

General Budget
and Budget Law
of the European Union

Marcin Tyniewicki

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of the European Union



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1. Definition and legal form of the general budget of the European Communities

BASIC DEFINITIONS:

General budget of the European Communities - the public financial plan forecasting and authorising all revenue and expenditure of the European Communities (European Community and European Atomic Energy Community) including second and third pillars, which is the basis for financial management, passed for one financial year which shall run from 1 January to 31 December (budgetary year), in the form of the legal act named as *the general budget of the European Union*.

Budget law of the European Union - all legal norms regarding financial management of the European Union.

Final adoption - declaration (resolution) of the president of the European Parliament on concluding legal actions within the confines of the budgetary procedure and passing the act named as *the general budget of the European Union*.

Budgetary act - the legal act containing the budget of the European Communities defined as the financial plan - the statement of revenue and expenditure, passing and binding for one financial year. The Budgetary act is formally named as *the general budget of the European Union*.

INTRODUCTION:

The Treaty establishing the European Community¹ and the Treaty establishing the European Atomic Energy Community do not constitute a uniform legal definition of the general budget; however, they regulate its individual elements (universality, annuality, unity, specification).

1 Treaty establishing the European Community (OJ C 321, 29.12.2006, p. E/37) hereinafter referred to as TEC.

The more detailed problem of the budget definition is regulated in Art. 4 (1) of the Financial Regulation (the FR)²: *The budget is the instrument which, for each financial year, forecasts and authorises all revenue and expenditure considered necessary for the European Community and the European Atomic Energy Community.*

In fact, an advisable definition is insufficient: all constitutive features of public financial plan appear but lack the remaining parts of the complete the FR. Moreover, there are some budgetary principles resulting from this definition. Article 4 (1) the FR is also crucial with regard to the legal form of the general budget. It refers to this form, but in an oblique fashion.

Treaty establishing the European Community

Article 268: *All items of revenue and expenditure of the Community, including those relating to the European Social Fund, shall be included in estimates to be drawn up for each financial year and shall be shown in the budget.*

Administrative expenditure occasioned for the institutions by the provisions of the Treaty on European Union relating to common foreign and security policy and to cooperation in the fields of justice and home affairs shall be charged to the budget. The operational expenditure occasioned by the implementation of the said provisions may, under the conditions referred to therein, be charged to the budget.

Council Regulation (EC, EURATOM) No 1605/2002 on the financial regulation applicable to the general budget of the European Communities

Article 4: *1. The budget is the instrument which, for each financial year, forecasts and authorises all revenue and expenditure considered necessary for the European Community and the European Atomic Energy Community.*

2 Council Regulation (EC, EURATOM) No 1605/2002 of 25 June 2002 on the financial regulation applicable to the general budget of the European Communities (OJ L 248, 16.9.2002, p. 1 with amendments) hereinafter referred to as FR.

2. *The revenue and expenditure of the Communities shall comprise:*

- (a) *the revenue and expenditure of the European Community, including administrative expenditure occasioned for the institutions by the provisions of the Treaty on European Union relating to the common foreign and security policy and police and judicial cooperation in criminal matters, and the operational expenditure occasioned by implementation of those provisions where this is charged to the budget;*
- (b) *the expenditure and revenue of the European Atomic Energy Community.*

Article 36: *1. The President of the European Parliament shall declare the budget finally adopted in accordance with the procedure provided for in Article 272(7) of the EC Treaty and Article 177(7) of the Euratom Treaty.*

Article 40: *The budget shall consist of:*

- (a) *a general statement of revenue and expenditure;*
- (b) *separate sections subdivided into statements of revenue and expenditure for each institution.*

1.1. Legal form of the general budget

Although in the case of individual countries the state budget is passed by the Act, the Community law does not define the legal form of the general budget. Both primary and secondary laws consistently apply the term *budget*. In European literature on the above subject, the issues regarding the legal form of the budget have generalised. In principle, the review of literature does not unambiguously state what kind of legal form is required to establish the general budget of the European Communities (EC). The terms like *document*, *resolution*, or *act of indefinite form*³ appear. The same problem seems to exist in

3 D. Strasser, *The Finances of Europe. The budgetary and financial law of the European Communities*, Luxembourg 1992, p. 42; H. G. Schermers, D. F. Waelbroeck, *Judicial protection in the European Union*, Hague - London - New York 2001, pp. 319-327; C. Mik, *Europejskie pra-*

the jurisdiction of the European Court of Justice (ECJ). In one of the judgment, the Court presented the general budget as a *combined act*⁴. However, the judgment did not denote the determination of its form, but its complexity and the vagueness in terminology were indicated.

In addition, in the heading of the Official Journal of the European Union (EU), the following phrase is used: *final adoption of the general budget of the European Union for financial year...*. A *final adoption* is a kind of declaration made by the president of the European Parliament, but it should not be treated as the legal form of the EC budget. Taking into consideration the above and the meaning of Article 4 the FR, the general budget of the EC is the Act with the same name, which comprises the budget as the financial plan. The budget in such context is the legal form (legal act category) belonging to the group of acts called *sui generis*.

1.2. General budget and “budgetary act”

As stated above, taking into consideration the legal form, the general budget is a legal act. However, from the economic (management) point of view it is also considered as a financial plan, with the following features (elements): two-side structure (revenue and expenditure), denomination in currency units, planning nature, episodic character, basis for financial management of the EC and EU. Summing up, the term *budget* in the Community legislation will have dual meaning:

- general budget as the public financial plan comprising revenue and expenditure, having economic nature and being an instrument of the financial policy of EU;
- general budget as the legal act - *budget (budgetary act)*, which comprises the budget as a financial plan, giving this plan legal status, authorising revenue and expenditure included.

wo wspólnotowe. Zagadnienia teorii i praktyki, v. 1, Warszawa 2000, p. 252; M. Cieślukowski, Budżet Unii Europejskiej, Poznań 2004, p. 16.

4 ECJ, Case 34/86, Council v European Parliament.

The distinction between the budget (as a financial plan) and the budgetary act has its legal basis in Art. 46 (1) of the FR. It can be stated on the grounds of the regulation that budget as the legal act has a wider meaning as it comprises the budget defined as the financial plan (revenue and expenditure) and other elements which are not contents of the financial plan, e.g.: the establishment plan setting the number of posts for EU officials.

1.3. The general budget of the EC and budgets of the member states

The general budget of the EC and budgets of the member states are strictly separated. Every member state possesses its own national budget which finances defined needs, depending on current, national economic and social policy. The EC budget finances objectives and activities which have been recognized as crucial for the Communities. In many fields the objectives of the Communities and member states are convergent. Therefore, the member states' budgets and the EC budget are connected to one another - there are so-called transfers between them. For example, states pay a membership fee to the general budget and the Communities distribute appropriations to states from many funds and programmes: structural funds, agricultural funds, Cohesion Funds etc.

Useful links:

European Commission, Financial glossary

http://ec.europa.eu/budget/other_main/glossary_en.htm

European Commission, Current budgets

http://ec.europa.eu/budget/budget_detail/deciding_en.htm

European Commission, Previous budgets

http://ec.europa.eu/budget/budget_detail/previous_budgets_en.htm

European Commission, Publications

http://ec.europa.eu/budget/documents/publications_en.htm

European Commission, Eurostat

<http://ec.europa.eu/eurostat>

2. Legal sources of budget law

BASIC DEFINITIONS:

Primary law - establishing treaties, amending treaties, accession treaties.
Primary law is also described as statute law⁵ or constitutional law⁶.

Secondary law - regulations, directives and addressed decisions pursuant to Art. 249 of TEC.

Sui generis acts - group of acts passed by community institutions which do not appear in treaties and are not included in secondary law, e.g.: *sui generis* decisions, resolutions, declarations, inter-institutional agreements, and rules of procedures.

Hard law - binding law.⁷

Soft law - non-binding law.⁸

INTRODUCTION:

The legal order of the Communities is described as *original, hybrid* and *specific*⁹ etc. It cannot be compared directly to the legal system of any contemporary states. In the literature, the Communities' legal acts (excluding the acts of II and III pillar) are commonly categorised into primary law, which refers to the treaties (also accession treaties) and secondary law (regulation, directives and addressed decisions in compliance with Art 249 of the TEC). However this classification is not complete as all acts which cannot be classified to the groups mentioned

5 C. Mik, *op. cit.*, p. 480.

6 K. Lenaerts, P.V. Nuffel, *Constitutional law of the European Union*, London 2005, p. 705; L. Lasok, *Law and institutions of the European Union*, London 2001, p. 123.

7 F. Beveridge, S. Nott, A hard look at soft law, in: P. Craig, C. Harlow (ed.), *Lawmaking in the European Union*, London - Hague - Boston 1998, p. 285.

8 *Ibidem*

9 Z. Pietraś, *Prawo wspólnotowe i integracja europejska*, Warszawa 2005, pp. 33-34.

above are recognised as *sui generis* category¹⁰. Such acts as resolutions, *sui generis* decisions, guidelines, declarations, rules of procedures, inter-institutional agreements can be found within this group. Some of them belong to internal law which is binding only for the Communities' institutions and their administrative services. However, it does not mean that the legal position of the *sui generis* acts is insignificant in the Community order. In fact their legal nature is ambiguous, but some of them can be recognized as normative acts (sources of law) binding Communities institutions, member states, legal and natural persons.

The specificity of EU budget law results from the fact that respective acts from the above range will appear in every of the categories mentioned above: primary law, secondary law, *sui generis* acts.

Treaty establishing the European Community

Article 279: 1. The Council, acting unanimously on a proposal from the Commission and after consulting the European Parliament and obtaining the opinion of the Court of Auditors, shall:

- (a) make the Financial Regulations specifying in particular the procedure to be adopted for establishing and implementing the budget and for presenting and auditing accounts;*
- (b) lay down rules concerning the responsibility of financial controllers, authorising officers and accounting officers, and concerning appropriate arrangements for inspection.*

From 1 January 2007, the Council shall act by a qualified majority on a proposal from the Commission and after consulting the European Parliament and obtaining the opinion of the Court of Auditors.

2.1. The financial provisions of the Treaties

The most important financial provisions of the Treaties are following:

10 S. Biernat, Źródła prawa Unii Europejskiej, in: J. Barcz (ed.), Prawo Unii Europejskiej, Warszawa 2006, p. I-205; K. Lenaerts, P.V. Nuffel, op. cit., p. 784.

- Art. 268-280 of TEC - Part V, Title II “Financial provisions”;
- Art. 171-183a of the TEAEC¹¹ - Title IV “Financial provisions”;
- Art. 28 and 41 of the TEU¹² - provisions on II and III pillars;
- Art. 44a of the TEU - provisions concerning financing of “closer cooperation”.

2.2. Secondary legislation

Secondary legislation referring to the general budget can be divided into some thematic groups, but this classification is not complete. For example:

- 1) provisions on budgetary principles, budgetary procedure, implementation, procurement, grants, external audit and discharge:
 - Council Regulation (EC, EURATOM) No 1605/2002 of 25 June 2002 on the financial regulation applicable to the general budget of the European Communities (OJ L 248, 16.9.2002, p. 1 with amendments),
 - Commission Regulation (EC, EURATOM) No 2342/2002 of 23 December 2002 laying down detailed rules for the implementation of Council Regulation No 1605/2002 (OJ L 357, 31.12.2002, p. 1 with amendments);
- 2) provisions concerning financial control and protection of the EC financial interests:
 - Council Regulation (EC, EURATOM) No 2988/95 of 18 December 1995 on the protection of the European Communities financial interests (OJ L 312, 23.12.1995, p. 1),

11 Treaty establishing the European Atomic Energy Community.

12 Treaty on European Union (OJ C 321, 29.12.2006, p. E/1) hereinafter referred to as TEU.

- Commission Decision of 28 April 1999 establishing the European Anti-fraud Office (OLAF) (OJ L 136, 31.5.1999, p. 20).

2.3. Sui generis acts concerning budget law of the EU

Among *sui generis* acts there can be indicated:

1) acts concerning budget revenue:

- Council Decision of 7 June 2007 on the system of the European Communities' own resources (OJ L 163, 23.6.2007, p. 17),
- Council Regulation (EC, EURATOM) No 1150/2000 of 22 May 2000 implementing Decision 2000/597/EC, Euratom on the system of the Communities' own resources (OJ L 130, 31.5.2000, p. 1);

2) acts on financial planning and management: interinstitutional agreement between the European Parliament, the Council and the Commission on budgetary discipline and sound financial management (OJ C 139, 14.6.2006, p. 1);

3) acts on budgetary procedure and discharge:

- Art. 69-70, Art. 73-74, annex IV - European Parliament - Rules of Procedure (OJ L 44, 15.2.2005, p. 1, 16th edition),
- Art. 7 and Art. 19 of the Council Decision of 15 September 2006 adopting the Council's Rules of Procedure (OJ L 285, 16.10.2006, p. 47);

4) acts containing annual general budgets, for example: Final adoption of the general budget of the European Union for the financial year 2008 (OJ L 71, 14.3.2008, p. 1).

Useful links:

The access to European Union law

<http://eur-lex.europa.eu/en/index.htm>

EU Budgets on line

<http://eur-lex.europa.eu/budget/www/index-en.htm>

Summaries of legislation. Budget

<http://europa.eu/scadplus/leg/en/s27000.htm>

Treaty of Lisbon

http://europa.eu/lisbon_treaty/index_en.htm

European Commission, the Financial Regulation and Implementing Rules

http://ec.europa.eu/budget/documents/financial_regulation_en.htm

Office for the Publications of the European Communities

http://publications.europa.eu/index_en.htm

3. Financial Perspective (FP) 2007-2013

BASIC DEFINITIONS:

Financial Perspective (financial framework) - medium-term instrument of financial planning (financial plan) containing general objectives and the amount of expenditure of the EU for seven years.

Technical adjustments - annual updating of Financial Perspective (FP) made by the Commission at the beginning of the year n for year $n+1$ on the basis of the inflation rate and taking into consideration changes of gross national income (GNI) of member states.

Headings of the FP - groups of expenditure included in the FP; amounts of expenditure (appropriations) are expressed as *payments* and *commitments*.

Adjustments connected with implementation - adjustment of expenditure of the FP properly so as to amounts of payments cover amounts of commitments.

INTRODUCTION:

Another financial instrument - financial perspective, also called a financial framework, is applied to achieve fixed objectives of the EU in economic and social policy, beside the annual budget. It can be said that general budget and financial perspective make up complementary instruments of financial planning: a budget in a short (yearly) period, a financial perspective - in a medium one.

The financial framework, as opposed to the general budget, has no legal basis in the Treaties. It is included in *sui generis* act - inter-institutional agreement between the European Parliament, the Council

and the Commission¹³. However, before this agreement has been adopted, all member states must unanimously consent to shape of the financial framework during the summit of the European Council. Unanimity is required for one reason - the financial perspective contains overall amounts of the EU for seven years. Thus, the decision in this matter is so crucial for the EC and the EU.

Interinstitutional Agreement between the European Parliament, the Council and the Commission on budgetary discipline and sound financial management

PART I - FINANCIAL the FRAMEWORK DEFINITION AND IMPLEMENTING PROVISIONS

A. Contents and scope of the financial framework

9. The financial framework is set out in Annex I. It constitutes the reference framework for interinstitutional budgetary discipline.

10. The financial framework is intended to ensure that, in the medium term, European Union expenditure, broken down by broad category, develops in an orderly manner and within the limits of own resources.

11. The financial framework establishes, for each of the years 2007 to 2013 and for each heading or subheading, amounts of expenditure in terms of appropriations for commitments. Overall annual totals of expenditure are also shown in terms of both appropriations for commitments and appropriations for payments.

12. The institutions acknowledge that each of the absolute amounts shown in the financial framework represents an annual ceiling on expenditure under the general budget of the European Union. Without prejudice to any changes in those ceilings in accordance with the

¹³ Interinstitutional Agreement of 17 May 2006 between the European Parliament, the Council and the Commission on budgetary discipline and sound financial management (OJ C 139, 14.6.2006, p. 1 with amendments) hereinafter referred to as IIA.

provisions of this Agreement, the institutions undertake to use their respective powers in such a way as to comply with the various annual expenditure ceilings during each budgetary procedure and when implementing the budget for the year concerned.

14. No act adopted under the codecision procedure by the European Parliament and the Council nor any act adopted by the Council which involves exceeding the appropriations available in the budget or the allocations available in the financial framework in accordance with Point 12 may be implemented in financial terms until the budget has been amended and, if necessary, the financial framework has been appropriately revised in accordance with the relevant procedure for each of these cases.

3.1. FP as a medium-term instrument of financial planning

FP fulfils crucial functions in the EU's economic and social policy. It belongs to medium-term financial planning instruments because it enables the establishment of the EU's main priorities and the means to finance them for next seven years. In a wider context it affects the EU's global development. The current FP is valid for period 2007-2013.

3.2. Relations between FP and general budget

Even though FP fixes global expenditures for seven years, it does not replace the annual general budget of the EC and does not absolve responsible institutions of the EC from establishing a general budget for every financial year. In fact, global amounts of expenditure included in FP cannot be exceeded in the annual budget¹⁴, but without the budget these expenditures may not be spent as authorised by the general budget (see Art. 4 of the FR). Those amounts not entered in the budget cannot

14 See point 12 of II A.

be allocated in the current and following years.¹⁵ The general budget also particularizes the FP.

3.3. Headings of the FP 2007-2013

3.3.1. Sustainable Growth

In the scope of Heading 1 - *Sustainable Growth* two main objectives have been established:

- *1a Competitiveness for growth and employment* which comprises of such elements as: enterprise, energy, transport, research and development, the information communities and media, regional policy;
- *1b Cohesion for growth and employment* which consists of: employment, social policy and regional policy.

3.3.2. Preservation and Management of Natural Resources

The second Heading - *The Preservation and Management of Natural Resources* is strictly connected to Common Agricultural Policy financing, but not to the full extent. In this heading, the following areas have been included: agriculture and rural development, fisheries, maritime affairs and the natural environment.

3.3.3. Citizenship, freedom, security and justice

Two aims have been presented in the third heading as well as in the first one:

- *3a Citizenship, freedom, security and justice* which includes those issues connected to migration, security, the protection of individual freedom, fundamental rights and justice;
- *3b Citizenship* comprises of: education and culture, health care and consumer protection, enlargement.

15 European Commission, *European Union public finance*, Luxembourg 2002, p. 121.

3.3.4. The EU as a global player

The fourth heading refers to the funds mainly to be distributed as aid for the developing world. This aid based on the neighbourhood policy, democracy, human rights, humanitarian and macroeconomic aid.

3.3.5. Administration

The Heading *Administration* of the FP includes administrative expenses of the EC institutions from nine sections of the general budget: the Parliament, the Council, the Commission, ECJ etc.

3.3.6. Compensations

Heading 6 - *Compensations* is of a specific character as it relates only to two member states: Romania and Bulgaria. It has been agreed during the accession negotiations and comprises of two elements: the cash flow instrument in order to eliminate the differences in cash flows between the general budget and state budgets, and the *Schengen instrument* to finance controlling activities on the new external frontiers of EU.

Useful links:

European Commission, Financial Framework 2007-2013

http://ec.europa.eu/budget/documents/multiannual_framework_en.htm

European Commission, A Financial Framework for the enlarged Union (2007-2013)

http://ec.europa.eu/budget/prior_future/fin_framework_en.htm

EurActive, Financial Perspective 2007-2013

<http://www.euractiv.com/en/future-eu/financial-perspective-2007-2013/article-130497>

UK Presidency of the EU, European Union Financial Perspectives 2007-13 - United Kingdom Presidency Proposal

<http://www.eu2005.gov.uk>

4. Budgetary principles

BASIC DEFINITIONS:

Budgetary principles - general rules which define how the general budget should be internally constructed, established and implemented, particularly - how appropriations should be collected and spent.

Unity of budget - formally - all appropriations should be included in a single legal act - a budgetary act, substantially - all appropriations allocated to achieve the Communities' objectives must be placed in a general budget.

Non-assignment rule - the rule strictly connected with universality of the budget; there is no connection between the revenue from strictly defined sources with the expenditure on strictly defined objectives.¹⁶

The gross budget rule - the rule strictly connected with universality of the budget; revenue and expenditure may not be set off against each other.¹⁷

INTRODUCTION:

The general principles regarding the general budget have been extensively regulated by Community legislation. This means that they are legal in nature and are not only stipulations. Some of them have been placed in the Treaties (mainly in the TEC) in the provisions on financial issues. They have been described in the FR in more detail, as they are included in a separate title II - *Budgetary principles*. The first of its provisions - Art. 3 - literally states that budget shall be established and implemented in compliance with the principles of unity, budgetary

16 See more: European Commission, op. cit., p. 130.

17 See more: D. Strasser, op. cit., p. 48; European Commission, op. cit., pp. 130-134.

accuracy, annularity, equilibrium, unit of account, universality, specification, and sound financial management.

Council Regulation (EC, EURATOM) No 1605/2002 on the financial regulation applicable to the general budget of the European Communities

Title II - Budgetary principles

Article 3: *The budget shall be established and implemented in compliance with the principles of unity, budgetary accuracy, annularity, equilibrium, unit of account, universality, specification, sound financial management which requires effective and efficient internal control, and transparency as set out in this Regulation.*

Article 4 - Principles of unity and of budget accuracy: *1. The budget is the instrument which, for each financial year, forecasts and authorises all revenue and expenditure considered necessary for the European Community and the European Atomic Energy Community.*

Article 5: *1. Subject to Article 74, no revenue shall be collected and no expenditure effected unless booked to a line in the budget.*

Article 6 - Principle of annularity: *The appropriations entered in the budget shall be authorised for one financial year which shall run from 1 January to 31 December.*

Article 14 - Principle of equilibrium: *1. Budget revenue and payment appropriations must be in balance.*

Article 16 - Principle of unit of account: *The budget shall be drawn up and implemented in euro and the accounts shall be presented in euro.*

Article 17 - Principle of universality: *Total revenue shall cover total payment appropriations, subject to Article 18. All revenue and expenditure shall be entered in full without any adjustment against each other, subject to Article 20.*

Article 21 - Principle of specification: *Appropriations shall be earmarked for specific purposes by title and chapter; the chapters shall be further subdivided into articles and items.*

Article 27 - Principle of sound financial management: 1. Budget appropriations shall be used in accordance with the principle of sound financial management, namely in accordance with the principles of economy, efficiency and effectiveness.

Article 29 - Principle of transparency: 2. The President of the European Parliament shall have the budget and amending budgets, as finally adopted, published in the Official Journal of the European Union.

The budget shall be published within three months following the date on which the budget is declared finally adopted.

4.1. Principle of unity and budget accuracy

The principle of unity and budget accuracy in its substantial scope has been regulated in Art. 268 of the TEC. Under this regulation, all revenue and expenditure of the Community should be included and shown in every annual budget. This principle has been presented in provisions of the FR: Art 4 and 5 in detail. The principle of unity and budget accuracy should be analyzed in its formal and material aspects. The formal aspect means including all the revenue and expenditure of the EC in a single legal act - the budgetary act (the principle of formal unity). The budgetary act constitutes the only legal basis of authorization of overall budget funds. In consequence, neither revenue nor expenditure can be realized if they have not been entered into the proper budget line [Art. 5 (1) of the FR]. In the material (substantial) aspect, the principle defines whose and what type of revenue and expenditure should be included in the general budget: the EC, administration expenditure relating to II and III pillar [Art. 28 (2) and Art. 41 (2) of the TEU], operating expenditures of II and III pillar with some exceptions.

4.2. Principle of annuality

Firstly, the principle of annuality defines the length of the financial year which runs from 1 January to 31 December [Art. 272 (1) of

the TEC]. In the economic and management dimension, it fixes the period for planning and managing the budget. In the legal dimension, it determines the episodic nature of the budgetary act, which loses its remit at the end of the financial year.

4.3. Principle of equilibrium

The principle of equilibrium is a treaty principle regulated in Art. 268 (3) of the TEC. It requires that revenue and expenditure shown in the budget should be in balance. This principle is binding at this stage of budget establishment as well as at the stage of budget implementation.

4.4. Principle of unit of account

The Principle of unit account stipulates that amounts included in the budget in the stage of its authorisation as well as in the stage of its implementation are expressed in Euros.

4.5. Principle of universality

The principle of universality is strictly connected to the principle of unity. The principle of universality does not result directly from the provisions of the Treaties but it has been defined by Art 17 of the FR. It establishes the obligation to cover all budget expenditures from all budget revenue. In practice, it prevents income from specific sources being earmarked for any particular expenditure. Otherwise the result would be the separation of certain types/categories of funds from the general budget and consequently this would lead to the limitation of available resources for financing other key objectives.

4.6. Principle of specification

The principle of specification in its basic scope has been regulated by Art. 271 (3) of the TEC. The meaning of this principle has been

expressed by assigning income and expenditures for internal units, which have been stipulated as *budget lines* in budget law of the EU. This principle defines the internal structure of the general budget which can be analyzed in terms of general statement of revenue and expenditure and the nine sections - Art. 40 of the FR) and also in terms of classification of appropriations within a separate section, which is divided into titles and chapters; the chapters consist of articles and items (see Art. 21 of the FR).

4.7. Principle of sound financial management

This principle is based on the three detailed principles. They constitute the criteria in accordance to which the expenditure should be made. Under Art 27 of the FR, appropriations should be spent in accordance with the following principles: economy, efficiency and effectiveness.

4.8. Principle of transparency

The principle of transparency specifically relates to public disclosure which can be understood as the requirement to publicize the acts and the respective data arising from the EC general budget. From the final adoption in Official Journal of the EU [Art. 29 (2) item 2 of the FR] with reference to the general budget, a three-month period has been established for its publication.

Useful links:

European Commission, Financial glossary, budgetary principles

http://ec.europa.eu/budget/other_main/glossary_en.htm

EU Budget on line, Introduction to the general budget of 2008

http://eur-lex.europa.eu/budget/data/D2008_VOL1/EN/index.html

5. Revenue of the general budget

BASIC DEFINITIONS:

Own resources system - basic revenue flowing automatically to the EC budget without the need for any subsequent decision by member states (national authorities).

Traditional own resources (TOR) - categories of revenue - levies, premiums, additional or compensatory amounts, duties.

Own resources ceiling - maximum level of revenue of own resources system which can be charged from member states to the general budget every financial year; the maximum level amounts to 1.24% of GNI.¹⁸

INTRODUCTION:

The basic sources of revenue collection in the EC budget constitute the so-called *own resources system*. There are also less important categories of funds, when share in total budget revenue is taken into consideration. The distinction of two groups of revenue source results from Art. 269 (1) of the TEC, which states that the general budget shall be financed wholly from own resources, without prejudice to other revenue. With regard to this regulation, it is possible to affirm that collected funds should be sufficient to realize EC and EU objectives.

The own resources system may be analyzed in the following three dimensions:

- 1) financial: the system should ensure the protection and financial stability of the EC and the EU; it should be flexible, which means a correlation between the own resources ceiling and the real needs of the EC during financial year;

18 See Art. 3 of the Council decision on the system of the European Communities' own resources.

- 2) economic: the level of sources is dependent on the economic indicator - gross national income (GNI) which reflects the economic situation in member states;
- 3) legal: the system has its own legal basis in treaty legislation; collection of revenue from member states is legally sanctioned.

The own resources system is comprised of the following revenue streams:

- 1) levies, premiums, additional or compensatory amounts;
- 2) duties;
- 3) value added tax revenue;
- 4) payments of members with reference to their GNI.

Treaty establishing the European Community

Article 269: Without prejudice to other revenue, the budget shall be financed wholly from own resources.

The Council, acting unanimously on a proposal from the Commission and after consulting the European Parliament, shall lay down provisions relating to the system of own resources of the Community, which it shall recommend to the Member States for adoption in accordance with their respective constitutional requirements.

Council Decision (2007/436/EC, EURATOM) on the system of the European Communities' own resources¹⁹

Article 1: [...]. The general budget of the European Union shall, without prejudice to other revenue, be financed wholly from the Communities' own resources.

Article 2: 1. Revenue from the following shall constitute own resources entered in the general budget of the European Union:

(a) levies, premiums, additional or compensatory amounts, additional amounts or factors, Common Customs Tariff duties and

¹⁹ Council Decision (2007/436/EC, EURATOM) of 7 June 2007 on the system of the European Communities' own resources (OJ L 163, 23.6.2007, p. 17) hereinafter referred to as OR.

other duties established or to be established by the institutions of the Communities in respect of trade with non-member countries, [...] other duties provided for within the framework of the common organization of the markets in sugar;

(b) [...], the application of a uniform rate valid for all Member States to the harmonised VAT assessment bases determined according to Community rules. The assessment base to be taken into account for this purpose shall not exceed 50% of GNI for each Member State, [...];

(c) [...], the application of a uniform rate — to be determined pursuant to the budgetary procedure in the light of the total of all other revenue — to the sum of all the Member States' GNIs.

Article 3: *1. The total amount of own resources allocated to the Communities to cover annual appropriations for payments shall not exceed 1,24% of the sum of all the Member States' GNIs.*

Article 6: *The revenue referred to in Article 2 shall be used without distinction to finance all expenditure entered in the general budget of the European Union.*

5.1. The financial autonomy of the European Communities: the own resources system

The provision of Art. 269 (1) of the TEC and *own resources' decision* establish the financial autonomy of the EC. This is why these resources are defined as *own*. The collection of them is centralized, non-returnable and legally secured. Any failures in transferring funds by member states are recognized as a failure to fulfill the obligation under the Treaties. In the literature *own resources* is defined as: ... *tax revenue allocated irrevocably to the Community to finance its budget and accruing to it automatically without the need for any subsequent decision by the national authorities.*²⁰

20 European Commission, *European Union...*, p. 101.

5.2. Traditional Own Resources (TOR)

The first two categories are defined as *natural own resources* (also: *traditional own resources*), as they have existed since 1970, when the system was established.²¹ The member states are required to accrue these funds from legal entities and individuals. 25% of the revenue remains in national budgets as the collection costs.

5.3. The VAT resource

The VAT revenue is collected from all member states by applying *uniform rate* amounting to 0.30% of tax base; however in the years 2007-2013 the rate applied for Austria amounts to 0.225%, for Germany - 0.15%, for Netherlands and Sweden - 0.10%. The lower payments approved for the states mentioned above are the result of the mechanism of the “British rebate”, which was granted to the UK in 1984. It is a form of compensation because the UK was given lower payments within the confines of the Common Agriculture Policy in relation to other member states, especially France. The rebate reduces VAT payments of the UK, but is financed by other member states. The lower rates of VAT revenue of the above mentioned states are the result of their status as the largest *net-payers* of the EC budget.

5.4. The Gross National Income resource as the fourth resource

Own payments of member states, the so called *the fourth source*, are of supplementary character. They are settled after the calculation of what percentage of the GNI is made by the first three sources. Following the above calculation, the remaining shortage is met to the extent of the actual budget need for the respective year, but the sum of all revenue cannot exceed 1.24% of the GNI.

21 European Commission, *European Union...*, pp. 103-108.

5.5. Miscellaneous revenue

Other revenue from the general budget resulting from specific legal acts is as follows²²:

- 1) surplus from the previous financial year;
- 2) revenue accruing from people working with EU institutions and other community bodies;
- 3) revenue accruing from administrative operations of these institutions;
- 4) interest on late payments and fines;
- 5) revenue resulting from the European Community guarantee for borrowing and lending operations in the member states;
- 6) capital repayments and interests in respect of loans granted by the Commission.

Useful links:

European Commission, Where does the money come from?

http://ec.europa.eu/budget/budget_glance/where_from_en.htm

European Commission, Financing the budget

http://ec.europa.eu/budget/budget_detail/financing_en.htm

European Commission, Financing system

http://ec.europa.eu/budget/documents/eu_financing_system_en.htm

European Commission, Reports on the financing of the European Union

http://ec.europa.eu/budget/documents/agenda_2000_reports_financing_en.htm

22 Part B, Titles 3-9 of the General statement of revenue by budget heading, Final adoption of the General budget of the European Union for financial year 2008 (OJ L 71, 15.3.2008, p. 1).

6. Expenditure of the general budget

BASIC DEFINITIONS:

Commitment appropriations - expenditure which corresponds to the total cost of the legal commitments entered into during the current financial year.

Payment appropriations - expenditure which corresponds to the payments made to honor the legal commitments entered into in the current financial year and/or earlier financial years.

Expenditure of policy areas - expenditure from the general budget allocated to EC's and EU's main fields of activity, e.g.: enterprise, competition, employment and social affairs, energy and transport, environment, agriculture rural development. There are 31 policy areas placed in the third section (Commission's section) of the general budget of EC.

INTRODUCTION:

EU's budget law comprises certain categories of budgetary expenditure. Some groups of expenditure (appropriations) can be distinguished:

- 1) with regards to the type of expenditure:
 - administrative and operational expenditure [Art. 41 (2) of the FR];
 - compulsory and non-compulsory expenditure (legal criterion - part C of the IIA);
- 2) with regards to legal forms of expenditure:
 - differentiated appropriations: commitment and payment appropriations [Art. 7 (2) and (3) of the FR];

- grants - donations (Art. 108 of the FR);
- transfers - payments to beneficiaries with no equivalents, e.g.: contributions paid by the Communities as subscriptions to bodies of which they are members; expenditure implemented as a part of shared, decentralised or joint management (see point 8.2), pensions;
- payable expenditure. e.g. expenditures on members and staff of the institutions, loans, risk-bearing instruments of the Community.

Treaty establishing the European Community

Article 271: The expenditure shown in the budget shall be authorised for one financial year, unless the regulations made pursuant to Article 279 provide otherwise.

Council Regulation (EC, EURATOM) No 1605/2002 on the financial regulation applicable to the general budget of the European Communities

Article 7: 1. The budget shall contain differentiated appropriations, which shall consist of commitment appropriations and payment appropriations, and non-differentiated appropriations.

2. Commitment appropriations shall cover the total cost of the legal commitments entered into during the current financial year, [...]

3. Payment appropriations shall cover payments made to honour the legal commitments entered into in the current financial year and/or earlier financial years.

Article 41: 1. Commission revenue and the revenue and expenditure of the other institutions shall be classified by the budgetary authority according to their type or the use to which they are assigned under titles, chapters, articles and items.

2. The statement of expenditure for the Commission section shall be set out on the basis of a nomenclature adopted by the budgetary authority and classified according to purpose.

A title shall correspond to a policy area and a chapter shall, as a rule, correspond to an activity.

Each title may include operational appropriations and administrative appropriations.

The administrative appropriations for a title shall be grouped in a single chapter.

Interinstitutional Agreement between the European Parliament, the Council and the Commission on budgetary discipline and sound financial management

C. Classification of expenditure

34. The institutions consider compulsory expenditure to be expenditure necessarily resulting from the Treaties or from acts adopted in accordance therewith.

35. The preliminary draft budget is to contain a proposal for the classification of each new budget item and of each budget item with an amended legal base.

If they do not accept the classification proposed in the preliminary draft budget, the European Parliament and the Council will examine the classification of the budget item concerned on the basis of Annex III.

6.1. Administrative and operational expenditure

The administrative expenditure covers costs of functioning of the Community institutions.

Operational expenditure is allocated to the financial objectives and areas of the EC's and the EU's activity. In the Financial Perspective 2007-2013, this expenditure is generally included under specific headings (see point 3.3.) with some exceptions, and Heading 5 - *Administration*. In the EC, the annual budget operational expenditure is presented in more detail and is classified according to the policy areas.

6.2. Compulsory and non-compulsory expenditure

Pursuant to point 34 of IIA, compulsory expenditure is such payments (considered by the Community institutions) which necessarily arise from the Treaties or from the acts adopted in accordance therewith.

6.3. Differentiated and non-differentiated appropriations

Art. 7 of the FR allows us to distinguish between differentiated and non-differentiated appropriations, the key difference being a limited spending period (a financial year).

Non-differentiated appropriations are planned and distributed in one financial year: these consist of administrative expenditure and refunds to member states. Differentiated appropriations consist of commitment and payment appropriations, and may concern different financial years. The first ones reflect the legal liabilities incurred in the current financial year, but their maturities may fall in the same or the following year.

Payment appropriations cover commitments when they are matured.

Useful links:

European Commission, Policy areas

http://ec.europa.eu/budget/budget_detail/policy_areas_en.htm

European Commission, Documents, Budget in figures

http://ec.europa.eu/budget/documents/budget_current_year_en.htm

Budget on line, 2008 General budget, Section 3 - Commission

http://eur-lex.europa.eu/budget/data/D2008_VOL4/EN/index.html

7. Establishment of the general budget

BASIC DEFINITIONS:

Preliminary draft budget - draft of the general budget prepared by the Commission and submitted to the Council not later than 1 September of the year preceding that in which the budget is to be implemented.

Draft budget - draft of the general budget passed by the Council in first reading after submitting by the Commission and afterwards forwarded to the European Parliament.

Budget authority - Community institutions accountable for passing the general budget during a legal procedure in two readings - the Council and the European Parliament.

Triologue - common session of the Commission, the Council and the European Parliament, within the confines of budget establishment procedure, in order to achieve common standpoints, accelerate and simplify the next stages of the procedure.

INTRODUCTION:

The procedure of establishing the general budget is based on the Treaty (see Art. 272 of the TEC). It has been expressly separated in the TEC, which proves its constitutional nature. One should emphasize here that it does not have a supplementary character - the provisions of the procedure are not *lex specialis* with reference to other legislative procedures provided for in the TEC (co-operation, co-decision, consultation and conciliation procedures). The general budget is established on the basis of a budgetary procedure without any references to other legislative proceedings. Consequently it can be concluded that the budgetary procedure is a complex one, as it includes all relevant stages until its final adoption.

Treaty establishing the European Community

Article 272: 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, acting by a qualified majority, shall establish the draft budget and forward it to the European Parliament.

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

The European Parliament 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 45 days of the draft budget being placed before it, the European Parliament has given its approval, the budget shall stand as finally adopted. If within this period the European Parliament has not amended the draft budget nor proposed any modifications thereto, 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*

European Parliament shall declare that the budget has been finally adopted.

8. *However, the European Parliament, acting by a majority of its Members and two thirds of the votes cast, may, if there are important reasons, reject the draft budget and ask for a new draft to be submitted to it.*

Council Regulation (EC, EURATOM) No 1605/2002 on the financial regulation applicable to the general budget of the European Communities

Article 37: 1. If there are unavoidable, exceptional or unforeseen circumstances, the Commission may present preliminary draft amending budgets.

Requests for amending budgets, in the same circumstances as referred to in the preceding paragraph, from institutions other than the Commission shall be sent to the Commission.

7.1. Drawing up the preliminary draft budget

The provisions of Art. 272 (3) of the TEC and also Art. 33 of the FR grant the Commission an exclusive legislative right. This means that only the Commission has rights and obligations, at the same time, to draw up the preliminary draft budget and place it before the Council not later than 1 September in the first reading. Although the Council receives the draft in the year preceding that in which the budget is to be implemented, in fact the Commission prepares the general budget two years earlier.

7.2. Procedures of readings of the general budget

The procedure of establishing the general budget is comprised of two readings which are alternately carried out before the Council and the European Parliament (there are readings before the Council and two readings before the Parliament). However, it does not mean that two readings always take place. The budget may have already been established after the first reading. These two institutions are responsible for the establishment of the budget, therefore they are called the *budgetary authority*.

7.3. Passing and the final adoption of the general budget

Every reading stage during the procedure of budget establishment finishes in a vote on changes entered in the draft. The Council as

well as the Parliament has to accept any proposed modifications, mainly relating to modifications to compulsory and non-compulsory expenditure. However, the regulations on budgetary procedure do not entitle the institutions of the budgetary authority to unrestrained activity in this matter, but strictly define where and in what range the changes may be entered.

Formally, the procedure is concluded with the resolution of the President of the European Parliament in which s/he affirms that the general budget is finally adopted (final adoption of the general budget of the European Union)²³. From this point the budget must be published within three months.

7.4. Amending general budget during the financial year

Modifications to the general budget during the financial year occur quite frequently, on average several times. They are entered following a special legal form - *amending budgets*. Every amending budget has its own successive number, e.g. amending budget no 1²⁴, amending budget no 2. etc.

Useful links:

European Commission, Deciding the budget

http://ec.europa.eu/budget/budget_detail/deciding_en.htm

European Commission, Documents, Financial year

http://ec.europa.eu/budget/documents/budget_current_year_en.htm

European Parliament, Committee on Budgets

http://www.europarl.europa.eu/comparl/budg/default_en.htm

23 Final adoption of the General budget of the European Union for financial year 2008 (OJ L 71, 15.3.2008, p. 1).

24 See: Final adoption of amending budget No 1 of the European Union for financial year 2008 (OJ L 175, 4.7.2008, p. 1).

European Parliament, Activities, Committee on Budgets, Budgetary procedures

<http://www.europarl.europa.eu/activities/committees/usefulLinksCom.do?language=EN&body=BUDG>

Council of the European Union, Economic and Financial Affairs

<http://www.consilium.europa.eu/>

8. Implementation (execution) of the general budget. Budgetary audit and discharge

BASIC DEFINITIONS:

Principles of general budget implementation - general rules which define how the general budget should be implemented, in particular: methods of implementation, accountability and duties of the financial actors, procedures of allocation of appropriations. The scope of these principles is narrower than budgetary principles.

Basic act - legal act which must be adopted before spending money from the general budget and provides a legal basis for allocation appropriations; basic acts are: regulation, directive, decision, *sui generis* decision.

Budgetary discharge - is the decision by which the European Parliament, on the basis of the recommendation from the Council, accepts the way the budget is implemented: revenue and expenditure operations.

Financial actors - European officials who take part in process of implementation of the general budget: authorising officer, accounting officer, imprest administrator.

INTRODUCTION:

The implementation of the general budget is, generally speaking, the next stage in a budgetary procedure after its establishment. The budget is recognized as a financial plan which should lead to its realization. Naturally, every plan has an element of uncertainty and it is not reasonable to expect a 100 per cent effectiveness. The process of implementation mainly consists of revenue and expenditure operations; it is essential for these operations to be carried out legally (in accordance with Community law), within fixed dates and by those nominated as *financial actors*.

The process of implementation (with all its elements) has to be controlled because it concerns expenditure of public funds. Therefore, the institutions of internal and external control (audit) as well as of budgetary discharge that approve the whole process of budget implementation are established.

Treaty establishing the European Community

Article 274: The Commission shall implement the budget, in accordance with the provisions of the regulations made pursuant to Article 279, on its own responsibility and within the limits of the appropriations, having regard to the principles of sound financial management. Member States shall cooperate with the Commission to ensure that the appropriations are used in accordance with the principles of sound financial management.

Article 275: The Commission shall submit annually to the Council and to the European Parliament the accounts of the preceding financial year relating to the implementation of the budget. The Commission shall also forward to them a financial statement of the assets and liabilities of the Community.

Article 276: 1. The European Parliament, acting on a recommendation from the Council which shall act by a qualified majority, shall give a discharge to the Commission in respect of the implementation of the budget. To this end, the Council and the European Parliament in turn shall examine the accounts and the financial statement referred to in Article 275, the annual report by the Court of Auditors [...].

Council Regulation (EC, EURATOM) No 1605/2002 on the financial regulation applicable to the general budget of the European Communities

Article 49: 1. A basic act shall first be adopted before the appropriations entered in the budget for any action by the Communities or by the European Union may be used.

A basic act is a legal act which provides a legal basis for the action and for the implementation of the corresponding expenditure entered in the budget.

Article 50: *The Commission shall confer on the other institutions the requisite powers for the implementation of the sections of the budget relating to them.*

Article 52: *1. All financial actors and any other person involved in budget implementation, management, audit or control shall be prohibited from taking any action which may bring their own interests into conflict with those of the Communities.*

Article 53: *The Commission shall implement the budget in accordance with the provisions set out in Articles 53a to 53d in any of the following ways:*

- (a) on a centralised basis;*
- (b) by shared or decentralised management;*
- (c) by joint management with international organisations.*

Article 58: *The duties of authorising officer and accounting officer shall be segregated and mutually incompatible.*

8.1. Principles of general budget implementation

The Financial Regulation creates some general principles strictly concerning the process of budget implementation. Not all of them are literally defined by law but they may be open to interpretation. The most important principles are:

- 1) principle of basic act superiority (Art. 49 of the FR),
- 2) principle of handing over competences (Art. 50-51 of the FR),
- 3) principle of preventing a conflict of interests (Art. 52 of the FR),
- 4) principle of segregation of duties (Art. 58 of the FR),

8.2. Implementation methods of the general budget

On average, over €120 billion is concentrated on the revenue side in every general budget for a fixed financial year. Over 80% of this amount is transferred to member states and third party countries. Even though the Commission is mainly responsible for the budget implementation, it is impossible for this institution to control the legality of money spent from the general budget unaided. Therefore, the Financial Regulation (see Art. 53 and the following) establishes the following implementation methods of the general budget:

- 1) method of centralization, in which the budget is implemented directly by the Commission and indirectly by other institutions, e.g. executive agencies, Community agencies;
- 2) method of shared management, where the implementation tasks are delegated to member states;
- 3) method of decentralized management, in which the budget is implemented together with third countries;
- 4) method of joint management with international organizations.

8.3. External audit - the role of the Court of Auditors

The control of revenue and expenditure operations is closely connected with budget implementation. Apart from internal control, a special independent body has been established for external control (audit) - The Court of Auditors exists in each Community institution included in the sections of the budget. Pursuant to Art. 140 of the FR, this institution is responsible for checking that revenue and expenditure operations are carried out in a legal and proper manner. The Court is also entitled to receive financial statements from Community institutions.

8.4. Budgetary discharge

Budgetary discharge is a consequence of the process of budget implementation. After the budget has been established and implemented, it is necessary to determine how revenue and expenditure have been

collected and spent. In accordance with the provisions of the TEC and the FR, budgetary discharge is given to the Commission by the European Parliament with a qualified majority on the Council's recommendation, before 15 May of year $n+2$. It means that the discharge is voted after 2 years from the financial year in which the budget was implemented.

Budget law does not specify what would happen in the case of the discharge being refused. Initially, when the appropriate provisions were adopted, the interpretation was such that the Commission was forced to resign. However, political practice shows something else occurred. In 1984 and 1999 when the European Parliament refused to discharge, the Commission did not resign.²⁵ Therefore, the budgetary discharge decision may be recognized as a political decision, but not a legal one.

Useful links:

European Commission, How is the Community budget managed?

http://ec.europa.eu/budget/sound_fin_mgt/how_who_en.htm

European Commission, External audit

http://ec.europa.eu/budget/sound_fin_mgt/external_audit_en.htm

European Commission, Discharge

http://ec.europa.eu/budget/sound_fin_mgt/discharge_en.htm

European Courts of Auditors

<http://eca.europa.eu/>

European Parliament, Committee on Budgetary Control

http://www.europarl.europa.eu/comparl/cont/site/default_en.htm

The European Anti-Fraud Office

http://www.europarl.europa.eu/comparl/cont/site/default_en.htm

25 European Commission, *European Union...*, p. 310; D. Strasser, *op. cit.*, p. 291.

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10. Glossary

absolve (v.)	-	to acquit, release
accrue (v.)	-	to accumulate, grow,
appropriation (n.)	-	allocation
assignment (n.)	-	transfer of ownership or rights
binding (adj.)	-	compulsory; executed with proper legal authority
cohesion (n.)	-	unity, union
commitment (n.)	-	obligation, promise
convergent (adj.)	-	approaching each other
disclosure (n.)	-	exposure
draft (n.)	-	a preliminary version
equilibrium (n.)	-	balance
maturity (n.)	-	date when an obligation becomes due
procurement (n.)	-	purchase, sale, acquisition
pursuant (adj.)	-	in accordance with
revenue (n.)	-	income, return, gains;
surplus (n.)	-	excess, extra

Based on:

Merriam-Webster: www.merriam-webster.com

Babylon: www.dictionary.babylon.com

11. Quiz

I. Decide if the following sentences are true or false (5 pts)

1. The Treaty establishing the European Community and the Treaty establishing the European Atomic Energy Community, regulating individual elements of the general budget, stipulate its uniform legal definition.
2. The current FP will still be in force in 2014.
3. Budgetary principles have been described precisely in FP.
4. Payment appropriations belong to the category of differentiated appropriations.
5. There are four principles concerning the process of budget implementation.

II. Match the phrases with the definitions given below. There are some extra words (5 pts)

basic act *budgetary act* *budgetary principles*
commitment appropriations *hard law* *payment appropriations*
primary law *secondary law* *soft law* *unity of budget*

- a. regulations, directives and addressed decisions pursuant to Art. 249 of the TEC
- b. non-binding law
- c. general rules which define how the general budget should be internally constructed, established and implemented, particularly - how appropriations should be collected and spent
- d. formally - all appropriations should be included in a single legal act - a budgetary act, substantially - all appropriations allocated

to achieve the Communities' objectives must be placed in a general budget

- e. expenditure which corresponds to the payments made to honour the legal commitments entered into in the current financial year and/or earlier financial years

III. Enumerate at least five budgetary principles (5 pts)

1. Principle of _____
2. Principle of _____
3. Principle of _____
4. Principle of _____
5. Principle of _____

IV. Complete the abbreviations and explain what institutions they are (5 pts)

FP _____

VAT _____ Tax

GNI Gross _____ Income

TOR _____ Own Resources

the TEC _____ establishing the European Community

V. Complete the extract with the words given below (5 pts)

<i>budget</i>	<i>Council</i>	<i>the Financial</i>
<i>Regulations</i>	<i>opinion</i>	<i>procedure</i>

Treaty establishing the European Community

The _____, acting unanimously on a proposal from the Commission and after consulting the European Parliament and obtaining the _____ of the Court of Auditors, shall:

- (a) make _____ specifying in particular the _____ to be adopted for establishing and implementing the _____ and for presenting and auditing accounts;
- (b) lay down rules concerning the responsibility of financial controllers, authorising officers and accounting officers, and concerning appropriate arrangements for inspection.

From 1 January 2007, the Council shall act by a qualified majority on a proposal from the Commission and after consulting the European Parliament and obtaining the opinion of the Court of Auditors .

VI. Match the columns (5 pts)

- | | |
|------------------------|----------------|
| 1) draft | a) audit |
| 2) non-compulsory | b) expenditure |
| 3) budgetary | c) agreement |
| 4) external | d) budget |
| 5) inter-institutional | e) discharge |

VII. Complete the gaps with an appropriate preposition (5 pts)

for from in on with

Article 50: *The Commission shall confer _____ the other institutions the requisite powers _____ the implementation of the sections of the budget relating to them.*

Article 52: *1. All financial actors and any other person involved _____ budget implementation, management, audit or control shall be prohibited _____ taking any action which may bring their own interests into conflict _____ those of the Communities.*

Both glossary and quiz were prepared by Halina Sierocka