and the draft budget was forwarded to the Parliament by the Council before 31 October;
- (iv) The powers of the Parliament were purely consultative, since the Council was free not to take its opinions into account.

2. Administrative organization and preparation of the estimates of each institution

The budgetary year runs from 1 January to 31 December.

In the institutions (Parliament, Council, Court of Justice) where staff and operating expenditure in the broadest sense make up most of the budget, a directorate-general or a department has overall responsibility for administrative and budgetary questions.

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The Commission has a Directorate-General for Budgets, including the Accounting Department, a Directorate-General for Financial Control and a Directorate-General for Credit and Investments responsible for the financial activities of the ECSC, which acts in a completely independent manner.

Within the Directorates-General for Social Affairs, Agriculture and Development Aid, directorates are responsible, respectively, for the European Social Fund, the EAGGF and the EDF (the latter is outside the budget).

Each year the Directorates-General draw up their expenditure proposals. These are examined by the Directorate-General for Budgets which plays a role rather like that of the Treasury in this field. After discussion with the other Directorates-General, it draws up a draft estimate which is submitted to the Commission for approval.

Each institution draws up an estimate of its expenditure.

Then the budgetary procedure properly speaking begins.

3. Submission, discussion and adoption of the budget

Articles 203 and 203a of the amended EEC Treaty as well as an outline of the budgetary procedure are to be found in Annexes III, IV, VI and VII.

A. Preliminary draft budget

The Commission receives the other institutions' estimates at the beginning of July.

The Commission's role is to consolidate these estimates in the Community's preliminary draft budget. It seems that the intentions of the Treaty drafters were pretty clear on this point. The Commission was to have a coordinating role and a certain right to scrutinize the budget as a whole, it being understood that the final decision rested with the Council.

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This is why the Treaty provided that, when forwarding the preliminary draft budget to the Council, the Commission should accompany it by an "Opinion" which may contain different estimates.

The true significance of this provision is political. The Treaties of Rome allow the institutions a certain autonomy in budgetary matters, although this is less extensive than that accorded by the ECSC Treaty. One consequence of this relative autonomy is that the Commission may not itself amend the estimates; but, in spite of this, and although it does not decide on the budget in the last resort, the Commission has a very important role in its formulation. This is why it may, in an "Opinion", express different positions from those of the institutions. But because of the nature of their activities (Parliament, Council, Court of Justice), established traditions and the fact of their belonging to three different Communities simultaneously, the joint institutions have tended to retain their autonomy as much as possible, and the Commission's "Opinion" has largely become a formality.

In fact, the Parliament's budget has very largely escaped the Commission's control, and even that of the Council. The Parliament is undoubtedly not sovereign but, by a natural evolution, it tends to consider that its budget is its own affair, and the Council, although it has sometimes had differences of opinion with the Parliament, has always acted towards it with the maximum of consideration and prudence. As we shall see later, an agreement concluded in 1970 between the Council and the Parliament gives the latter the last word on its own budget.

The budget of the Court of Justice usually presents few problems. It is an institution with a small complement, where staff expenditure makes up most of the budget. The Council is also inclined to treat the Communities' highest judicial body with consideration.

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As for the budget of the Council Secretariat, it is established in the first place by the Council itself as the administrative authority; then it is sent to the Commission, which incorporates it in the preliminary draft budget. Then it comes back before the Council which, in fact, makes no further alterations.

The Commission provides the Council with the preliminary draft budget before 1 September.

B. Draft budget established by the Council

(a) The preparatory work

In the spirit of the Treaties of Rome, the Council and the Commission must be closely associated in the preparation and adoption of the budget. Subject to what has just been said concerning the common institutions, the administrative work of examining the budget is carried out by the representatives of the Member States and the officials of the Commission, with the participation of officials from the institutions.

In fact, the discussion takes place with the Committee set up by Article 67 of the financial regulation, "within the framework of the Permanent Representatives Committee". This consists of the Counsellors or Financial Attachés of the Permanent Representations as well as officials from the national Finance Ministries, who may be joined, for the examination of Euratom's research expenditure and the expenditure of the Social Fund, the EAGGF and the Development Fund for the Overseas Countries and Territories, by experts specializing in atomic, social and agricultural matters or in overseas questions.

This Committee is different from the Budget Committee existing in certain international organizations, where there is no duality of "Executives". In the system set up by the Rome Treaties, it is the Commission which prepares, submits and implements the budget. The role of the Budgetary Experts Committee is essentially to prepare the Council decisions.

.../...

ADDENDUM

Page 8.

2^d line, after leisted, add sub a) and b)

Page 19.

b) 2^d paragraph .

Read Annexe II instead Annexe I, completed as follows :

The 'ordinary' qualified majority

EEC Treaty - article 148 :

1. Except where otherwise provided for in this Treaty, the conclusions of the Council shall be reached by a majority vote of its members.

2. Where conclusions of the Council require a qualified majority, the votes of its members shall be weighted as follows :

Belgium	2
Germany	4
France	4
Italy	4
Luxembourg	1
Netherlands	2

Majorities shall be required for the adoption of any conclusions as follows :

- twelve votes in cases where this Treaty requires a previous proposal of the Commission, or

- twelve votes including a favourable vote by at least four members in all other cases.

3. Abstentions by members either present or represented shall not prevent the adoption of Council conclusions requiring unanimity.

Page 26.

Between the two paragraphs, insert :

Accounting :

The accounts are examined by an Audit Board. (see Annexe VIII as follows).

It could have been feared that it would become a de facto budgetary authority. Its proposals undoubtedly carry great weight with the Permanent Representatives Committee and the Council, but the latter is still master of the political decisions. The specialization of the members of the Committee, an assured continuity in its composition, and the atmosphere of trust which pervades it, greatly facilitate discussion of the budget for the representatives of the Commission.

In general, all purely technical questions are resolved by common accord between the representatives of the Commission and the budgetary experts, and only differences of opinion concerning problems of principle or fundamental questions are still outstanding when the budget is submitted to the Permanent Representatives and, particularly, to the Council.

In respect of operating expenditure at least, most questions, with the exception of those relating to staff complements, are resolved within the framework of this Committee.

However, we may say that, generally speaking, and apart from some minor points whose nature is nonetheless modified somewhat by their political aspect, the Council is faced only with the important choices.

(b) Examination by the Council itself

The Council establishes the draft budget in plenary session and in the presence of the Commission. Usually, the discussion is confined to a few essential points, as has just been said. The problem of staff complements is always one of the most ticklish.

The Council acts by a qualified majority: in the case of the operational budget, the rule is as under Article 118 of the Euratom Treaty or "ordinary" qualified majority (cf. Annex II). *The 'ordinary' qualified majority EEC Treaty - article 148*

In international organizations of the traditional type the voting usually has to be unanimous. One of the Communities' most original features and one of the clearest signs of their Community nature is the fact that, since their first year of operation, the budget has been voted by a majority. In fact, however, agreement is nearly always unanimous.

C. The role of the European Parliament

It is concerning this point that the Treaty of 22 April 1970 introduced the most important amendments. Therefore, after describing the preparatory work, we will explain the role of the European Parliament according to the Treaties of Rome, and then under the new provisions.

The draft budget established by the Council must be forwarded to the Parliament on 5 October at the latest. We will examine first the preparatory work, then the Parliament's role.

(a) The preparatory work

The draft budget received by the Parliament is not completely unseen. The members of the Finance and Budgets Committee have in fact received unofficial notification of the preliminary draft budget. Moreover, comparison of the two texts shows the amendments made by the Council to the preliminary draft submitted by the Commission.

The examination procedure is the traditional one, but must take into account the duality of the "Executives". The Budgets Committee appoints a rapporteur, who records his comments and collects those of the other parliamentary committees concerned in a draft report which is discussed by the Budgets Committee.

The latter invites the Commission and the Council to provide it separately with explanations. The Commission is represented by its President or one of its members assisted by officials. The Council is represented by its President or one of its members.¹

The Finance and Budgets Committee then adopts its report, which concludes with the draft resolution to be submitted to the Parliament for a vote.

.../...

¹These exchanges of views provide an opportunity to discuss the most varied aspects of the Communities' activity, all of which have their "reflection" in the budget.

(b) The role of the European Parliament according to the Treaties of Rome

The Parliament discusses the budget in plenary session. The rapporteur, the speakers listed to take the floor, a representative of the Commission and a representative of the Council are heard. Then the Parliament decides on the draft resolution submitted by the Budgets Committee and on the amendments.

What is the scope of this resolution?

The Treaty accords the Parliament the right to "propose to the Council amendments to the draft budget".

If the Parliament makes no proposals or does not forward its Opinion within a month from the communication of the draft, the latter shall be deemed to be finally adopted.

If it proposes changes, the Council discusses them with the Commission and, where appropriate, with the other institutions, and then adopts the budget.

Thus it appears that the powers of the Parliament are limited:

- (i) Firstly, the Parliament is restricted to a time limit of one month, whereas the Council and the Commission are not legally bound by the period indicated;
- (ii) Secondly, it may only deliver Opinions and formulate proposals without binding force.

Unlike the national Parliaments, the European Parliament is not sovereign, and its role is merely consultative. But the fact that debates are public gives the Parliament's resolutions a scope beyond that of a mere recommendation.

(c) The role of the Parliament according to the Treaty of 22 April 1970

Subject to the qualifications which have already been made, it is therefore fair to say that in a few years the Communities will have a single budget, financed entirely by their own resources.

Such a measure could not be adopted without extending the powers of the European Parliament. Leaving aside political differences as to the whole nature of Community power, it should be pointed out that these changes are limited by the inability and unwillingness of the member governments to hand over national resources too quickly,

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and also because the European Parliament is still not a parliament elected by universal suffrage.

The relevant provisions are set out in the Treaty amending Certain Budgetary Provisions of the Treaties establishing the European Communities and of the Treaty establishing a Single Council and a Single Commission of the European Communities, and annexed documents, which was signed on 22 April 1970 and has now been ratified.

In the interim period ending in 1974, the Parliament will have the right to propose modifications to the budget drafted by the Council. Where a modification proposed by the Parliament does not increase the total expenditure of an institution, the Council may reject it only by a qualified majority decision. The Council has also undertaken not to modify Parliament's estimates of its own expenditure, during the interim period. Again in this period, the Parliament, jointly with the Council, gives the Commission a discharge in respect of the implementation of the budget. Finally, the Council has declared that the two institutions are to cooperate very closely with respect to the budgetary procedure.

A radically modified budgetary procedure is to be used in the definitive period, which begins on 1 January 1975. The Commission is to submit a preliminary draft budget. The Council is to establish, on the basis of this preliminary draft, a draft budget which the Parliament may amend, by a qualified majority vote. The Council in turn may, acting by a qualified majority, modify any of the amendments adopted by the Parliament. The Parliament, acting by a majority of its members and three fifths of the votes cast, may again modify the budget and adopt it definitively. The Parliament thus has the last word, but within narrow limits. One of them has just been mentioned - the need for a double majority. The other, much more important, concerns the expenditure on which the Parliament has a right of amendment.

In short, the Parliament can amend expenditure other than that necessarily resulting from common legislation (agricultural policy, Social Fund, etc.).

The Parliament can amend what we call "administrative" expenditure. Very clear-cut limits are set. Each year, the Commission determines a rate of increase based on the trend in terms of volume of the gross national product within the Community, the average variation in the

budgets of the Member States, and changes in the cost of living during the preceding financial year. Administrative expenditure is not to increase by more than this rate. If the rate of increase in the draft budget established by the Council is over half the maximum rate, the Parliament may, when it discusses the budget, further increase the total amount of administrative expenditure to a limit not exceeding half of the maximum rate. Allowing for all the restrictions, these administrative sums accounted for 3.6% of expenditure in the 1970 financial year. But within these limits, the Parliament can play an important role by providing the institutions with funds - for staff purposes, operating costs, studies, seminars, information. So it is clearly the political aspect which is at stake, more than the financial and budgetary angles. Within what are admittedly narrow limits, the Parliament, on its own, has the right to modify the budget, even by increasing expenditure. The European Parliament has found these powers to be inadequate.

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Like municipal law, Community law thus limits parliamentary powers and in particular the right to increase expenditure.

Gererally speaking, municipal law only allows a parliament to increase expenditure if it votes the corresponding funds, and in some cases even, it must obtain governmental assent to these measures.

Parliaments have another opportunity to control public expenditure, when they give a discharge to their governments in respect of the implementation of budgets. But a point should be made here. In the Community system executive power is shared to some extent by the Council and the Commission; in addition, the Council holds a large part of the law-making power and, in particular, has had all budgetary power until recently. It is the Commission which implements the budget under present arrangements. From the 1971 financial year onwards, it is the Council and the European Parliament which will give a discharge to the Commission. In a manner of speaking, to the extent that the policies involved were adopted by the Council this discharge is given with respect to acts which are the responsibility of the Council and not of the Commission alone. The system is obviously somewhat complicated, as we have shown, for the traditional division of powers between the executive and the legislative arms does not coincide with that between the Council and the Commission. The European Parliament can do two things: it can criticize the administration of the Commission, the way in which it has implemented the budget, in which it has spent money; but it can also criticize the Council's policy, through its criticisms of the Commission.

In the case of the common agricultural policy, for instance, a comment by the European Parliament, except on an administrative matter, concerns the Council much more than the Commission.

.../...

In the national systems this control of the implementation of the budget, which sometimes takes place long after the end of the relevant financial year, is generally a formality. The pattern which is developing in practice certainly seems to show that the European Parliament, which has little power over the establishment of the budget, firmly expects to compensate, in a manner of speaking, by using the discharge procedure as an opportunity for a detailed examination of the implementation of the budget and even, more generally, of the Communities' policy.

Accounting: The accounts are examined by an Audit Board. (see annex VIII)

The European Parliament considered that it had been given inadequate budgetary powers by the instruments now in force, that is to say after ratification of the Treaties amending the original financial provisions. It requested, successfully, that the Commission should submit within two years, proposals to extend its legislative and budgetary powers.

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The standpoint of the European Parliament.

The resolution of 13 May 1970 reaffirmed, first and foremost, that the European Parliament construes the new Article 203 (6) of the EEC Treaty as empowering it to refuse to vote a budget in order to elicit new budgetary proposals. Secondly, the resolution recalls that the European Parliament has always called for "a power of decision on the allocation of appropriations and the control of expenditure". In short, it refers in very general terms to the need for it to have legislative powers.

The point that it is above all in the legislative field that the European Parliament's powers must be strengthened also emerges from the debates in the national parliaments on the ratification of the 21 April 1970 decision and the 22 April 1970 Treaty. The Dutch Chambers, for instance, passed a motion calling for appropriate widening of the European Parliament's powers with regard to the policy to be pursued in the Community and to Community legislation. These debates also furnished an opportunity to emphasize the urgency of the problem of elections to the European Parliament by universal suffrage, a point raised both in the German Bundestag and by Mr Thorn in his statement of 8 December 1970 to the Luxembourg Parliament.

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In conclusion, three points can be emphasized:

- (1) The provisions of Article 201 of the EEC Treaty on the Community's own resources will be fully in effect from 1 January 1975 onwards.
- (2) There has been a substantial and above all a significant addition to the European Parliament's powers.
- (3) The European Parliament can only be granted wider budgetary powers, comparable with those of the national parliaments, in the more general framework of the political evolution of the Communities.

This extension can be gradual, but concurrent with the grant of legislative powers. It presupposes elections to the European Parliament by universal suffrage.

We are thus in a transitional phase at the moment, and this paper shows how far the budgetary issue is tied up with the problem of the institutions and their evolution, in both the Community and the national contexts.

.../...

CONCLUSION

The European Communities' budgetary system may seem to you a little complicated. Obviously, it is inspired by continental practices, rules and regulations which are rather different from British ones.

Fundamentally, however, it pursues the same objective and, by means of different rules, tries to achieve the same results: an exact estimate of revenue and expenditure, adoption and control in accordance with procedures which progressively make more room for the European Parliament.

Now I would like to say a few words about the future.

At technical level, the Commission has undertaken some very serious studies of the application of the PPBS (Planning, Programming, Budgeting System) in certain of its departments. The presentation of the budget remains traditional, but, as an internal measure, one directorate-general has a budget by objectives.

As and when the volume of expenditure increases, the Communities endeavour to situate their annual budget within the framework of triennial estimates. The attainment of the Economic and Monetary Union, which is one of the Community's major tasks in the next 10 years, will necessarily entail the harmonization of Member State's budgetary policies, and the budget will fit quite naturally into this framework.

Study of the budget, even if it is a rather austere exercise, is one of the best indices to an institution's size and development. I hope that this brief information has given you a better insight into the European Community of Six, which will soon be the Community of Nine.

A CHOICE OF REFERENCE WORKS

The Communities' budget has not been studied very closely, except from a legal angle in various general works on the Communities. The author therefore begs to be excused for mentioning himself several times.

I. GENERAL

in English:

G. GOJAT The European Parliament's role in the establishment and control of the European Communities' budget - University of Reading - September 1971

in French:

F. VALS Le budget de la Communauté Economique européenne

P. MONNORY Aspects généraux et problèmes budgétaires de la CECA

G. GOJAT Le budget de recherches et d'investissement d'Euratom

in The budget today - College of Europe - Bruges - 1967

P. BAICHERE Le budget des Communautés européennes - to be published
in Collection Jupiter

II. OWN RESOURCES AND POWERS OF THE PARLIAMENT

In June 1970 the European Parliament brought out a basic work, in German, French, Italian and Dutch, containing a collection of documents indispensable for any detailed study of the question:

"Les ressources propres des Communautés Européennes et les pouvoirs budgétaires du Parlement Européen" - Secrétariat Général du Parlement Européen - Luxembourg.

.../...

- Giancarlo OLMI Les ressources propres des Communautés européennes -
"Cahiers de droit européen" - 1971 - No. 4
- Carla BARBARELLA Le financement des activités communautaires par des
ressources propres. "Revue de Marché Commun" - April 1970
- Klaus SCHNEIDER Ressources propres pour la Communauté Européenne
"La fiscalité du Marché Commun" - Europäische Steuerzeitung -
No. 41 (in German and French)
- Georges GOJAT Les ressources propres des Communautés Européennes
to be published in December 1972 in the "Revue de Science
financière"
- L'activité des Communautés Européennes vue à travers leur
budget.
"Revue du Marché Commun" - September 1970
- G. LESORT Les nouvelles responsabilités de l'Assemblée
"Revue du Marché Commun" - April 1971.

Annex I

Article 78 of the ECSC Treaty

1. The financial year of the Community shall run from 1 July to 30 June.

2. The administrative expenditure of the Community shall comprise the expenditure of the High Authority, including that relating to the functioning of the Consultative Committee, and that of the Court and the Secretariats of the Assembly and the Council.

3. Each institution of the Community shall draw up estimates of its administrative expenditure, classified under articles and chapters.

However, the number of the Community's servants and the scale of their salaries, allowances and pensions, where not fixed under some other provision of this Treaty or by rules laid down for the implementation thereof, and any extraordinary expenditure, shall be determined in advance by a Committee consisting of the President of the Court, the President of the High Authority, the President of the Assembly and the President of the Council. The President of the Court shall preside over this Committee.

The estimates of expenditure shall be consolidated in a general estimate, which shall include a special section for the expenditure of each institution and shall be adopted by the Committee of Presidents provided for in the preceding subparagraph.

The adoption of the general estimate shall have the effect of authorizing and requiring the High Authority to collect the corresponding revenue as provided in Article 49. The High Authority shall place the funds allotted for the functioning of each institution at the disposal of the President of that institution, who may incur and discharge financial obligations or cause them to be incurred or discharged.

The Committee of Presidents may authorize the transfer of appropriations from one subdivision of a chapter to another or from one chapter to another.

4. The general estimate shall be included in the annual report submitted by the High Authority to the Assembly under Article 17.

Annex I (contd.)

5. If the functioning of the High Authority or of the Court so requires, the President of the institution concerned may submit to the Committee of Presidents a supplementary estimate, subject to the same rules as the general estimate.

6. The Council shall appoint an auditor for a term of three years, which shall be renewable. He shall be completely independent in the performance of his duties. The office of auditor shall be incompatible with any other office in any institution or service of the Community.

The auditor shall draw up an annual report stating whether the accounting and the financial management of the several institutions have been effected in a regular manner. He shall draw up this report within six months of the close of the financial year to which the accounts refer and shall forward it to the Committee of Presidents.

The High Authority shall lay this report before the Assembly at the same time as the report provided for in Article 17."

The scales and special qualified majoritiesEEC budget

Article 200

1. The budget revenue shall include, irrespective of any other revenue, financial contributions of Member States on the following scale:

Belgium	..	..	..	7.9
Germany	..	..	..	28
France	..	..	..	28
Italy	..	..	..	28
Luxembourg	..	..	..	0.2
Netherlands	..	..	..	7.9

2. The financial contributions of Member States to cover the expenditure of the European Social Fund, however, shall be determined on the following scale:

Belgium	..	..	..	8.8
Germany	..	..	..	32
France	..	..	..	32
Italy	..	..	..	20
Luxembourg	..	..	..	0.2
Netherlands	..	..	..	7

3. The scales may be modified by the Council, acting unanimously.

See Art. 203(5) (Annex III)

.../...

Euratom budget

Article 172

1. The operating budget revenue shall include, irrespective of any other ordinary revenue, financial contributions of Member States on the following scale:

Belgium	..	..	..	7.9
Germany	..	..	..	28
France	..	..	..	28
Italy	..	..	..	28
Luxembourg	..	..	..	0.2
Netherlands	..	..	..	7.9

2. The research and investment budget revenue shall include, irrespective of any other resources, financial contributions of Member States on the following scale:

Belgium	..	..	..	9.9
Germany	..	..	..	30
France	..	..	..	30
Italy	..	..	..	23
Luxembourg	..	..	..	0.2
Netherlands	6.9

3. The scales may be modified by the Council, acting unanimously.

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Euratom Treaty. Article 177(5)

5. For the adoption of the research and investment budget the votes of the members of the Council shall be weighted as follows:

Belgium	..	..	..	9
Germany	..	..	..	30
France	..	..	..	30
Italy	..	..	..	23
Luxembourg	..	..	..	1
Netherlands	..	..	..	7

For their adoption, acts of the Council shall require at least 67 votes cast in their favour."

Annex III

Article 203 of the EEC Treaty

"Article 203

1. The financial year shall run from 1 January to 31 December.
2. Each institution of the Community shall draw up estimates of its expenditure. The Commission shall consolidate these estimates in a preliminary draft budget. It shall attach thereto an opinion which may contain different estimates.

The Commission shall place the preliminary draft budget before the Council not later than 30 September of the year preceding that in which the budget is to be implemented.

The Council shall consult the Commission and, where appropriate, the other institutions concerned whenever it intends to depart from the preliminary draft budget.

The Council shall, acting by a qualified majority, establish the draft budget and then forward it to the Assembly.

The draft budget shall be placed before the Assembly not later than 31 October of the year preceding that in which the budget is to be implemented.

The Assembly shall have the right to propose to the Council modifications to the draft budget.

4. If, within one month of the draft budget being placed before it, the Assembly has given its approval or has not forwarded its opinion to the Council, the draft budget shall be deemed to be finally adopted.

If within this period the Assembly has proposed modifications, the draft budget so modified shall be forwarded to the Council. The Council shall discuss it with the Commission and, where appropriate, with the other institutions concerned, and shall finally adopt the budget, acting by a qualified majority.

5. For the adoption of the part of the budget relating to the European Social Fund, the votes of the members of the Council shall be weighted as follows:

Belgium	..	..	..	8
Germany	..	..	..	32
France	..	..	..	32
Italy	..	..	..	20
Luxembourg	..	..	..	1
Netherlands	..	..	..	7

Acts of the Council shall require at least 67 votes cast in their favour."

.../...

The two Articles, 203 and 203a revise, which have replaced Article 203 (Treaty of 22 April 1970, Articles 4 and 5).

Moreover, the corresponding original Articles of the ECSC and Euratom Treaties are replaced by identical texts, with the sole exception of the reference to operating expenditure in the case of the ECSC.

CHAPTER II

PROVISIONS AMENDING THE TREATY ESTABLISHING THE EUROPEAN ECONOMIC COMMUNITY

Article 4

The following provisions shall be substituted for Article 203 of the Treaty establishing the European Economic Community:

"Article 203

1. The financial year shall run from 1 January to 31 December.

2. Each institution of the Community shall, before 1 July, draw up estimates of its expenditure. The Commission shall consolidate these estimates in a preliminary draft budget. It shall attach thereto an opinion which may contain different estimates.

The preliminary draft budget shall contain an estimate of revenue and an estimate of expenditure.

3. The Commission shall place the preliminary draft budget before the Council not later than 1 September of the year preceding that in which the budget is to be implemented.

The Council shall consult the Commission and, where appropriate, the other institutions concerned whenever it intends to depart from the preliminary draft budget.

The Council shall, acting by a qualified majority, establish the draft budget and forward it to the Assembly.

4. The draft budget shall be placed before the Assembly not later than 5 October of the year preceding that in which the budget is to be implemented.

The Assembly shall have the right to amend the draft budget, acting by a majority of its members, and to propose to the Council, acting by an absolute majority of the votes cast, modifications to the draft budget relating to expenditure necessarily resulting from this Treaty or from acts adopted in accordance therewith.

If, within forty-five days of the draft budget being placed before it, the Assembly has given its approval, the budget shall stand as finally adopted. If within this period the Assembly has not amended the draft budget nor proposed any modifications thereto, the budget shall be deemed to be finally adopted.

If within this period the Assembly has adopted amendments or proposed modifications, the draft budget together with the amendments or proposed modifications shall be forwarded to the Council.

5. After discussing the draft budget with the Commission and, where appropriate, with the other institutions concerned, the Council may, acting by a qualified majority, modify any of the amendments adopted by the Assembly and shall pronounce, also by a qualified majority, on the modifications proposed by the latter. The draft budget shall be modified on the basis of the proposed modifications accepted by the Council.

If, within fifteen days of the draft budget being placed before it, the Council has not modified any of the amendments adopted by the Assembly and has accepted the modifications proposed by the latter, the budget shall be deemed to be finally adopted. The Council shall inform the Assembly that it has not modified any of the amendments and has accepted the proposed modifications.

If within this period the Council has modified one or more of the amendments adopted by the Assembly or has not accepted the modifications proposed by the latter, the draft budget shall again be forwarded to the Assembly. The Council shall inform the Assembly of the results of its deliberations.

6. Within fifteen days of the draft budget being placed before it, the Assembly, which shall have been notified of the action taken on its proposed modifications, shall act, by a majority of its members and three fifths of the votes cast, on the modifications to its amendments made by the Council, and shall adopt the budget accordingly. If within this period the Assembly has not acted, the budget shall be deemed to be finally adopted.

7. When the procedure provided for in this Article has been completed, the President of the Assembly shall declare that the budget has been finally adopted.

8. A maximum rate of increase in relation to the expenditure of the same type to be incurred during the current year shall be fixed annually for the total expenditure other than that necessarily resulting from this Treaty or from acts adopted in accordance therewith.

The Commission shall, after consulting the Conjunctural Policy Committee and the Budgetary Policy Committee, declare what this maximum rate is as it results from:

- the trend, in terms of volume, of the gross national product within the Community;
- the average variation in the budgets of the Member States; and
- the trend of the cost of living during the preceding financial year.

The maximum rate shall be communicated, before 1 May, to all the institutions of the Community. The latter shall be required to conform to this during the budgetary procedure, subject to the provisions of the fourth and fifth subparagraphs of this paragraph.

If, in respect of expenditure other than that necessarily resulting from this Treaty or from acts adopted in accordance therewith, the actual rate of increase in the draft budget established by the Council is over half of the maximum rate, the Assembly may, exercising its right of amendment, further increase the total amount of that expenditure to a limit not exceeding half of the maximum rate.

Where, in exceptional cases, the Assembly, the Council or the Commission considers that the activities of the Communities require that the rate determined according to the procedure laid down in this paragraph should be exceeded, another rate may be fixed by agreement between the Council, acting by a qualified majority, and the Assembly, acting by a majority of its members and three fifths of the votes cast.

9. Each institution shall exercise the powers conferred upon it by this Article, with due regard for the provisions of this Treaty and for acts adopted in accordance therewith, in particular those relating to the Communities' own resources and to the balance between revenue and expenditure."

Article 5

The following provisions shall be added to the Treaty establishing the European Economic Community.

"Article 203a

By way of derogation from the provisions of Article 203, the following provisions shall apply to budgets for financial years preceding the financial year 1975:

1. The financial year shall run from 1 January to 31 December.

2. Each institution of the Community shall, before 1 July, draw up estimates of its expenditure. The Commission shall consolidate these estimates in a preliminary draft budget. It shall attach thereto an opinion which may contain different estimates.

The preliminary draft budget shall contain an estimate of revenue and an estimate of expenditure.

3. The Commission shall place the preliminary draft budget before the Council not later than 1 September of the year preceding that in which the budget is to be implemented.

The Council shall consult the Commission and, where appropriate, the other institutions concerned whenever it intends to depart from the preliminary draft budget.

The Council shall, acting by a qualified majority, establish the draft budget and forward it to the Assembly.

4. The draft budget shall be placed before the Assembly not later than 5 October of the year preceding that in which the budget is to be implemented.

The Assembly shall have the right to propose to the Council modifications to the draft budget.

Annex IV (contd)

If, within forty-five days of the draft budget being placed before it, the Assembly has given its approval or has not proposed any modifications to the draft budget, the budget shall be deemed to be finally adopted.

If within this period the Assembly has proposed modifications, the draft budget together with the proposed modifications shall be forwarded to the Council.

5. The Council shall, after discussing the draft budget with the Commission and, where appropriate, with the other institutions concerned, adopt the budget, within thirty days of the draft budget being placed before it, under the following conditions.

Where a modification proposed by the Assembly does not have the effect of increasing the total amount of the expenditure of an institution, owing in particular to the fact that the increase in expenditure which it would involve would be expressly compensated by one or more proposed modifications correspondingly reducing expenditure, the Council may, acting by a qualified majority, reject the proposed modification. In the absence of a decision to reject it, the proposed modification shall stand as accepted.

Where a modification proposed by the Assembly has the effect of increasing the total amount of the expenditure of an institution, the Council must act by a qualified majority in accepting the proposed modification.

Where, in pursuance of the second or third subparagraph of this paragraph, the Council has rejected or has not accepted a proposed modification, it may, acting by a qualified majority, either retain the amount shown in the draft budget or fix another amount.

6. When the procedure provided for in this Article has been completed, the President of the Council shall declare that the budget has been finally adopted.

7. Each institution shall exercise the powers conferred upon it by this Article, with due regard for the provisions of this Treaty and for acts adopted in accordance therewith, in particular those relating to the Communities' own resources and to the balance between revenue and expenditure."

Outline of budget preparation, submission and adoption

PROCEDURE OF THE TREATIES OF ROME

ADMINISTRATIVE BUDGET

(1)

ESTIMATES OF EXPENDITURE

(Institutions)

(Assembly

(Court of Justice

(Council (+ Economic and Social Committee ----->

(+ Audit Board

(2)

PRELIMINARY DRAFT
BUDGET

(Commission)

30 September

(3)

PRELIMINARY DRAFT ----->

DRAFT BUDGET

(Council)

31 October

(4)

DRAFT BUDGET ----->

ASSEMBLY

30 November

(5)

DRAFT BUDGET- without proposed modifications- with proposed modifications

(6)

DRAFT BUDGET (without proposed modifications:

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(with proposed modifications:the Council notes that
the BUDGET has been adopted
adopts the BUDGET, after
any discussion with the
Commission

(6)

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BUDGET

Council

RESEARCH BUDGET

Same sequence, but beginning at (2) as the Commission submits the preliminary draft budget on its own.

The special features occur before stage (2).

The dates are the deadlines for forwarding of decisions.

PROCEDURE OF THE ROME AND PARIS TREATIES
as amended by the Treaty of 22 April 1970

(1)

ESTIMATES OF EXPENDITURE

(Institutions)

(Assembly (European Parliament))

(Court of Justice)

(Council + Economic and Social Committee

+ Audit Board

(Commission

(2)
PRELIMINARY DRAFT BUDGET

(Commission)

1 September

(3)
PRELIMINARY → DRAFT BUDGET
DRAFT BUDGET (Council)
5 October

(4)
DRAFT BUDGET → ASSEMBLY
20 November

(5)
DRAFT BUDGET
- without proposed modifications
- with proposed modifications

(6)
DRAFT BUDGET - without proposed modifications : THE COUNCIL notes that the budget
has been adopted
- with proposed modifications : Draft budget is forwarded to the
Council.

If there are proposed modifications

I. From 1 January 1975

COUNCIL
(- The Council acting by a qualified majority, may modify the
(amendments adopted by the Assembly.
(- If within fifteen days the Council has not modified the
(budget, it is deemed to be adopted.

ASSEMBLY
(- If the Council modifies it within this period, the draft
budget is again forwarded to the Assembly.
(- Within fifteen days the Assembly, by a majority of its members
(and three fifths of the votes cast, adopts the budget,
(within the limit of the maximum rate (Article 203 (8).

II. Until 1 January 1975

Three possibilities

- (1) If a proposed modification does not increase total expenditure, the Council may reject it by a qualified majority decision.
- (2) If a proposed modification does increase total expenditure, the Council may accept it by a qualified majority decision.
- (3) If the Council has rejected or has not accepted a proposed modification, it may, acting by a qualified majority, either retain the amount shown in the draft budget or fix another amount.

Article 206

The accounts of all revenue and expenditure shown in the budget shall be examined by an Audit Board consisting of auditors whose independence is beyond doubt, one of whom shall be chairman. The Council shall, acting unanimously, determine the number of the auditors. The auditors and the chairman of the Audit Board shall be appointed by the Council, acting unanimously, for a period of five years. Their remuneration shall be determined by the Council, acting by a qualified majority.

The purpose of the audit, which shall be based on records and, if necessary, performed on the spot, shall be to establish that all revenue has been received and all expenditure incurred in a lawful and regular manner and that the financial management has been sound. After the close of each financial year, the Audit Board shall draw up a report, which shall be adopted by a majority of its members.

The Commission shall submit annually to the Council and to the Assembly the accounts of the preceding financial year relating to the implementation of the budget, together with the report of the Audit Board. The Commission shall also forward to them a financial statement of the assets and liabilities of the Community.

*The Council and the Assembly shall give a discharge to the Commission in respect of the implementation of the budget. To this end, the report of the Audit Board shall be examined in turn by the Council, which shall act by a qualified majority, and by the Assembly. The Commission shall stand discharged only after the Council and the Assembly have acted.

*This is the text as amended by Article 6 of the Treaty of 22 April 1970 (see footnote to Article 203). The original text read :

"The Council shall, acting by a qualified majority, give a discharge to the Commission in respect of the implementation of the budget. It shall communicate its decision to the Assembly."