

Power of the purse of the European Parliament

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Power of the purse of the European Parliament

The procedure for the adoption of the European Communities' budget has developed over a long period of time and has seen the European Parliament become firmly established as one arm of budgetary authority along with the Council. The current procedure is the result of Parliament's sustained effort in securing for itself the basic powers of a parliament in budgetary matters.

In the 1951 Treaty establishing the European Coal and Steel Treaty (ECSC) –expired on 23 July 2002–, the Common Assembly had only very limited powers in budgetary matters (Article 78). It examined the estimated budget for administrative expenditure drawn up by each institution – included in the General Report of the High Authority – but could not discuss it. It could neither reject nor amend it.

In 1958, following the entry into force of the 1957 Treaties establishing the European Economic Community (EEC) and the European Atomic Energy Community (EAEC or Euratom), the European Parliamentary Assembly was given more powers, and it participated in the drawing up of the budget. The draft budget was forwarded to it, and it had the right to propose modifications to the Council (Article 203 of the EEC Treaty and Article 177 of the EAEC Treaty). As in the ECSC, the Assembly examined the accounts (Article 206 of the EEC Treaty and Article 180 of the EAEC Treaty), but the new Treaties also made provision for the Assembly to be notified of a recommendation from the Council giving discharge to the Commission in respect of the implementation of the budget.

The Council Decision of 21 April 1970, which replaced Member States' financial contributions with the Communities' own resources, allowed the governments of the Member States to confer on the European Parliament real powers in budgetary matters. The Treaty of 22 April 1970 gave the Assembly the right to take a formal decision on the budget of the Communities, even though its decision-making powers were restricted to non-compulsory expenditure.

A new Treaty relating to the strengthening of Parliament's budgetary powers was signed by representatives of the Member State governments on 22 July 1975. The reform focused on three points of the procedure:

- modifications to the draft budget forwarded by Parliament to the Council (modification not involving an increase in the total expenditure of an institution) would be deemed to have been approved where they had not been rejected by the Council;
- the right of Parliament to reject the budget as a whole;
- the right of Parliament alone to give discharge to the Commission in respect of the implementation of the budget.

After the 1970 reform, close collaboration became necessary between Parliament and the Council on the budgetary procedure. In view of the fact that Parliament had greater powers for the implementation of a system using the Communities' own resources, a conciliation procedure was instituted on 4 March 1975 by a Joint Declaration of Parliament, the Council and the Commission. Conciliation between the European Parliament and the Council, with the active assistance of the Commission, was to be applied to Community acts of general application which had appreciable financial implications and in respect of which adoption was not required under acts already in existence.

The procedure remained the same after the reform of the Treaty of 22 July 1975 until the Joint Declaration of the European Parliament, the Council and the Commission for improved interinstitutional collaboration of 30 June 1982. Later agreements were reached on 29 June 1988, 29 October 1993 and 6 May 1999. The aim of these agreements was to implement budgetary discipline and improve the functioning of the annual budgetary procedure and interinstitutional cooperation in budgetary matters.

The budgetary procedure is laid down in Article 272 of the EC Treaty, Article 177 of the EAEC Treaty (and Article 78 of the ECSC Treaty expired on 23 July 2002). The European Parliament must be forwarded the draft budget – ‘administrative budget’ for the ECSC – drawn up by the Council (based on the preliminary draft budget drawn up by the Commission) no later than 5 October in the year preceding the year in which the budget is to be implemented. Parliament has the right to make amendments (with regard to non-compulsory expenditure) and to propose modifications (with regard to compulsory expenditure). If, within 45 days of the draft budget being placed before it, the European Parliament has given its approval, the budget is deemed to be finally adopted. However, if it has adopted amendments or proposed modifications, the draft budget is forwarded to the Council.

If, within 15 days, the Council has not modified any of the amendments, and if the modifications proposed have been accepted, the budget is deemed to be finally adopted and the European Parliament ‘informed’ thereof. If the Council has modified the amendments or if the modifications proposed have been rejected or modified, the modified draft budget is forwarded to the European Parliament. Within 15 days, Parliament may amend or reject the modifications made by the Council and adopt the budget accordingly. The President of the European Parliament declares that the budget has been finally adopted. However, the European Parliament may, if there are important reasons, reject the draft budget and ask for a new draft to be submitted to it.

In addition, the European Parliament gives discharge to the Commission in respect of the implementation of the budget. To that end, the Council and the European Parliament in turn examine the accounts and the financial statement submitted by the Commission, as well as the annual report, the Statement of Assurance and special reports by the Court of Auditors. Parliament may ask to hear the Commission (Article 276 of the EC Treaty, Article 180b of the EAEC Treaty; see also Article 78g of the ECSC Treaty).