EUROPEAN COMMISSION

SECRETARIAT-GENERAL

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- English translation of the French version which is authentic -

Brussels, 10 January 2024

TEXTE EN

<u>MINUTES</u>

of the 2474th meeting of the Commission

held in Strasbourg

(Winston Churchill building)

on Tuesday 21 November 2023

(afternoon)

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<u>Single sitting</u>: Tuesday 21 November 2023 (afternoon)

The sitting opened at 13.09 with Ms von der LEYEN, President, in the chair.

<u>Present</u>:

Ms von der LEYEN	President	
Mr DOMBROVSKIS	Executive Vice-President	Items 14 (in part) to 15
Mr ŠEFČOVIČ	Executive Vice-President	Items 1 to 14 (in part)
Mr BORRELL i FONTELLES	High Representative / Vice-President	Items 8 (in part) to 15
Ms JOUROVÁ	Vice-President	
Ms ŠUICA	Vice-President	
Mr SCHINAS	Vice-President	
Mr HAHN	Member	
Mr SCHMIT	Member	
Mr GENTILONI	Member	
Mr WOJCIECHOWSKI	Member	
Mr BRETON	Member	
Ms FERREIRA	Member	
Ms KYRIAKIDES	Member	
Mr REYNDERS	Member	
Ms DALLI	Member	
Ms JOHANSSON	Member	Items 1 to 14 (in part)
Mr LENARČIČ	Member	
Ms VĂLEAN	Member	Items 1 to 15 (in part)
Mr VÁRHELYI	Member	
Mr SINKEVIČIUS	Member	Items 1 to 14 (in part)
Ms McGUINNESS	Member	
Ms IVANOVA	Member	
Mr HOEKSTRA	Member	

Absent:

Ms VESTAGER	Executive Vice-President
Ms URPILAINEN	Member
Ms SIMSON	Member

The following sat in to represent absent Members of the Commission:

Ms LEINONEN	Member of Ms URPILAINEN's cabinet
Mr KADARIK	Head of Cabinet to Ms SIMSON

The following also sat in:

Mr SEIBERT	Head of Cabinet to the PRESIDENT
Mr CALLEJA CRESPO	Director-General, Legal Service
Ms SPINANT	Acting Director-General, DG Communication
Ms PETKOVA	Director of Coordination and Administration in the PRESIDENT's cabinet
Mr VAN KEMSEKE	Adviser in the PRESIDENT's cabinet
Ms PODESTA	Deputy Chief Spokesperson of the Commission

Secretary: Ms JUHANSONE, Secretary-General, assisted by Ms DEPREZ, Director in the Secretariat-General.

1. AGENDAS
(OJ(2023) 2474/FINAL; SEC(2023) 2474/FINAL)

The Commission took note of that day's agenda and of the tentative agendas for forthcoming meetings.

2. WEEKLY MEETING OF HEADS OF CABINET
(RCC(2023) 2474)

The Commission considered the Secretary-General's report on the weekly meeting of Heads of Cabinet held on Monday 20 November 2023.

3. APPROVAL OF THE MINUTES

The Commission held over approval of the minutes of its 2472nd and 2473rd meetings of 8 and 15 November 2023 for a later date.

4. INTERINSTITUTIONAL RELATIONS
(RCC(2023) 183)

The Commission took note of the record of the meeting of the Interinstitutional Relations Group (IRG) held on Friday 17 November 2023 (RCC(2023) 183).

The Commission approved the lines proposed for the following points:

– **Amendment of Directive 2010/75/EU of the European Parliament and of the Council of 24 November 2010 on industrial emissions (integrated pollution prevention and control) and Council Directive 1999/31/EC of 26 April 1999 on the landfill of waste (Directive) – KANEV report – 2022/0105 (COD) / Reporting of environmental data from industrial**

installations and establishment of an Industrial Emissions Portal (Regulation) – KANEV report – 2022/0105 (COD)

Line set out in SI(2023) 449.

- **Nature restoration (Regulation) – LUENA report – 2022/0195 (COD)**

  Line set out in SI(2023) 455.

- **Amendment of Regulation (EU) 2019/816 establishing a centralised system for the identification of Member States holding conviction information on third-country nationals and stateless persons (ECRIS-TCN) to supplement the European Criminal Records Information System, and Regulation (EU) 2019/818 on establishing a framework for interoperability between EU information systems in the field of police and judicial cooperation, asylum and migration, and amending Regulations (EU) 2018/1726, (EU) 2018/1862 and (EU) 2019/816 for the purpose of introducing a screening of third-country nationals at the external border (Regulation) – SIPPEL report – 2021/0046 (COD)**

  Line set out in SI(2023) 457.

- **Addressing situations of crisis and *force majeure* in the field of migration and asylum (Regulation) – LÓPEZ AGUILAR report – 2020/0277 (COD)**

  Line set out in SI(2023) 467.

- **Corporate Sustainability Due Diligence and amendment of Directive (EU) 2019/1937 (Directive) – WOLTERS report – 2022/0051 (COD)**

  Line set out in SI(2023) 464/3.

- **Multiple-vote share structures in companies that seek the admission to trading of their shares on an SME growth market (Directive) – SANT**

report – 2022/0406 (COD)

Line set out in SI(2023) 448.

– **Amendment of Regulations (EU) 2017/1129, (EU) Nº 596/2014 and (EU) Nº 600/2014 to make public capital markets in the Union more attractive for companies and to facilitate access to capital for small and medium-sized enterprises (Regulation) – SANT report – 2022/0411 (COD) / Amendment of Directive 2014/65/EU to make public capital markets in the Union more attractive for companies and to facilitate access to capital for small and medium-sized enterprises, and repeal of Directive 2001/34/EC (Directive) – SANT report – 2022/0405 (COD)**

Line set out in SI(2023) 465.

– **Amendment of Regulations (EU) Nº 260/2012 and 2021/1230 as regards instant credit transfers in euro (Regulation) – HOOGEVEEN report – 2022/0341 (COD)**

Line set out in SI(2023) 466.

– **Amendment of Directive 2014/59/EU and Regulation (EU) Nº 806/2014 as regards certain aspects of the minimum requirement for own funds and eligible liabilities (Directive) – FERNÁNDEZ report – 2023/0113 (COD)**

Line set out in SI(2023) 468/2.

– **Amendment of Regulation (EU) 2017/2107 laying down management, conservation and control measures applicable in the Convention area of the International Commission for the Conservation of Atlantic Tunas (ICCAT) and Regulation (EU) .../2022 establishing a multiannual management plan for bluefin tuna in the eastern Atlantic and the Mediterranean (Regulation) – AGUILERA report – 2022/0111 (COD)**

Line set out in SI(2023) 442.

– **Establishment of measures for a high level of public sector interoperability across the Union (Interoperable Europe Act) (Regulation) – IJABS report – 2022/0379 (COD)**

Line set out in SI(2023) 460.

– **Establishment of common rules promoting the repair of goods, and amendment of Regulation (EU) 2017/2394, Directives (EU) 2019/771 and (EU) 2020/1828 (Directive) – REPASI report – 2023/0083 (COD)**

Line set out in SP(2023) 568.

– **VAT in the Digital Age:**

  - **Amendment of Directive 2006/112/EC as regards VAT rules for the digital age (Council Directive) – CHASTEL report – 2022/0407 (CNS)**

  - **Amendment of Regulation (EU) Nº 904/2010 as regards the VAT administrative cooperation arrangements needed for the digital age (Council Regulation) – CHASTEL report – 2022/0409 (CNS)**

Line set out in SP(2023) 580.

– **Union autonomous tariff quotas for certain fishery products for the 2024-2025 period (Council Regulation) – 2023/0305 (NLE)**

Line set out in SI(2023) 458.

– **Oral question O-000051/2023 – Revised pollinators initiative – a new deal for pollinators**

Line set out in SP(2023) 570.

– **Oral Question O-000052/2023 – Young researchers**

Line set out in SP(2023) 616.

– **European Parliament resolution under Article 225 of the Treaty on the Functioning of the European Union (TFEU) – EU framework for the social and professional situation of artists and workers in the cultural and creative sectors – RUIZ DEVESA & MANDERS report – 2023/2051 (INL)**

Line set out in SP(2023) 574.

– **EU-Switzerland relations**

Line set out in SI(2023) 456.

The Commission approved the line proposed for the following point, for transmission to the European Parliament:

– **Commission replies to the non-legislative resolutions adopted by the European Parliament at its part-session of October I 2023**

Line set out in SP(2023) 600.

The Commission took note of the following points:

– **Amendment of Regulation (EC) N° 883/2004 on the coordination of social security systems and Regulation (EC) N° 987/2009 laying down the procedure for implementing Regulation (EC) N° 883/2004 (Regulation) – BISCHOFF report – 2016/0397 (COD)**

Information set out in SI(2023) 469.

– **Establishment of a framework of measures for strengthening Europe's net-zero technology products manufacturing ecosystem (Net Zero Industry Act) (Regulation) – EHLER report – 2023/0081 (COD)**

Information set out in SI(2023) 450.

- **Establishment of the European Disability Card and the European Parking Card for persons with disabilities (Directive) – ĎURIŠ NICHOLSONOVÁ report – 2023/0311 (COD)**

  Information set out in SI(2023) 470/2.

- **Measures to reduce the cost of deploying gigabit electronic communications networks and repeal of Directive 2014/61/EU (Gigabit Infrastructure Act) (Regulation) – MITUȚA report – 2023/0046 (COD)**

  Information set out in SI(2023) 459.

- **Amendment of Directive (EU) 2015/413 facilitating cross-border exchange of information on road-safety-related traffic offences (Directive) – ZŁOTOWSKI report – 2023/0052 (COD)**

  Information set out in SI(2023) 474.

- **Driving licences, amendment of Directive (EU) 2022/2561 of the European Parliament and of the Council, Regulation (EU) 2018/1724 of the European Parliament and of the Council and repeal of Directive 2006/126/EC of the European Parliament and of the Council and Commission Regulation (EU) N° 383/2012 – (Directive) - DELLI report – 2023/0053 (COD)**

  Information set out in SI(2023) 462.

- **Laying down for certain road vehicles circulating within the Union of the maximum authorised dimensions in national and international traffic and the maximum authorised weights in international traffic (Directive) – ADAMOWICZ report – 2021/0400 (COD)**

  Information set out in SI(2023) 477.

– **Amendment of Directive 2009/16/EC on port State control (Directive) – TAX report – 2023/0165 (COD)**

Information set out in SI(2023) 475.

– **Amendment of Directive 2009/18/EC establishing the fundamental principles governing the investigation of accidents in the maritime transport sector (Directive) – NAGTEGAAL report – 2023/0164 (COD)**

Information set out in SI(2023) 476.

– **Amendment of Directive 2009/21/EC on compliance with flag State requirements (Directive) – TAX report – 2023/0172 (COD)**

Information set out in SI(2023) 461.

– **2024 budgetary procedure – Outcome of the conciliation**

Information set out in SP(2023) 564.

– **Question Time (Commission) - State of implementation of the EU's commitment to provide one million rounds of artillery ammunition to Ukraine by March 2024**

Information set out in SP(2023) 603.

5. COORDINATION OF EXTERNAL ACTION (RCC(2023) 39)

The Commission took note of the operational conclusions in RCC(2023) 39 of the meeting of the Group for External Coordination (EXCO) held on Wednesday 15 November 2023.

6. WRITTEN PROCEDURES, EMPOWERMENT AND DELEGATION OF POWERS

6.1. WRITTEN PROCEDURES APPROVED (SEC(2023) 366 ET SEQ.)

The Commission took note of the Secretariat-General's memoranda recording decisions adopted between 13 and 19 November 2023.

6.2. EMPOWERMENT (SEC(2023) 367 ET SEQ.)

The Commission took note of the Secretariat-General's memoranda recording decisions adopted between 13 and 19 November 2023.

6.3. DELEGATION / SUBDELEGATION OF POWERS (SEC(2023) 368 ET SEQ.)

The Commission took note of the Secretariat-General's memoranda recording decisions adopted under the delegation and subdelegation procedures between 13 and 19 November 2023 archived in D*e*cide.

6.4. SIGNIFICANT WRITTEN PROCEDURES (SEC(2023) 369 AND /2)

The Commission took note of the significant written procedures for which the time limit expired between 20 and 24 November 2023, and of the finalisation written procedure.

6.5. DELEGATION OF POWERS – COMMISSION DECISION GRANTING A DELEGATION OF POWERS RELATING TO THE POSTPONEMENT OF RECYCLING TARGETS LAID DOWN IN DIRECTIVES 94/62/EC AND 2008/98/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL AND OF THE LANDFILLING TARGET IN COUNCIL

DIRECTIVE 1999/31/EC
(C(2023) 7883)

The Commission decided to grant a delegation of powers to the Director-General of the Directorate-General responsible for the environment to adopt, on behalf of the Commission and under its responsibility, subject to the conditions laid down in Articles 2 to 5 of the Decision, certain decisions relating to the postponement of recycling targets laid down in Directives 94/62/EC and 2008/98/EC of the European Parliament and of the Council and of the landfilling target in Council Directive 1999/31/EC.

The Commission adopted the Decision in C(2023) 7883.

7. ADMINISTRATIVE AND BUDGETARY MATTERS (SEC(2023) 370)

ADMINISTRATIVE MATTERS
(PERS(2023) 106)

7.1. DG HUMAN RESOURCES AND SECURITY – EXTENSION OF THE TERM OF OFFICE OF A SPECIAL ADVISER

The Commission took note of the information set out in point 1 of PERS(2023) 106 and, on a proposal from Mr HAHN, in agreement with the PRESIDENT and after consulting Mr SCHINAS, decided:

– to extend the term of office of Mr Frans VAN DAELE as EU Special Envoy for the promotion of freedom of religion or belief outside the European Union until the end of the present Commission’s term of office, under the same conditions as those laid down in the decision appointing him;

– to authorise Mr HAHN, Member of the Commission responsible for the budget and administration, to amend the contract of this special adviser in the event of urgent and duly justified needs, subject to the availability of sufficient budgetary resources;

– to authorise the Director-General of DG Human Resources and Security to implement this decision by signing the contract on behalf of the authority empowered to conclude contracts of employment.

These decisions would take effect immediately.

7.2. EUROSTAT – INTERNAL AND INTERINSTITUTIONAL PUBLICATION, AT GRADE AD14/15, AND EXTERNAL PUBLICATION, AT GRADE AD14, OF THE VACANCY NOTICE FOR A DIRECTOR POST (PERS(2023) 107)

On a proposal from Mr HAHN, in agreement with the PRESIDENT, and after consulting Mr GENTILONI, the Commission decided to authorise the internal and interinstitutional publication, at grade AD14/AD15, and the external publication, at grade AD14, of the vacancy notice in PERS(2023) 107 for the post of Director of the ‘Macro-economic statistics’ Directorate in Eurostat, in accordance with Article 29(1)(a)(i) and (iii), 1(b) and (2) of the Staff Regulations.

This decision would take effect immediately.

8. PROPOSAL FOR A REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL ON A MONITORING FRAMEWORK FOR RESILIENT EUROPEAN FORESTS (COM(2023) 728 TO /3; SWD(2023) 372; SWD(2023) 373; SWD(2023) 374; SEC(2023) 384; RCC(2023) 187)

Mr ŠEFČOVIČ began by pointing out that the proposal for a Regulation was one of the last key components of the European Green Deal that was due to be adopted during the current Commission's term of office. Both the European Parliament and the Council had stressed the importance of the initiative.

He regretted the fact that, despite the environmental and socio-economic importance of forest ecosystems, current monitoring requirements did not give a comprehensive picture of the condition of forests in the EU and of how they were used. In his view, the proposal being presented would fill that gap, by building on forest-monitoring systems that were already in place in the Member States and avoiding duplication with those systems. Moreover, the proposal concerned only the collection and sharing of data, and not forest management.

Mr ŠEFČOVIČ considered that, from a European perspective, the collection of timely, comparable, accurate and high-quality forest data was necessary, particularly to help improve prevention efforts and to ensure better climate change preparedness. This would also facilitate compliance with requirements under EU legislation, in particular legal requirements pertaining to the climate, land use and land-use change, forestry, renewable energy and the environment.

Moreover, this data would help the EU to achieve its strategic policy objectives relating to the forest bioeconomy and rural development, and would help forest owners and managers to take advantage of new business models, such as carbon-removal certification and payments for ecosystem services. For these new business models to work, it was vital to have up-to-date and comparable data.

Lastly, Mr ŠEFČOVIČ said that, when preparing the proposal, many consultations had been held with the Member States and the various stakeholders in order to respond specifically to the questions raised by this initiative. In conclusion, he stressed that the proposal laid the groundwork for effective oversight and sustainable policies with respect to Europe's forests and the climate.

Mr SINKEVIČIUS noted that, currently, the economic value of forests stood at

EUR 16 billion for the supply of wood, EUR 32.8 billion for carbon sinks and EUR 57 billion for other environmental functions such as regulating the water cycle.

However, Europe's landscapes were changing dramatically as the rate of biodiversity loss and climate change was speeding up. Catastrophic events such as forest fires, droughts and heat waves were compounded by climate change and the overexploitation of forest resources.

Mr SINKEVIČIUS highlighted the potential for forests to become part of the solution. For this to happen, it was necessary to have the right information as well as a better understanding of the state of Europe's forests, of the trends and of how forests responded to climate change.

Stressing the importance of cross-border issues and the need for a holistic view of the situation, he said that the proposal for a Regulation set out a framework for forest monitoring based on two main pillars. The first was standardised forest data from the Commission, based on Earth observation systems such as Copernicus. This service would be offered free-of-charge to the Member States and other users concerned. The second pillar was forest data collected by the Member States themselves through their own monitoring systems.

He felt that this combined approach would make it possible to set up the first-ever EU-wide forestry system, which would prevent unnecessary reporting, reduce the administrative burden and costs, and ensure that certain types of very sensitive data were processed appropriately. Once it had been adopted, the proposal would help the Member States to implement the legislation in force. This would reduce the administrative burden for Member States, particularly those with limited administrative capacity.

Mr SINKEVIČIUS concluded his presentation by saying that the proposal would be an important step towards meeting the targets set out in the European Green Deal, helping Member States to achieve the EU's strategic objectives, while respecting the subsidiarity principle and building on the many good practices that were already in place.

Mr HOEKSTRA stressed the importance of the proposal as it would help to ensure that the EU's objectives with regard to land use, land-use change and forestry were met more effectively, thereby contributing fully to efforts to achieve Europe's climate ambitions and restore nature. The proposal did not concern forest management, but instead focused on forest monitoring, which would allow all stakeholders to identify areas where more could be done in the future.

Lastly, he highlighted the economic and social importance of forests in the EU, with forest value chains currently supporting 4.5 million jobs in the EU. In his view, it was essential for policies to take into account objectives concerning both the climate and the safeguarding of jobs. To conclude, he stressed the importance of communicating in a way that clearly explained what was at stake and what the impact of the proposed Regulation would be.

In the brief discussion that followed, the Commission welcomed the balanced nature of the proposal, which took into account the reality of the situation in the Member States with regard to silviculture and promoted a voluntary, long-term national planning system for forests.

Following these presentations, the Commission agreed, on a proposal from the PRESIDENT, that the proposal for a Regulation in COM(2023) 728/3 would be formally adopted by the finalisation written procedure, the deadline for which was set on Wednesday 22 November 2023 (PE/2023/8012).

9. OTHER BUSINESS

RELATIONS WITH SWITZERLAND

Mr ŠEFČOVIČ reminded the College of the history of EU-Swiss relations and described the state of play in the negotiations that sought to secure a new agreement to replace the trade agreement from 1972.

The new agreement would represent an important step forward in relations between the two partners, as it would harmonise the legal framework, particularly in the areas of competition, access to the single market, regulatory alignment and dispute settlement. Exploratory talks, which had begun 18 months previously, had resulted in a draft common understanding, which would have to be endorsed by both parties and would provide the basis for future negotiations. Under the draft common understanding, it was suggested that both parties should consider increasing bilateral cooperation during the negotiations, particularly in the fields of electricity, healthcare, transport and financial services. Mr ŠEFČOVIČ thanked the Members of the College for their help and support on matters that were covered by their respective portfolios.

He was cautiously optimistic about the next stage of the process. The Commission was set to adopt a Recommendation for a Council Decision by the end of the year authorising the opening of negotiations as well as a negotiating mandate based on the parameters set out in the text of the common understanding. The Commission and Switzerland shared the ambition to launch formal negotiations in the first quarter of 2024, with a view to concluding the negotiations that same year.

Mr ŠEFČOVIČ also informed the College that talks were ongoing with other countries in the European Economic Area (EEA). He ended by announcing that negotiations to renew the EU’s association agreements with the Principality of Andorra and the Republic of San Marino would soon be finalised.

In a brief discussion, the Commission welcomed the prospect of developments in EU-Swiss relations, highlighting in particular the wish of Switzerland joining EU programmes, especially Horizon Europe and Erasmus+.

The PRESIDENT congratulated Mr ŠEFČOVIČ on the progress made in the negotiations with Switzerland. She stressed that, if the negotiations were successful, they would modernise an old legal framework, which would be of great benefit to both partners and to their citizens.

The Commission took note of this information.

10. COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE EUROPEAN COUNCIL, THE COUNCIL, THE EUROPEAN CENTRAL BANK, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE, THE COMMITTEE OF THE REGIONS AND THE EUROPEAN INVESTMENT BANK – ANNUAL SUSTAINABLE GROWTH SURVEY 2024 (ASGS)
(COM(2023) 901 TO/3; RCC(2023) 188)

11. COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL AND THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE – ALERT MECHANISM REPORT 2024 (AMR) (COM(2023) 902 AND /2; SWD(2023) 901 AND /2; SWD(2023) 902; RCC(2023) 188)

12. RECOMMENDATION FOR A COUNCIL RECOMMENDATION ON THE ECONOMIC POLICY OF THE EURO AREA (EAR)
(COM(2023) 903 AND /2; SWD(2023) 903 AND /2; RCC(2023) 188)

13. PROPOSAL FOR A JOINT EMPLOYMENT REPORT FROM THE COMMISSION AND THE COUNCIL (JER)
(COM(2023) 904 AND /2; RCC(2023) 188)

The PRESIDENT invited the Members responsible to present to the College the package of measures launching the 2024 European Semester cycle of economic policy coordination. She noted that Mr DOMBROVSKIS could not contribute to this presentation because of his participation in the European Parliament’s plenary debates.

Mr GENTILONI explained that this autumn package was based on the autumn 2023 economic forecast and contained several elements: the Annual Sustainable Growth Survey 2024, the Alert Mechanism Report, the Recommendation on the economic policy of the euro area for 2024 and the Proposal for a Joint Employment Report from the Commission and the Council. The package also included the Commission's opinions on the draft budgetary plans of the euro area Member States for 2024, which were adopted in parallel by written procedure.

With regard to the current economic situation, Mr GENTILONI pointed out that the European economy was still in a very delicate situation. Indeed, the latest forecasts indicated that, with modest growth of around 0.6%, the EU as a whole was expected to avoid a recession this year, but that 10 Member States would experience negative growth. By comparison, the United States expected growth of 2.4% in 2023. However, inflation in Europe showed signs of a significant slowdown, and the labour market continued to show positive momentum. For 2024, moderate growth of 1.2% to 1.3% was projected in the EU on the basis of an expected increase in domestic demand, especially in Member States that were experiencing negative growth this year. Conversely, growth in the United States was expected to slow down.

However, Mr GENTILONI pointed out that the economy was subject to a high degree of uncertainty, owing to a number of risk factors that could lead to a deterioration in the situation. In this respect, he referred in particular to the tightening of monetary policy and its delayed effects on the real economy. Among the early signs, he mentioned, by way of example, a slight increase in corporate bankruptcies in some Member States and the gradual increase in the cost of public debt. Another important risk factor was geopolitical uncertainty, which was already affecting investors' decisions and could also have an impact on energy prices, even though gas and oil futures contracts currently remained stable. He pointed out that the fall in inflation was largely due to lower energy prices. Unless these prices were to rise unexpectedly, inflation was expected to continue to decline gradually in the coming months.

On the basis of these data, Mr GENTILONI explained that the main objective of the European Semester autumn package was to stabilise the European economy after several successive crises and to avoid a recession.

He then reviewed three key elements of the European Semester package, namely (i) the Recommendation on the economic policy of the euro area, (ii) the Alert Mechanism Report and (iii) the opinions on the draft budgetary plans of the euro area Member States.

With regard to the economic policy of the euro area, Mr GENTILONI referred to the three main recommendations addressed to the euro area Member States. These recommendations called for (i) maintaining fiscal prudence in the current context of fighting inflation, (ii) safeguarding public investment in the green and digital transitions, including through the implementation of the Recovery and Resilience Facility and cohesion policy programmes, and (iii) supporting wage growth in sectors where such support was economically viable, in order to compensate for the loss of purchasing power due to inflation without harming public finances and competitiveness dynamics.

He also stressed the relevance of two other recommendations from previous years. The first concerned the further implementation of the Capital Markets Union and related activities, the second the need to reach an agreement on the economic governance review. The Spanish Presidency of the Council was planning to discuss the latter at a meeting of the Finance Ministers of the Member States scheduled for 7 December.

With regard to the Alert Mechanism Report, Mr GENTILONI explained that this was a forward-looking exercise addressed to all 27 EU Member States. In this report, the Commission examined economic trends and identified the Member States that would be subject to an in-depth review to identify possible macroeconomic imbalances to be corrected. Among the main findings of the report, he stressed the fact that debt reduction had been relatively easier over the last 18 months thanks to nominal gross domestic product (GDP) growth linked to inflation. This reduction was expected to become more difficult in the coming years due to increased repayment costs. Lastly, Mr GENTILONI stated that, although house prices had decreased overall in the EU, they remained a concern in some Member States.

With regard to the Commission’s opinions on the draft budgetary plans of the euro area Member States, he explained that the plans were assessed on the basis of the July 2023 Council recommendations. These recommendations included (i) limiting the growth of net primary expenditure, (ii) phasing out energy support measures, and (iii) maintaining the level of public investment, a recommendation met by all the plans submitted. Overall, the outcome of these assessments showed that the draft budgetary plans of seven countries were in line with the Council recommendations, nine countries’ plans were not fully compliant, and four countries’ plans were at risk of non-compliance.

Mr SCHMIT began by taking stock of the situation on the labour market by referring to the latest data on social indicators. The encouraging news was that the EU currently had its highest ever employment rate at 75.4%. It was therefore on track to reach the 2030 target of 78% set at the Porto Summit. He also mentioned that the unemployment rate had fallen and now stood at 6% overall, reflecting continued hiring by businesses, despite disparities between Member States, regions and sectors.

He then presented some key points from the Joint Employment Report. First, the gender employment gap had narrowed but remained wide. It was particularly marked in the case of part-time work, which involved 28% of women but only 8% of men.

Second, sizeable labour and skills shortages continued and held back economic growth. Some sectors lacked skilled workers, making companies more reluctant to invest in those areas. The labour market was thus closely linked to economic competitiveness.

Third, Mr SCHMIT stressed that inflation had not been fully offset by wage increases. Despite nominal wage increases, real wages had fallen by varying degrees in almost all Member States in 2022, reducing purchasing power. This partly explained the gap between growth rates in the EU and the United States, where wages had risen faster, thus stimulating consumption.

Fourth, productivity, which had dropped considerably during the COVID-19 pandemic, was recovering only slowly. This was mainly linked to weak economic growth, but the need for investment and modernisation of production facilities also played a major role.

Fifth, while the EU was on track to reach the Porto target on labour market participation, further efforts were needed to meet the upskilling and reskilling targets, as well as the poverty reduction target. With regard to the latter, the number of people at risk of poverty or social exclusion had even increased slightly. This further highlighted the importance of employment promotion and skills development for effective and efficient labour market integration.

Mr SCHMIT concluded by saying that the report also focused more on the situation in each country, in line with the principles of the Social Convergence Framework. The labour market, skills and social challenges faced by Member States were analysed to identify potential barriers to upward social convergence. The analysis had shown that seven countries faced significant risks to social convergence. A more in-depth analysis of these countries would be undertaken at a later stage of the European Semester cycle.

In the course of the discussion that followed, the Commission raised the following main points:

- the relevance and balance of the analysis and conclusions of this European Semester autumn package;
- a reminder of the need for Member States to use the Recovery and Resilience Facility and cohesion policy funding programmes to support investment in the twin transitions, which would increase productivity and competitiveness and thus also contribute to wage increases;
- the guidance that the European Semester cycle could provide for the mid-term review of cohesion policy in 2025, which would have to reconcile the various dimensions of economic, social and regional policies;
- the urgent need to finalise the review of the EU's economic governance system to ensure that Member States' economic and fiscal policies were stable and predictable;
- the need to reflect further on the effects of wage developments to combat inflation in a balanced way and allow the social partners to negotiate the most appropriate solutions against the backdrop of declining orders and a credit squeeze, especially in the construction sector;
- the importance of certain factors in boosting EU competitiveness in the future, namely investment in innovation and knowledge, reforms in the context of the country-specific recommendations, and fiscal policies targeting investment rather than consumption;
- the importance of completing the Banking Union and Capital Markets Union as a vital precondition for European competitiveness.

In response to certain questions and comments, Mr GENTILONI clarified that one of the Commission's recommendations to euro area countries was to support wage developments, while respecting national practices and the role of the social partners, taking due account of competitiveness dynamics and avoiding lasting divergences within the euro area. Given the evident gap between inflation and purchasing power, the Commission recommended boosting domestic demand and prospects for consumption to counter the risk of recession.

The PRESIDENT concluded by thanking the Commissioners and the departments concerned for the quality of this autumn package of the European Semester. The main driver of European competitiveness was the single market, which was still incomplete in the absence of a Banking Union and Capital Markets Union. In this regard, the incoming Belgian Presidency of the Council would present a report on the future of the single market. The Commission had also asked Mario DRAGHI to produce a report on EU competitiveness, which would set out a vision for the economy of the future. He would be invited to discuss it at the next College seminar.

Following these presentations, the Commission:

– approved the Communication in COM(2023) 901/3 for transmission to the European Parliament, the European Council, the Council, the European Central Bank, the European Economic and Social Committee, the Committee of the Regions and the European Investment Bank, and, for information, to the national parliaments;

– approved the Communication in COM(2023) 902/2 for transmission to the European Parliament, the Council and the European Economic and Social Committee, and, for information, to the European Central Bank, the Committee of the Regions, the European Investment Bank and the national parliaments, together with the staff working documents distributed as SWD(2023) 901/2 and SWD(2023) 902, the contents of which were noted;

– adopted the Recommendation for a Council Recommendation in COM(2023) 903/2 for transmission to the Council and, for information, to the European Parliament, the European Central Bank, the European Economic and Social Committee, the Committee of the Regions, the European Investment

Bank and the national parliaments, together with the staff working document distributed as SWD(2023) 903/2, the contents of which were noted;

– adopted the draft Joint Report in COM(2023) 904/2 for transmission to the European Parliament, the Council, the European Central Bank, the European Economic and Social Committee, the Committee of the Regions and the European Investment Bank, and, for information, to the national parliaments.

14. COMMUNICATION TO THE COMMISSION – REVIEW OF ONGOING FINANCIAL ASSISTANCE FOR PALESTINE (C(2023) 8300 TO /3; RCC(2023) 191)

The PRESIDENT introduced the College's discussion on the review of EU financial assistance for Palestine, emphasising the scale of the needs on the ground, particularly in terms of humanitarian assistance, and highlighting the efforts already made by the European Union in this area. The EU had already been the largest donor of international aid to Palestinians before the Hamas terrorist attacks on 7 October; EU financial assistance for Palestine had increased fourfold since then, amounting to over EUR 100 million. She also underlined the EU's launch of a humanitarian air bridge to deliver aid to the people of Gaza.

However, she felt that the EU's financial commitment to Palestinians needed to be further strengthened, and should cover not only Gaza but also the West Bank. The prospect of a two-state solution, which was crucial for the future stability of the region, largely depended on the situation in the West Bank, in her view.

It was against this background that the PRESIDENT welcomed the conclusions of the review of EU financial assistance for Palestine. The review had not uncovered any misuse of funds benefiting a terrorist organisation such as Hamas, or any deviation for unintended purposes, which had confirmed, therefore, the effectiveness of the checks and balances put in place by the Commission. Given these results, payments to beneficiaries and to the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) could continue without interruption. Funds for projects that could not be continued due to the destruction caused by the war would be reallocated, always for the benefit of Palestinians in Gaza.

Mr VÁRHELYI then presented the Communication in more detail, noting that the review had covered all development programmes, mainly under the Neighbourhood, Development and International Cooperation Instrument (NDICI). It had not included humanitarian aid for the Palestinian population. It had focused in particular on direct contributions to the Palestinian Authority through the PEGASE mechanism, support to civil society organisations (CSOs), projects carried out via International Financial Institutions (IFIs) and contributions to UNRWA, as well as relevant programmes run by other Commission departments such as Erasmus+. Over 100 contracts had been assessed individually.

The review had followed a two-step approach. First, operational screening had been carried out to assess the feasibility of projects given the changed circumstances on the ground. This phase had resulted in the identification of projects that could not be implemented in the current context, totalling approximately EUR 75.6 million. These funds would be reallocated in the form of support to Palestinians in accordance with new priorities to be determined. Mr VÁRHELYI explained that the projects concerned were mainly major infrastructure projects such as the supply of gas to Gaza, the construction of desalination plants and improved access to water.

The second phase of the review had focused on the assessment of the risk of aid diversion and incitement to hatred or violence during the implementation of the projects. At this stage, the analysis of the contracts had not revealed any breach of the existing safeguards, which had been significantly strengthened in recent years.

However, the terrorist attack perpetrated by Hamas against Israel on 7 October had radically changed the situation on the ground, creating additional risks. In the light of these developments, the Commission had decided to introduce new measures to enhance the effectiveness of the safeguards already in place, and had identified additional risk mitigation measures. These measures included the insertion of specific contractual clauses in new contracts prohibiting incitement to hatred and violence, as well as rigorous monitoring of implementation, which could include third-party monitoring.

In conclusion, Mr VÁRHELYI stressed the general need for absolute transparency and strict monitoring by the Commission of the use of EU funds, which could under no circumstances be used to help support terrorist organisations or finance any form of incitement to hatred and violence.

Following this presentation, the Commission took note of the Communication in C(2023) 8300.

15. OTHER BUSINESS (CONTINUED)

LATEST DEVELOPMENTS IN EXTERNAL RELATIONS

Mr BORRELL reported on the high-level talks he had held in Israel, Palestine, Bahrain, Qatar and Jordan during his visit to the Middle East and the Gulf region. First, there was a feeling of extreme urgency in the region, in particular because of the disastrous situation in Gaza, and, second, a shared will to work towards lasting peace in the region.

It was vital, given the catastrophic situation in Gaza, to increase support for the civilian population and facilitate wider access to humanitarian assistance. The recent United Nations Security Council resolution calling for immediate humanitarian assistance was a major step forward and needed to be swiftly implemented.

Mr BORRELL also emphasised the ongoing talks and the urgent need to release the Israeli hostages. Furthermore, he was concerned about the rapidly deteriorating situation in the West Bank and the risk of the conflict escalating, despite the Palestinian Authority's efforts to contain the situation. Lastly, in terms of the regional dimension, there was a strong desire on the part of neighbouring countries to prevent the conflict from spreading.

Despite the considerable challenges, Mr BORRELL felt that the discussions on stabilising the situation and establishing lasting peace in Gaza should continue. His view was that the best guarantee of Israel's security was the creation of a Palestinian state. He added that a diplomatic mission by six Muslim countries was under way in various capitals of the world, and that he had invited the Saudi Minister of Foreign Affairs to participate in the December Foreign Affairs Council in order to present the position of these states.

The Commission took note of this information.

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The meeting closed at 15.16.