

Annual EU budgetary procedure

An introduction to the steps in the EP

SUMMARY

The European Parliament (EP) and the Council are the budgetary authority of the European Union. The two institutions, assisted by the European Commission, decide on the budget in the annual EU budgetary procedure.

The annual EU budget funds EU policies and programmes following the Union's political priorities and legal obligations. The financial year starts on 1 January and ends on 31 December.

The European Parliament amends the Council position through the work of its Committee on Budgets (BUDG) and the specialised parliamentary committees. The EP then adopts the Parliament's reading in plenary session.

This briefing presents possible scenarios set in the EU Treaties for adoption or non-adoption of the annual budget. It explains differences between the Treaty calendar and the 'pragmatic calendar'.

The key actors in establishing the Parliament's position are: the Committee on Budgets and EP specialised committees, in particular the BUDG chair, the annual budget rapporteurs and their shadows, BUDG coordinators and budget rapporteurs in specialised committees.

An amendment to the Council's position is a tool enabling Members of the European Parliament to modify the annual budget draft. This briefing sketches the life cycle of such an amendment.

The European Parliament and the Council work out an agreement on the annual budget through negotiations consisting of trilogue meetings and conciliation.

Last but not least, this briefing explains what happens if there is no agreement on the EU annual budget.



In this Briefing

- What is the annual EU budget?
- Steps and timing of the annual budgetary procedure
- Who does what in the EP in the budgetary process?
- Life cycle of a budgetary amendment in the European Parliament
- What happens in the case of non-agreement of the budget?

What is the annual EU budget?

The annual EU budget funds the EU's policies and programmes following the Union's political priorities and legal obligations. It lays down all of the European Union and the European Atomic Energy Community expenditure and revenue for one financial year, which starts on 1 January and ends on 31 December.

The Treaty on the Functioning of the EU (TFEU) and specifically its [Articles 312-324](#) is the legal basis for the EU budget. For the European Atomic Energy Community, it is the Treaty establishing the European Atomic Energy Community and namely [Articles 171, 174, 176](#) and [182](#). The main secondary sources for EU budget law include the [Financial Regulation, Multiannual Financial Framework \(MFF\) Regulation](#) and an [Interinstitutional Agreement](#). The Financial Regulation lays down the principles of the budget and details the rules for its implementation. The MFF Regulation sets the EU multiannual financial plan for the years 2014-2020, including political priorities and annual budgetary ceilings. The Interinstitutional Agreement between the European Parliament, the Council and the Commission deals with budgetary discipline and details the roles of the institutions as far as cooperation in budgetary matters and sound financial management are concerned. Within the European Parliament, its [Rules of Procedure](#) (Title II, Chapter 6) refer to budgets.

The European Commission drafts an annual budget within the limits set in the Multiannual Financial Framework (MFF). All amounts are expressed in euros. Each expenditure and revenue item in the budget corresponds to one budget line.¹

The budget is organised institution by institution and accordingly organised in separate [sections](#). The Parliament's section is the first and the European Commission's the third (see Annex 1 for a complete list of the sections).

The European Commission's expenditure accounts for 95 % of EU budget expenditure, as most of the policies and programmes are executed by the Commission. The Commission's budget is organised under titles corresponding to the European Union policies. Each budget item mentions the appropriations provided for the financial year concerned (year n). For information, it also contains amounts budgeted for the preceding financial year (year n-1) and for the last financial year for which the accounts have been closed (year n-2). Moreover, the budget includes references to legal bases or other explanations concerning the nature and purpose of the appropriations. The budget also contains details of administrative expenditure such as on staff and buildings.

Steps and timing of the annual budgetary procedure

The annual budgetary procedure starts with the European institutions preparing estimates of their expenditure for the forthcoming year. The European Commission processes those estimates and produces a [draft budget](#), including for the revenue side. A draft budget is accompanied by a series of ['working documents'](#) (see Annex 2 for the complete list of working documents of the draft budget). The [Council](#) amends the Commission's draft budget and forwards its position to the European Parliament.

The European Parliament amends the Council's position through the work of its [Committee on Budgets](#) and the specialised parliamentary committees. The Parliament then adopts its reading in plenary. As [generally there are differences between the Council's and Parliament's](#) positions, a Conciliation Committee is convened with the aim to work out a joint text. If that fails, the Commission is obliged to present a new draft budget.

The annual EU budgetary procedure is described in detail in the Treaty on the Functioning of the EU (Articles 312-324). The Treaty provides for several alternative scenarios for the adoption or the non-adoption of the annual budget. Some of those scenarios are highly unlikely, as they would imply one of the arms of the budgetary authority abandoning its powers (see Annex 3 for the possible Treaty scenarios framed in the pragmatic calendar).

The Treaty sets the deadlines for the different steps. However the [Treaty deadlines](#) differ from the deadlines of established practice set out in the 'pragmatic calendar'. The [pragmatic calendar](#) is based on deadlines that are considerably earlier than the Treaty provisions. This gives the institutions more time to elaborate their positions and also more time to reach an agreement (see Table 1 for a comparison between the Treaty calendar and the pragmatic calendar, using the case of the [2020 budgetary procedure](#) as an example).

Table 1 – Steps and timing of the annual budgetary procedure

Step	Treaty calendar	Pragmatic calendar	2020 calendar
Estimates of expenditure	1 July	End of March	Council: 12 February 2019 Parliament: 28 March 2019
Draft budget	1 September	End of April/ beginning of May (June in EP election years)	5 June 2019
Council reading	1 October	End of July	11 July 2019
Parliament reading	Not later than 42 days after Council reading	End of October	23 October 2019
Conciliation	21 days from the day of its convocation	Following the Treaty calendar	29 October to 18 November 2019 Potential adoption of joint text by EP: 27 November 2019

Source: EPRS.

Following the pragmatic calendar, the Council publishes its reading in July, but waits for the formal adoption of its position until the end of August/beginning of September. This enables the European Parliament to meet the deadline of 42 days after the Council to adopt its position, and avoids the arrival of the Council's position in the middle of the summer recess.

Who does what in the EP in the budgetary process?

The European Parliament and the Council are the budgetary authority. The two institutions, assisted by the European Commission, decide on the budget in the annual EU budgetary procedure. The European Parliament is tasked with amending the Council's position, and then in negotiations with the Council, with reaching an agreement, and finally with adopting the EU budget.

The [Committee on Budgets](#) of the European Parliament is responsible for preparing the European Parliament's position on the annual budget. This position, consisting of the budgetary amendments and the budget resolution is then adopted by the EP in plenary.

Every year, the BUDG committee appoints two rapporteurs responsible for annual budget preparations. One of them is the general rapporteur, and the other the rapporteur for other sections. The general rapporteur deals with Section III (European Commission), while the rapporteur for other sections deals with the rest of the EU budget, including the budget of the European Parliament.

Each specialised committee of the EP chooses its own budget rapporteur. This rapporteur is responsible for the opinion and amendments decided by that specialised committee.

The chair of BUDG leads the votes in the Committee on Budgets and leads the budgetary negotiations with the Council within trilogue meetings. Even if, formally, the EP President leads the EP delegation in conciliation, this role is usually delegated to the BUDG chair.

Life cycle of a budgetary amendment in the European Parliament

Members of the European Parliament can modify the annual budget through amendments to the Council's position. There are different entry points for such amendments. Members and substitute Members of the BUDG committee can table their amendments directly in that committee. Other Members can table an amendment in their specialised committee. Alternatively, together with a group of 38 members or via a political group, they can table an amendment directly before the whole Parliament in plenary (see the visualisation of these possibilities in the graph in Annex 4, 'Lifecycle of a budgetary amendment').

It should be noted that the deadlines for tabling amendments and the possibility of re-tabling an amendment for vote in plenary differ, depending who the author(s) are. In the case of amendments by individual Members, once such an amendment is rejected by the BUDG committee, it cannot be re-tabled for vote in plenary session. However, amendments tabled by a group of at least 38 Members, a specialised committee, or by a political group, can be re-tabled in plenary.

The EP's specialised committees prepare their opinions on the forthcoming year's budget, and once the Council's position is adopted, also prepare budgetary amendments to the Council position.

Budgetary amendments are processed by the BUDG committee. The chair of BUDG decides on their eligibility, and the rapporteurs with the overview of the amendments propose a coherent set, respecting the limits of the MFF and in some cases calling for flexibility instruments.

The BUDG coordinators' meetings agree on the draft compromise amendments proposed by the rapporteurs. Moreover, the budget rapporteurs prepare for voting on the amendments by aggregating the amendments in 'Block amendments'. A block amendment gathers together several amendments, which are then voted together by the BUDG committee.² Usually, block amendments reflect the headings of the MFF, and pilot projects and preparatory actions tend to be voted in one block amendment.³

Once the BUDG committee adopts its amendments, it also adjusts its draft budgetary resolution clarifying its position and recalling priorities. The budgetary resolution is adopted at a subsequent BUDG committee meeting.

Budgetary trilogues

During the year, the European Parliament, the Council and the European Commission meet several times in trilogues, with the aim of bringing their positions closer. Usually these meetings take place in March, July and October.

The European Parliament adopts a series of intermediate documents stating and explaining its position. It starts with the '[General Guidelines for the next year's budget](#)' published in March ahead of the draft budget preparation. Next, the Parliament adopts its [mandate for the July trilogue](#) with the Council, following the publication of the Council's position. One more trilogue takes place ahead of the adoption of the EP position, in October.

Throughout the budgetary procedure the budget rapporteurs publish [Working Documents](#), which serve as an information source for the Members of the BUDG committee.

The secretariat of the Parliament's Committee on Budgets publishes a series of '[BUDG procedure documents \(Docs\)](#)' (see Table 2). The 'Docs' present budget lines with corresponding amendments following different stages in the processing of the draft budget. They are numbered, and Doc 4 is the basis of the voting list during the vote in the BUDG committee.

An important forum for building a compromise on the Parliament's position is the BUDG coordinators' meeting. This body consists of the chair and deputy chairs of BUDG, political groups' budget coordinators and budget rapporteurs. Shadow budget rapporteurs also take part in the coordinators' meetings dealing with the budgetary procedure.

Table 2 – BUDG Secretariat procedure documents

Doc 1 – Draft Budget
Doc 2 – Council's position
Doc 3 – Amendments tabled with Plenary Sitting Service
Doc 4 - Amendments submitted to BUDG
Doc 5 - Amendments not adopted by BUDG
Doc 6 - Amendments adopted by BUDG

Conciliation

Once the plenary of the EP adopts its position amending the Council's reading, the President of the EP, in agreement with the Council, convenes a meeting of the Conciliation Committee.

The President of the EP and the rotating Council presidency chair the Conciliation Committee. However, the EP President can delegate this task to the BUDG chair. The EP delegation is composed of 28 Members chosen by political groups. The chair of BUDG and the budget rapporteurs lead the negotiations on behalf of the EP. The Council delegation consists of representatives from the 28 Member States and is chaired by the rotating presidency.

The aim of the Conciliation Committee is to agree the positions of the Council and of the European Parliament, formulated in a 'Joint Text'. The Conciliation Committee has 21 days to agree the Joint Text. If this deadline expires, the European Commission has to submit a new draft budget, and the annual budgetary procedure then restarts.

What happens in the case of non-agreement of the budget?

The two arms of the EU budgetary authority, that is the European Parliament and the Council, have to agree a common position before the end of the year.

If conciliation fails to bring an agreement within 21 days, the Commission is obliged to present a new draft budget. Trilogues would continue informally, so that the Council and the Parliament reach a compromise before carrying out their respective readings. If still there is no agreement on the EU budget by 31 December, the system of 'provisional twelfths' comes into force automatically. This means that each chapter of the budget will be funded monthly, up to a maximum of one twelfth of its appropriations of the previous year or of the draft budget, whichever is the lowest. This is a temporary default system, where there is no need for a decision by the EU budgetary authority to enter provisional monthly budgets. When an agreement is reached, the adopted budget can apply retroactively to the full year.

ENDNOTES

- ¹ This follows the principle of specification (Chapter 6 of the [Financial Regulation](#)), one of the principles of the Union budget. Other budget principles include: unity, budgetary accuracy, annuality, equilibrium, universality, sound financial management and performance and transparency.
- ² For more on pilot projects and preparatory actions in the annual budget procedure see the parallel EPRS 'At a glance' note, [Pilot projects and preparatory actions in the annual EU budgetary procedure](#), July 2019.

MAIN REFERENCES

[Regulation \(EU, Euratom\) 2018/1046](#) of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, OJ L 193, 30.7.2018.

[European Union Public Finance](#), Directorate-General for Budget, European Commission, 5th ed., Luxembourg, 2014.

[Treaty on the Functioning of the European Union](#), OJ C 202, 7.6.2016.

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[Council Regulation](#) (EU, Euratom) No 1311/2013 of 2 December 2013 laying down the multiannual financial framework for the years 2014-2020 .

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EP supporting analysis

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Other sources

[Budgetary procedure](#), Directorate-General for Budget, European Commission (internal website, log-in required), December 2016.

[Committee on Budgets](#), European Parliament website, July 2019.

[How is the EU budget prepared?](#), European Commission website, April 2019.

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[The EU Budget: Presentation of DG Budget Activities and Organisation](#), Directorate-General for Budget, European Commission, April 2014.

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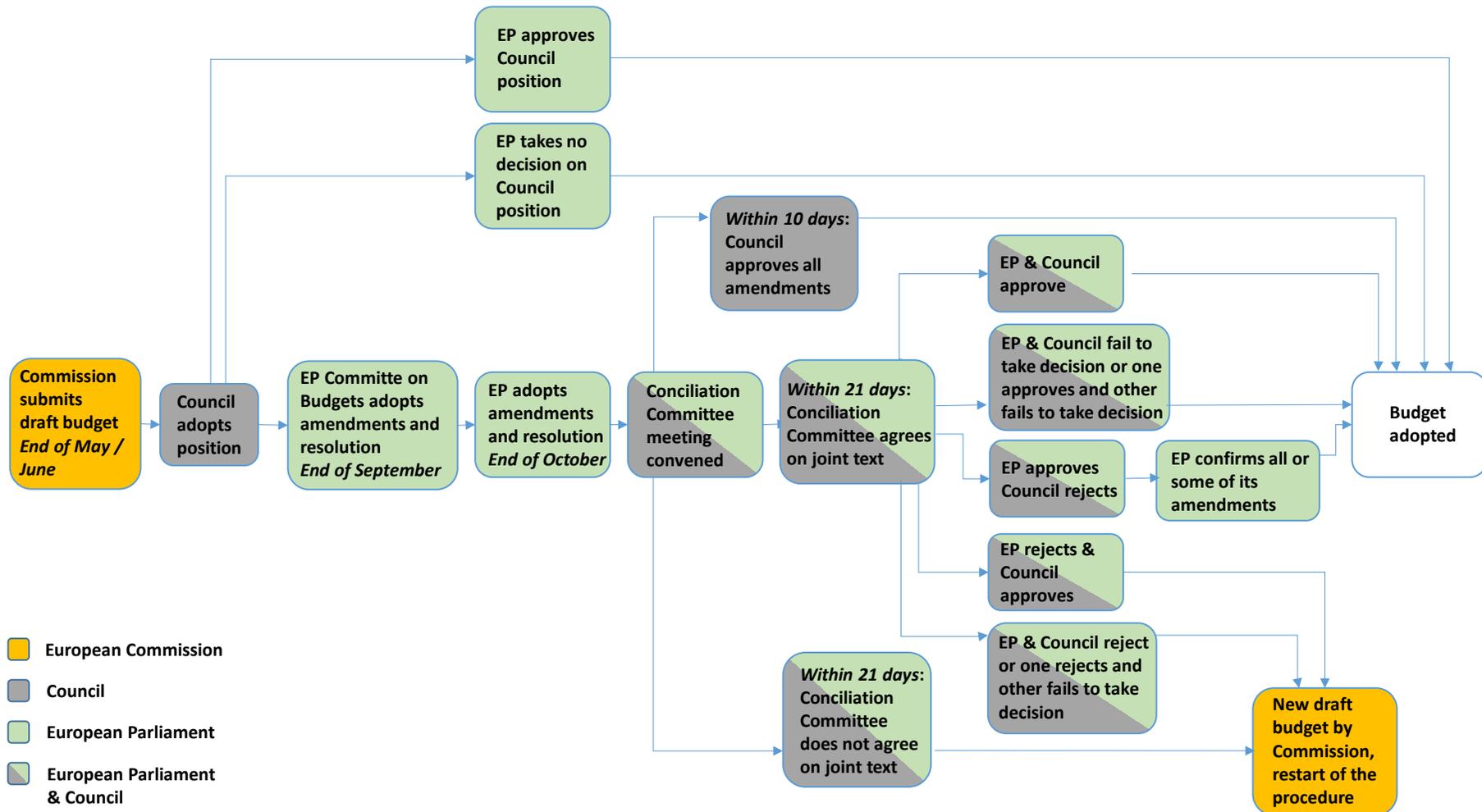
Annex 1 – Sections of the European Union budget

Section	EU Institution
Section I	European Parliament
Section II	European Council and Council
Section III	Commission
Section IV	Court of Justice of the European Union
Section V	Court of Auditors
Section VI	European Economic and Social Committee
Section VII	European Committee of the Regions
Section VIII	European Ombudsman
Section IX	European Data Protection Supervisor
Section X	European External Action Service

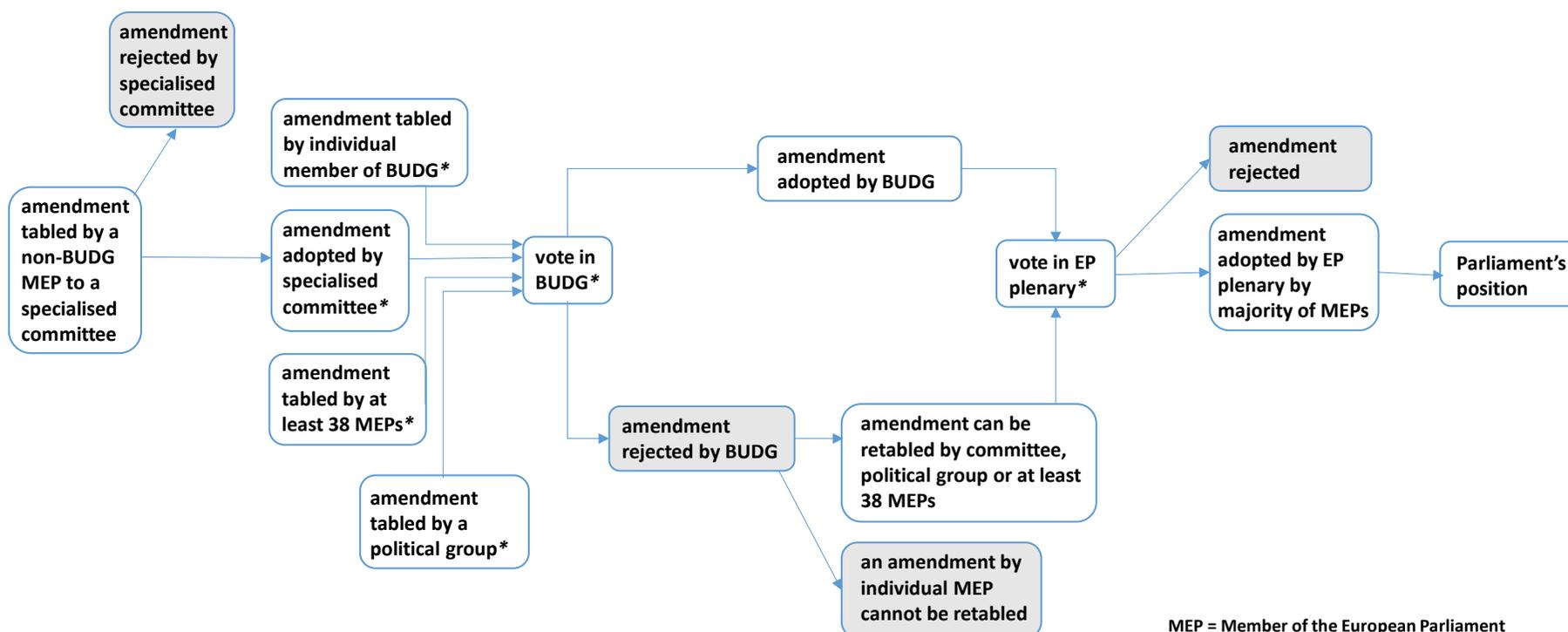
Annex 2 – Commission draft budget working documents

Number	Name
Working Document I	Programme statements of operational expenditure
Working Document II	Human resources of the EU institutions and executive agencies
Working Document III	Bodies set up by the EU having legal personality and public-private partnership
Working Document IV	Pilot projects and preparatory actions
Working Document V	Budget implementation and assigned revenue
Working Document VI	Commission expenditure under the administrative heading of the multiannual financial framework
Working Document VII	Commission buildings
Working Document VIII	Expenditure related to the external action of the European Union
Working Document IX	Funding for international organisations
Working Document X	Financial instruments
Working Document XI	EU trust funds
Working Document XII	Payment schedules

Annex 3 – Annual EU budgetary procedure: Possible Treaty scenarios and the pragmatic calendar



Annex 4 – Life cycle of a budgetary amendment in the European Parliament (EP)



MEP = Member of the European Parliament

BUDG = European Parliament's Committee on Budgets

* 2020 deadlines:

5 September for amendment tabled by individual MEP / specialised committee / at least 38 MEPS.

12 September for amendment tabled by political group.

30 September to 3 October for vote in BUDG.

23 October for vote in EP plenary.