

The financing of the European Union

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The European Union is a unique and exceptional organisation in many respects. Its financial system, whose rules and structure are very different from those of national budgetary law, has changed a great deal and is still changing. The most significant changes include:

— The **unification of budgetary instruments**. Initially, each Community had its own budget or budgets (administrative and operating). These have now been replaced by a single budget, the *general budget of the European Union*.

— Progress towards **financial autonomy**. Following the example of the ECSC, which was financed by real ‘tax revenue’ from the time it was set up, the EEC and Euratom changed to a system of own resources on 1 January 1971.

— **Reform of the Community financial system**. The financial perspective, a genuine multiannual financial framework and instrument of budgetary discipline, was introduced in 1988. It forms an integral part of an interinstitutional agreement between Parliament, the Council and the Commission.

— The pursuit of an **institutional balance** between the Council, Parliament and the Commission in the exercise of budgetary power. Initially, budgetary power lay solely with the Council. Parliament and the Council subsequently became the two arms of budgetary authority. The Commission retains a right to propose legislation in that sphere.

The development of the financial system of the European Union superstructure is testament to its extremely varied history encompassing five decades and six enlargements.