Analytical Fiche Nr° 22

Budgetary procedure – Role of the three Institutions

1) State of play *de jure* and in practice

Timetable

The budgetary procedure for the adoption of agencies' budgets (Union¹ subsidy and establishment plan)² for year N fits into the budgetary procedure for the adoption of the general budget for year N as follows:³

- Agency provisional draft estimate of revenue and expenditure (including establishment plan), to be sent to the Commission: 10 February year N-1;
- Commission Draft Budget (DB): end-April year N-1;
- Council reading: July year N-1;
- Parliament reading: October year N-1;
- Conciliation Committee: October / November year N-1;
- Definitive agency's budget and establishment plan: after final adoption of the general budget (at the earliest November year N-1).

This timetable reflects the changes to the budgetary procedure brought about by the entry into force of the Lisbon Treaty. These changes mainly concern the abolishment of the distinction between 'compulsory' and 'non compulsory' expenditure, as well as, following the presentation of the Draft Budget (rather than the Preliminary Draft Budget) by the Commission, the replacement of the second readings of Council and Parliament by a conciliation committee, which is expected to reach a "joint text", to be approved by the two arms of the budgetary authority in accordance with their respective rules of procedure.

As such, the revised timetable does not directly impact the agencies' internal preparations for their estimates of revenue and expenditure, as the preparatory phase (agency and Commission deadlines) in practice has not changed with the entry into force of the Lisbon Treaty.

Role of the three Institutions - Commission

Article 27 of the Framework Financial Regulation requires the Commission, as part of the procedure for adoption of the general budget, to "send the Community body's statement of estimates to the budgetary authority and propose the amount of the

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¹ With the entry into force of the Lisbon Treaty, the "Community" subsidy has become the "European Union" subsidy. This will have to be corrected progressively in the applicable legislation.
² This concerns only agencies which actually receive a Union subsidy.
³ This timetable follows, on the one hand, the agency budget procedure foreseen in Article 27 of the Framework Financial Regulation as revised in July 2008 and, on the other hand, the so-called "pragmatic calendar" for the adoption of the general budget.
subsidy for the Community body and the number of staff it considers that the body needs”.

This gives the Commission a key role in assessing the needs of the agency, in terms of both Union subsidy and staffing levels. As regards the timetable as set out above, the Commission has some two months for its analysis of agency needs, between February and April year N-1.

In addition, and in accordance with Article 33 of the Financial Regulation and as requested by the budgetary authority, the Commission provides key budgetary information on agencies in a dedicated working document to the (P)DB for year N, in May year N-1.5

It should be noted that the subsidies to decentralised agencies are included in Section III (Commission) of the general budget, under the operational lines of the policy area concerned. They do not enter under heading 5 of the multi-annual financial framework (Administration).

The contribution to each decentralised agency is divided into two different budget items: the subsidy under Title I and II (staff and infrastructure expenditure) and the subsidy under Title III (operational expenditure).

Role of the three Institutions - Parliament and Council

Parliament and Council, in their roles as the two arms of the budgetary authority, decide upon the Union subsidy and staffing levels of the agencies, on the basis of the timetable set out above.

In this regard, the Lisbon Treaty puts the two arms of the budgetary authority on equal footing, for the whole budget. This includes the Union contribution to the agencies and the establishment plans which from now on will have to be agreed upon by Parliament and Council at the latest in conciliation.

Within Council, the Budget Committee makes an analysis of the Commission's DB proposals for all agencies, in the run-up to the reading of the Council. The compromise reached at Budget Committee level goes through COREPER II to the ECOFIN/Budget Council, which adopts its position on the draft budget.

Within Parliament, each specialised Committee makes an analysis of the Commission's DB proposals for the agencies for which it is responsible, with due consideration to the agencies' own estimates. At the following stage, the opinions of the specialised committees on the Council position on the draft budget are considered by the Committee on Budgets, guided by its standing-rapporteur on agencies, after close contacts with agencies' representatives (every year the Committee on Budgets organises a meeting with the decentralised agencies to discuss, inter alia, their estimates for next year's budget). The amendments tabled by the Committee on Budgets (and possibly those from other Committees not taken on board by the Committee on Budgets, or from political groups) are then submitted to the Plenary, as is the case for the overall EU budget.

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4 Joint statements, ECOFIN (Budget) Council of 13 July 2007, doc. DS 605/1/07 REV 1
The role of the Parliament and the Council as budgetary authority also links to their roles as legislative authority (see Fiche 2 on the creation of agencies) and discharge authority (see Fiche 28 on discharge).

2) Critical analysis of the issue at hand

Commission role

As requested by the Parliament and the Council, the Commission has gradually increased its role in assisting and supervising the financial management of the agencies. In line with the budgetary authority's request, one successful initiative was its new approach of taking the agencies' surpluses (to be recovered by the Commission as assigned revenue, see fiche 20) into account when establishing the preliminary draft budget 2009, with the aim of contributing to reduce the agencies' annual surpluses and the need for fresh appropriations, as well as to increase transparency surrounding these funds. It is also recognised that in the framework of the budgetary procedure the Commission provides now for more accurate working documents related to agencies' budget, especially as concerns their human and financial resources.

By and large, the Commission policies for assessing agency needs in terms of human and financial resources have broadly been accepted by the budgetary authority when they were not initiated by the latter. This concerns in particular:

- The classification of agencies, on the basis of their stage of development, as either "cruising speed", "new tasks" or "newly created" agencies, with a corresponding impact on the growth of the Union contribution and staffing levels;

- The key role of the multiannual financial programming 2007-2013 as a basis for the Union contribution;

- The deduction of assigned revenue stemming from the recovery of previous years' surpluses from the fresh appropriations required for the following year;

- Fine-tuning of the Union contribution by taking into account (recurring) "large" agency surpluses, as a percentage of revenue actually received.

- The annual submission to the budgetary authority of agencies' staffing levels, justified in the multiannual staff policy plan, which is a multiannual programming tool in the area of human resources (see fiche n°23).

From this point of view, the Commission plays an important role in assessing agency needs, in particular in the preparation of the Draft Budget. In this regard it should be noted that while through its budgetary proposal in the Draft Budget, the Commission may modify up- or downwards the EU contribution as initially requested by agencies, the consideration of assigned revenue is made at a time when previous year's surplus

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6 This was recognised by the Council in its recommendation on the discharge 2007, p. 39
7 See Council discharge 2007 and Rapport d'information sur l'évaluation de l'activité des agences européennes, Denis Badré, Sénat, Commission des affaires européennes et de la commission des finances, 7 octobre 2009, point I.C.1b
8 Op. cit., point II.A
9 See, for more details, PDB 2010 Working Document III ("agencies"), COM (2009) 300, sections 2.1.3 and 2.1.4.
is not yet final. This means that the EU contribution proposed in the Draft Budget is calculated on the basis of accounting figures which are likely to be modified after the presentation of the Draft Budget.

The entry into force of the Lisbon Treaty, and the fact that both arms of the budgetary authority have been placed on equal footing, might in practice further increase the importance of the Commission proposals, given that Parliament and Council in the past have taken diverging views on agency needs, as described below.

The Commission plays an equally important role in the implementation of the annual budget, as regards the assessment of possible amending budgets and/or transfers to modify agency contribution and/or staffing levels (similar to the Commission assessment of the agency requirements for the following year), as well as in analysing agency cash needs on the basis of forecasts of revenue and expenditure, with a view to balancing agency budgets ("cash approach"), so as to avoid agency surpluses.

Parliament role

In the past, Parliament typically used to restore the PDB proposals when Council had introduced cuts in its draft budget, as mentioned above. Some amendments of the specialised EP committees would often even go beyond the Commission proposals, although the budget as voted in Plenary in most cases corresponded to the initial Commission proposals or agencies' initial budgetary requests. However, one particular issue for which Parliament in recent years has not followed the Commission proposals concerns the deduction of assigned revenue for partially self-financed agencies, as described in more detail in fiche 20.

Council role

Experience shows that when budget cuts are made, these are usually introduced by Council. Justifications for budget cuts are often found in under-spending by agencies in previous years, which may be linked to high vacancy rates, and/or because agencies are not seen as sufficiently justifying their budget requests for (additional) human and financial resources. In this respect, it has to be stressed that at that point in the process agencies are no longer directly involved (i.e. there is no dialogue on the cuts), and budget cuts are thus largely dissociated from the process of work planning.10 This means that agencies boards have to adapt the work programme on the basis of the voted Union contribution, when adopting the final agency's budget and establishment plan. In this respect, standard flat rate abatement on requested budget increases may raise difficulties for the fulfilment of agencies' tasks. In addition, a side effect of the budget cuts made in relation to previous surpluses and vacancy rates create an incentive for spending.

In this context, the importance of dialogue between agencies and the budgetary authority has to be underlined.

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10 Evaluation 2009, Volume II, point 2.3.2, p. 56