EUROPEAN COMMISSION

SECRETARIAT-GENERAL

PV(2024) 2496 final

- English translation of the French version which is authentic -

Brussels, 11 September 2024

TEXTE EN

<u>MINUTES</u>

of the 2496th meeting of the Commission

held in Brussels

(Berlaymont)

on Wednesday 19 June 2024

(morning)

PV(2024) 2496 final

- *English translation of the French version which is authentic -*

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Single sitting: Wednesday 19 June 2024 (morning)

The sitting opened at 09:07 with Ms von der LEYEN, President, in the chair.

Present:

Ms von der LEYEN	President	
Ms VESTAGER	Executive Vice-President	
Mr DOMBROVSKIS	Executive Vice-President	
Mr ŠEFČOVIČ	Executive Vice-President	
Mr BORRELL i FONTELLES	High Representative / Vice-President	
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	
Ms DALLI	Member	
Ms JOHANSSON	Member	
Ms VĂLEAN	Member	Items 8 to 9 (in part), and 13.1 to 13.4
Mr VÁRHELYI	Member	
Ms SIMSON	Member	Items 1 to 9/11 (in part)
Mr SINKEVIČIUS	Member	
Ms McGUINNESS	Member	
Ms IVANOVA	Member	

Absent:

Mr REYNDERS	Member
Mr LENARČIČ	Member
Ms URPILAINEN	Member
Mr HOEKSTRA	Member

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

Mr ELING	Deputy Head of Cabinet to Mr LENARČIČ
Mr LAHTI	Head of Cabinet to Ms URPILAINEN
Ms DENTLER	Deputy Head of Cabinet to Mr HOEKSTRA

The following also sat in:

Mr SEIBERT	Head of Cabinet to the PRESIDENT	
Mr CALLEJA CRESPO	Director-General, Legal Service	Items 1 to 10/12 (in part)
Mr LADENBERGER	Deputy Director-General, Legal Service	Items 10/12 (in part) to 13.4
Ms SPINANT	Director-General, DG Communication	
Ms KAŹMIERCZAK	Director-General, Internal Audit Service	Item 8
Mr MAMER	Head of the Spokesperson's Service and Chief Spokesperson of the Commission	
Ms PODESTA	Deputy Chief Spokesperson of the Commission	
Ms PETKOVA	Director of Coordination and Administration in the PRESIDENT's cabinet	
Ms HOPMEIER	Member of the PRESIDENT's cabinet	Items 8 to 10/12
Mr TAQUET-GRAZIANI	Acting Head of Unit in the Secretariat-General	
Mr CHARLES	Secretariat-General	

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

1. AGENDAS
(OJ(2024) 2496/FINAL; SEC(2024) 2496/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(2024) 2496)

The Commission considered the Secretary-General's report on the weekly meeting of Heads of Cabinet held on Tuesday 18 June 2024.

3. APPROVAL OF THE MINUTES

The Commission held over approval of the minutes of its 2493rd, 2494th and 2495th meetings of 22 and 29 May and 12 June 2024 for a later date.

4. INTERINSTITUTIONAL RELATIONS
(RCC(2024) 112)

The Commission took note of the record of the meeting of the Interinstitutional Relations Group (GRI) held on Friday 14 June 2024 (RCC(2024) 112).

The Commission approved the lines proposed for the following points:

– **Amendment of Regulations (EU) No 1092/2010, (EU) No 1093/2010, (EU) No 1094/2010, (EU) No 1095/2010 and (EU) 2021/523 as regards certain reporting requirements in the fields of financial services and investment support (Regulation) – KARAS report – 2023/0363 (COD)**

Line set out in SI(2024) 270.

– **Amendment of Regulation (EU) No 806/2014 as regards early intervention measures, conditions for resolution and financing of resolution action (Regulation) – MARQUES report – 2023/0111 (COD) / Amendment of Directive 2014/59/EU as regards early intervention measures, conditions for resolution and financing of resolution action (Directive) – NIEDERMAYER report – 2023/0112 (COD) / Amendment of Directive 2014/49/EU as regards the scope of deposit protection, use of deposit guarantee schemes funds, cross-border cooperation and transparency (Directive) – PETER-HANSEN report (ex-URTASUN) – 2023/0115 (COD)**

Line set out in SI(2024) 272.

– **Blueprint to coordinate a Union-level response to disruptions of critical infrastructure with significant cross-border relevance (Council Recommendation) – 2023/0318 (NLE)**

Line set out in SI(2024) 280.

– **Amendment of Council Decision 89/367/EEC setting up a Standing Forestry Committee (Decision) – 2023/0410 (COD)**

Line set out in SI(2024) 282/2.

– **Draft Joint Statement by the Council and the Commission on the Joint Political Declaration on countering harmful tax regimes**

Line set out in SI(2024) 279.

The Commission took note of the following point:

– **Amendment of Directive 2000/60/EC establishing a framework for Community action in the field of water policy, Directive 2006/118/EC on the protection of groundwater against pollution and deterioration, and**

Directive 2008/105/EC on environmental quality standards in the field of water policy (Directive) – BRGLEZ report – 2022/0344 (COD)

Information set out in SI(2024) 277.

5. COORDINATION OF EXTERNAL ACTION RCC(2024) 25)

The Commission took note of the operational conclusions in RCC(2024) 25 of the meeting of the Group for External Coordination (EXCO) held on Wednesday 12 June 2024.

6. WRITTEN PROCEDURES, EMPOWERMENT AND DELEGATION OF POWERS

6.1. WRITTEN PROCEDURES APPROVED (SEC(2024) 164 ET SEQ.)

The Commission took note of the Secretariat-General's memoranda recording decisions adopted between 10 and 16 June 2024.

6.2. EMPOWERMENT (SEC(2024) 165 ET SEQ.)

The Commission took note of the Secretariat-General's memoranda recording decisions adopted between 10 and 16 June 2024.

6.3. DELEGATION / SUBDELEGATION OF POWERS (SEC(2024) 166 ET SEQ.)

The Commission took note of the Secretariat-General's memoranda recording decisions adopted under the delegation and subdelegation procedures between 10 and 16 June 2024 archived in D*e*cide.

6.4. SIGNIFICANT WRITTEN PROCEDURES (SEC(2024) 167 AND /2)

The Commission took note of the significant written procedures for which the time limit expired between 17 and 21 June 2024.

7. ADMINISTRATIVE AND BUDGETARY MATTERS (SEC(2024) 168 AND /2)

ADMINISTRATIVE MATTERS (PERS(2024) 47 AND /2)

7.1. EUROSTAT – APPOINTMENT OF A DIRECTOR AT GRADE AD14/15 (PERS(2023) 107 TO /4)

The Commission had before it applications under Article 29(1)(a)(i) and (iii), Article 29(1)(b) and Article 29(2) of the Staff Regulations for the post of Director of the 'Macro-economic statistics' Directorate in Eurostat (PERS(2023) 107 and /2).

It took note of the opinions of the Consultative Committee on Appointments of 21 and 30 May 2024 (PERS(2023) 107/3 and /4).

The Commission proceeded to compare the applicants' qualifications for the post. On a proposal from Mr HAHN, in agreement with the PRESIDENT, and after consulting Mr GENTILONI, it then decided to appoint Ms María Antonia MARTINEZ LUENGO to the post.

This decision would take effect on a date to be determined.

7.2. EUROSTAT – APPOINTMENT OF A DIRECTOR AT GRADE AD14/15 (PERS(2023) 114 TO /4)

The Commission had before it applications under Article 29(1)(a)(i) and (iii), Article 29(1)(b) and Article 29(2) of the Staff Regulations for the post of Director of the 'Government finance statistics' (GFS) Directorate in Eurostat (PERS(2023) 114 and /2).

It took note of the opinions of the Consultative Committee on Appointments of 21 and 30 May 2024 (PERS(2023) 114/3 and /4).

The Commission proceeded to compare the applicants' qualifications for the post. On a proposal from Mr HAHN, in agreement with the PRESIDENT, and after consulting Mr GENTILONI, it then decided to appoint Mr Gabriele SEMERARO to the post.

This decision would take effect on a date to be determined.

7.3. SECRETARIAT-GENERAL – TRANSFER OF AN AD15 OFFICIAL FROM THE SECRETARIAT-GENERAL OF THE EUROPEAN COMMISSION TO THE EUROPEAN EXTERNAL ACTION SERVICE

The Commission took note of the transfer of Mr Simon MORDUE, currently *Hors Classe* Adviser for the Peace Conference on Ukraine in the Secretariat-General of the European Commission, to the post of Deputy Secretary-General for Economic and Global Affairs at the European External Action Service.

This decision would take effect on 1 July 2024.

7.4. *DG RESEARCH AND INNOVATION – AMENDMENT OF THE ORGANISATION CHART (SEC(2024) 185)*

On a proposal from Mr HAHN, in agreement with the PRESIDENT, and after consulting Ms IVANOVA, the Commission decided:

– to abolish the Directorate for International Cooperation (RTD.F);

– to approve the new organisation chart of the Directorate-General for Research and Innovation as set out in SEC(2024) 185.

Following the restructuring, the total number of directorates in the Directorate-General for Research and Innovation would decrease from 9 to 8 and the number of units would decrease from 42 to 41.

These decisions would take effect on 16 July 2024.

7.5. *DG BUDGET – DEPUTISING FOR A DEPUTY DIRECTOR-GENERAL*

On a proposal from Mr HAHN, in agreement with the PRESIDENT, the Commission decided that Ms Beatriz SANZ REDRADO, Director of Directorate C ‘Treasury, Accounting and Reporting’ in the Directorate-General for Budget, would deputise as Deputy Director-General responsible for Directorate C and also as accounting officer of the Commission, in accordance with Article 27 of the Commission’s Rules of Procedure.

This decision would take effect immediately.

7.6. *DG BUDGET – AUTHORISATION TO SIGN OFF THE COMMISSION’S ACCOUNTS FOR 2023*

By way of derogation from Article 39(1) of the Internal Rules on the implementation of the ‘Commission’ section of the general budget of the European Union and in order to ensure the continuity of its activities, the

Commission, on a proposal from Mr HAHN, in agreement with the PRESIDENT, decided to authorise Ms Beatriz SANZ REDRADO, Director of Directorate C ‘Treasury, Accounting and Reporting’ and acting accounting officer for the Commission in DG Budget, to sign off the Commission’s accounts for 2023.

This decision would take effect immediately.

8. REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL AND THE COURT OF AUDITORS – ANNUAL MANAGEMENT AND PERFORMANCE REPORT FOR THE EU BUDGET – FINANCIAL YEAR 2023 (COM(2024) 401 AND /2); RCC(2024) 113)

The PRESIDENT asked Mr HAHN to present to the College the Commission’s Annual Management and Performance Report for the EU budget for 2023.

Mr HAHN began by explaining that the report was a very comprehensive document, divided into four volumes and eleven annexes. He added that the report provided both a thorough and accessible account of what the Commission had collectively achieved over the past year and an overview of the audit and control mechanisms put in place to ensure that EU taxpayers’ money was being put to proper use.

He stressed that the report had three main objectives. Firstly, it summarised the essential information contained in the Annual Activity Reports of the Commission departments. It also allowed the College to take political responsibility for the management of the EU budget for 2023. Finally, it constituted the Commission’s main contribution to the annual discharge procedure, by means of which the European Parliament and the Council of the European Union controlled the implementation of the EU budget.

Following this presentation, the Commission:

- approved the Annual Management and Performance Report for the EU Budget – financial year 2023 – in COM(2024) 401/2, for transmission to the European Parliament, the Council and the European Court of Auditors, and, for information, to the national parliaments, indicating the link to all the annual activity reports (https://ec.europa.eu/info/publications/annual-activity-reports_en);

- took note of the fact that each Member of the Commission had been made aware of the Annual Activity Report and of the declaration presented by their Director(s)-General or Head(s) of Service, and that a reference to this dialogue was specifically mentioned in each Annual Activity Report;

- took note of the fact that the declarations of assurance contained in the Annual Activity Reports did not cover the Members' cabinets and their expenditure;

- authorised Mr HAHN, the Member of the Commission with responsibility for the Budget and Human Resources, to present the report to the discharge authority;

- took note of the supporting documents, namely: (i) the Annual Report of the Audit Progress Committee for the period from June 2023 to May 2024, distributed as SEC(2024) 401; (ii) the annual report on the internal audit for 2023, distributed as a meeting document under Ares(2024) 4196373; and (iii) the general opinion of the Internal Auditor for 2023 and the related working document.

9. STATEMENT OF ESTIMATES OF THE COMMISSION FOR 2025 – PREPARATION OF THE 2025 DRAFT BUDGET (SEC(2024) 250 TO /3; RCC(2024) 115)

Mr HAHN presented to the College the draft EU budget for 2025 and highlighted the most significant figures. The proposed budget for 2025 would contribute approximately EUR 200 billion in commitment appropriations and EUR 152 billion in payment appropriations to the EU’s priorities and policies. As in 2024, the level of payments was still relatively low and the key challenge remained to speed up the implementation of cohesion policy programmes.

He added that this draft budget for 2025 strengthened the EU’s common priorities, as it took full account of the revision of the Multiannual Financial Framework (MFF), which would run until the end of 2027. He reminded the College that in February 2024, the Council and the European Parliament had approved the first-ever revision of the MFF ceilings and that this agreement had made it possible to increase the funds available by a total of EUR 31.6 billion to support common priorities, including EUR 10.6 billion from redeployments. In addition, the institutions had agreed loans to Ukraine worth EUR 33 billion, which would be financed by EU borrowing.

Mr HAHN welcomed the stability and predictability of financing that this agreement provided for Ukraine through the Ukraine Facility until the end of 2027. Among the strengthened priorities, he also highlighted the stepping-up of EU support for managing migration and its root causes, with the implementation of the Pact on Migration and Asylum, via an increase in the Border Management and Visa Instrument (BMVI), the Asylum, Migration and Integration Fund (AMIF) and the European Union Agency for Asylum. Lastly, he underlined the continued funding for refugees from Syria, both in Türkiye and in the region as a whole, and the creation of the Reform and Growth Facility for the Western Balkans.

He said that additional funding for the Southern Neighbourhood would ensure continued support to countries along this important migration route, with financial support of at least EUR 208 million. This budgetary increase would also address the consequences of the crises in the Middle East and the migratory pressures in the region.

Mr HAHN pointed out that the revision of the MFF also took account of elements of the 2024 Regulation establishing the Strategic Technologies for Europe Platform (STEP), the aim being to stimulate innovation and support European long-term competitiveness in critical technologies such as deep and digital technologies, biotechnologies, and clean technologies.

This first-ever revision of the expenditure ceilings in the MFF gave the EU the necessary means to pursue its common priorities, bearing in mind that the additional funds provided for in this revision were partly financed by cuts in some flagship programmes. In this context, he mentioned the Horizon Europe programme, the EU4Health programme, the Neighbourhood, Development and International Cooperation Instrument (NDICI) and the Instrument for Pre-Accession Assistance (IPA). He argued that these adjustments in the budgetary programming did not significantly reduce the respective capacities of the programmes.

Regarding the changes made to Heading 6 under the MFF revision, Mr HAHN noted that the increase of EUR 7.6 billion in the draft budget went hand in hand with redeployments totalling EUR 4.5 billion. He then explained the origin of these redeployments, indicating that the amounts were being released notably through the creation of the Ukraine Facility and through pro-rata reductions in NDICI and IPA. These adjustments were necessary to pre-allocate resources in anticipation of future decommitments, which would then be reinvested in the same programmes in the following years.

Mr HAHN pointed out here that, in the context of the equivalent reduction of all budget lines under NDICI – Global Europe and IPA III, as proposed in the 2025 draft budget, and on the basis of regular reports from the responsible authorising officers by delegation, the Commission would closely monitor the effective level of decommitments made as a result of total or partial non-implementation of actions under NDICI and IPA III, in accordance with Article 30(2) of Regulation (EC) No 2021/947, in order to ensure close alignment with the priorities of the EU's external expenditure. To this aim, a transparency mechanism would be set up in which the responsible authorising officers by delegation will share their assessment of the possible upcoming decommitments.

Mr HAHN acknowledged, however, that it was difficult, at this stage, to predict precisely when these recommitments would take place and which budget lines would benefit from them. He stressed that the flexibility margin and administrative measures were excluded from these reductions as, by their very nature, they did not generate any decommitments. He also considered that, despite the increase in the MFF ceilings, persistent high inflation and high interest rates left little room for manoeuvre to respond to new developments in the future.

In this context, he explained how interest rates and inflation might affect the budget for 2025. Firstly, he mentioned the cascading mechanism of the new European Union Recovery Instrument (EURI), which was designed to cope with the rising financing costs of NextGenerationEU linked to the unprecedented increase in interest rates. This new mechanism would be implemented for the first time in 2025. It was proposed to apply it in a balanced manner, in line with the decisions taken at the European Council in February 2024, targeting benchmark funding of 50% of existing availabilities while preserving the priority programmes and maintaining some room for manoeuvre for special instruments.

Mr HAHN pointed out that the EURI interest financing needs for 2025 would amount to more than EUR 5 billion, exceeding the initial forecasts by almost EUR 2.5 billion. He added that the amount to be financed could be adjusted in the amending letter to the budget, when more information would be available on the amounts actually disbursed up to September 2025. To fill this gap of nearly EUR 2.5 billion, he proposed to use the remaining margin of EUR 46 million under

Sub-heading 2b, 'Resilience and Values', and to mobilise almost EUR 1.2 billion from the Flexibility Instrument, thereby covering 50% of the cost overrun. The remaining 50% – approximately EUR 1.2 billion – would be fully covered by decommitments accumulated since 2021. There would therefore be no need to use the 'financial backstop' in step 3b of the cascade mechanism.

Mr HAHN then noted that expenditure on administration (Heading 7) was still under considerable pressure, in terms of both financing and human resources. He stressed the lack of flexibility with regard to legally mandatory expenditure such as salaries and pensions. In this regard, he reminded the College that the proposed mid-term revision of the MFF had envisaged an increase of EUR 1.9 billion for this heading that had ultimately not been agreed.

He also noted that the current estimate of the impact of inflation and the erosion of purchasing power had been incorporated into the draft budget, applying the same strict approach to the other European institutions. Most of the institutions concerned would therefore be faced with difficult choices. However, despite the efforts made, the financial needs exceeded the ceiling of Heading 7 by EUR 490 million, which made it necessary to use the Single Margin Instrument, as had been the case for the current year.

Concluding his presentation, Mr HAHN stressed that the Commission was obliged to deal with the increases and reductions resulting from the revision of the MFF in line with the agreement reached between the co-legislators. He considered the results achieved to be generally satisfactory, noting that, although pressure on the budget would remain strong for the next two years, the Commission could continue to finance the EU priorities.

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

– a reminder of the negative consequences of the proposed budget, notably for the European External Action Service (EEAS) and for EU delegations in third countries, due to the high local costs linked, on the one hand, to higher inflation rates than in Europe and, on the other hand, to security challenges requiring stronger protection;

- the potential effect of budget cuts on the continuity of operations of some EU delegations;
- the College's support for the pro rata method used for budget cuts, which was considered fair and effective;
- the emphasis placed by some on the budgetary and political implications of the method used for the countries and regions in the EU's neighbourhood.

In response to the points raised, Mr HAHN mentioned the possibility of a revision of the accounts at the end of 2024, depending on the state of implementation of the current budget. He reminded the College that the exceptionally high level of European support for Ukraine had been confirmed at the highest political level and incorporated into the mid-term revision of the MFF. Against this background, he stressed once again that the method of pro rata budget cuts was the only one that was both fair and effective for implementing the decisions of the European Council.

He concluded that the multiannual budget exercise had to be viewed over the entire period concerned and that, at the end of that period, part of the planned unused expenditure could be recommitted to programmes corresponding to the political priorities, in particular in the context of the neighbourhood policy. Lastly, he stressed the importance of properly communicating these decisions and their implications to the EU's partners and stated that the draft budget presented would enable the EU to continue its action in the world.

Following this presentation, the Commission:

- adopted the statement of estimates as set out in documents I, II, III, IV and V, distributed as SEC(2024) 250 to /3, as a basis for drawing up the draft general budget of the European Union for the 2025 financial year;

- authorised Mr HAHN, the Member of the Commission with responsibility for the budget and human resources, to send documents I, II, III and IV to the European Parliament and the Council, for information;

- empowered Mr HAHN, in agreement with the PRESIDENT, to convert documents I, II, III and IV into corresponding volumes in the draft general budget for 2025;

- empowered Mr HAHN, in agreement with the PRESIDENT, and in accordance with Article 314(1) of the Treaty on the Functioning of the European Union, to consolidate the draft general budget for 2025 on the basis of the latest information provided by the other institutions on their own estimates, which might contain different forecasts, and to transmit it to the European Parliament and the Council and, for information, to the national parliaments.

10. COMMUNICATION FROM THE COMMISSION 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 – 2024 EUROPEAN SEMESTER – SPRING PACKAGE
(COM(2024) 600 TO /3; RCC(2024) 114)

11. COMMISSION RECOMMENDATIONS FOR COUNCIL RECOMMENDATIONS CONCERNING THE ECONOMIC, SOCIAL, EMPLOYMENT, STRUCTURAL AND BUDGETARY POLICIES OF THE MEMBER STATES
(COM(2024) 601 TO /3; COM(2024) 602 TO /3; COM(2024) 603 TO /3;

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12. PROPOSAL FOR A COUNCIL DECISION ON GUIDELINES FOR THE EMPLOYMENT POLICIES OF THE MEMBER STATES (COM(2024) 599 AND /2; RCC(2024) 114)

Mr DOMBROVSKIS presented the European Semester spring package and emphasised that it was the main tool for coordinating budgetary, macroeconomic and employment policies across the EU. He noted that the European Semester process had had to be adjusted to respond to the rapid developments and challenges facing the EU. In this context, he welcomed the overall resilience shown by the EU economy despite the multiple economic shocks of recent years.

He then highlighted some key features of this spring package, in particular the link between the European Semester and the Recovery and Resilience Facility, and the particular attention paid to the mid-term review of cohesion policy plans. As part of the European Semester, the Commission provided guidance on the need to accelerate the implementation of the national recovery and resilience plans and on the possible reprogramming of cohesion policy funds.

Mr DOMBROVSKIS also highlighted the structural issues addressed in the country-specific recommendations, which concerned crucial areas such as productivity, access to finance, labour and skills shortages, and the economic and business environment. He stressed that these aspects played a direct role in accelerating economic growth and strengthening the EU's competitiveness. Moreover, the examination of these issues took into account social and territorial cohesion. One of the new features of this European Semester exercise was the introduction of the principles of the social convergence framework, aimed at integrating considerations of social justice and territorial equity into the analyses and recommendations.

Mr DOMBROVSKIS then reviewed the budgetary aspect of the European Semester. As of 2024, the general escape clause under the Stability and Growth Pact was no longer active, thus heralding a return to the normal cycle of budgetary surveillance. This translated into a recommendation to all Member States to prepare their medium-term budgetary and structural plans by 20 September, in line with the requirements of the revised European economic governance framework. In this regard, the Commission also provided qualitative guidance on the net expenditure path of each Member State.

The Commission was again applying the excessive deficit procedure, a standard mechanism of the European Semester before the pandemic. To this end, the Commission had identified 12 Member States with a deficit exceeding 3% of Gross Domestic Product (GDP). Having assessed the situation in each of them, the Commission had concluded that the opening of an excessive deficit procedure was justified for seven Member States: Belgium, France, Italy, Hungary, Malta, Poland, and Slovakia.

The first stage of this procedure consisted of the drafting of a report by the Commission under Article 126(3) of the Treaty on the Functioning of the European Union (TFEU). Member States would then have the opportunity to express an opinion on this report at the Economic and Financial Committee. In July, the Commission would propose to the Council that it formally establish the existence of an excessive deficit, and recommendations to correct these deficits would be issued in the autumn, in order to ensure consistency with Member States' medium-term budgetary and structural plans.

As regards Romania, the only country for which the existence of an excessive deficit had already been established by the Council, the Commission had concluded that the measures taken to correct the excessive deficit were insufficient, which meant that a new economic adjustment path for Romania would be proposed.

Finally, Mr DOMBROVSKIS briefly mentioned the Commission's assessment of the Member States' macroeconomic imbalances, noting a general trend towards these imbalances receding in most Member States, although some concerns remained.

Mr GENTILONI began by describing the economic context of this European Semester spring exercise. The general escape clause of the Stability and Growth Pact, triggered in mid-March 2020, had been applied until the end of 2023. This prolonged suspension of a large proportion of the budgetary rules was justified by the successive crises that had hit the EU, namely the COVID-19 pandemic, the Russian war of aggression in Ukraine, and the ensuing energy crisis.

He pointed out that the current situation was characterised by low economic growth, but noted that the outlook was brighter for next year, with projected GDP growth in the EU of around 1.5% in 2025. At the same time, inflation was falling and the employment rate remained very high. Mr GENTILONI stressed the challenge of combining budgetary prudence with economic recovery, in the context of the implementation of the new EU budgetary rules and the transition to the new European legislature.

In this regard, he considered that while budgetary rules were necessary in a monetary union, they were not enough in themselves to generate growth, which instead should stem from other factors, such as the upturn in consumption, investments under the Recovery and Resilience Facility, and the increase in competitiveness and productivity.

Mr GENTILONI noted that the EU was not currently in a budgetary emergency, given the overall drop in the level of public deficits since the previous year, a trend which should continue next year. Although eight Member States would have to adjust their budgetary policies in line with the new rules, the Commission was in a position to send a reassuring message to all economic stakeholders because of the fall in public spending needed to deal with the crises.

On this basis, he summarised the content of the spring package presented that day, consisting of a chapeau Communication accompanied by 27 country-specific Reports and Recommendations. The country-specific Recommendations concerned: (i) budgetary policy, (ii) NextGenerationEU and the state of implementation of the national recovery and resilience plans, and (iii) competitiveness and productivity aspects, such as social housing, taxation and anti-money laundering, tailored to the specific circumstances of each Member State. Mr GENTILONI explained that the package was complemented by the employment guidelines, as well as by a Eurostat report on the progress made in the EU towards achieving the Sustainable Development Goals (SDGs).

He then focused on the macroeconomic imbalance procedure, which was also addressed in the package. He noted that there had been an overall reduction in risks and vulnerabilities within the Member States under this procedure, with a few exceptions. As a result of these improvements, the classification of some countries had been adjusted: some previously identified as experiencing ‘excessive imbalances' were now ranked in the 'imbalances' category, while others had been moved from 'imbalances' to an absence of significant imbalances.

Mr GENTILONI addressed the final element of the package, which concerned the Report presented under Article 126(3) TFEU on the levels of government deficits and public debt of the Member States. Based on this Report, the Commission intended to submit a proposal to the Council, which would take a decision in July, to open an excessive deficit procedure for seven Member States, in addition to the one already in progress for Romania. He drew attention to the new aspect of this procedure: the Commission's recommendations for budgetary adjustment would be accompanied by a country-specific adjustment path for the period ahead. This path would be defined in the autumn, following the discussion of Member States' budgetary and structural plans for the next seven years. The Commission's quantitative recommendation for budgetary adjustment would therefore be based on the active involvement of the Member States throughout the discussions, ensuring that they were fully accountable from the beginning of the process.

Mr GENTILONI concluded his presentation by recalling the numerous compromises reached during the negotiations on the new economic governance framework and stressing the Commission's enhanced role. The Commission would now be able to coordinate more closely the future path of investments and reforms carried out by the Member States.

Mr SCHMIT, in turn, stated that social and employment policy formed an integral part of the European Semester, as it did of the new economic governance framework and of the implementation of the national recovery and resilience plans. He noted that competitiveness was the chosen focus of the European Semester cycle that year and stressed the importance of integrating the social and employment dimensions. To ensure sustainable and inclusive growth, competitiveness had to go hand in hand with greater social and economic convergence.

In this connection, investment in human capital and skills was vital to support quality job creation, ensure fair transitions and reinforce the EU's role in the global economy. Such investment would also help to make the EU more resilient, which was one of the main objectives of the country Reports and country-specific Recommendations. It was also important to foster a culture of lifelong learning, which was a key to success in periods of major transformation like the green and digital transitions and demographic change.

Mr SCHMIT explained that implementing the European Pillar of Social Rights and achieving the national and EU-wide targets for 2030 on employment, skills and poverty reduction remained central to the social dimension of the European Semester. In particular, the proposed country-specific Recommendations covered the upskilling and reskilling of the working-age population and the need to enhance basic skill levels in the light of the most recent Programme for International Student Assessment (PISA) results. The Recommendations also advocated boosting incentives to work, increasing labour market participation and enhancing the skills of underrepresented or vulnerable groups. Lastly, the adequacy of social protection and the need to address challenges related to the access and quality of healthcare and long-term care were also reflected in the country-specific Recommendations.

Mr SCHMIT welcomed the fact that, for the first time, an analysis based on the social convergence framework had been fully integrated into the European Semester. This framework involved a two-stage analysis in order to assess risks and challenges to upward social convergence in the Member States, based on the social scoreboard indicators. In the first stage, labour market, skills and social policies were analysed for all 27 Member States in order to identify potential risks to social convergence. A more detailed second-stage analysis had been conducted in relation to the countries for which potential risks to upward social convergence had been identified in the first stage. The detailed analysis had been published by the Commission in May 2024 for seven Member States. It had thus fed into the multilateral reviews in the relevant committees in the Council and had informed the

2024 European Semester cycle. Its findings were reflected in the country Reports and in some of the country-specific Recommendations. This approach would be evaluated and fine-tuned to make it even more effective in the 2025 European Semester cycle.

Lastly, Mr SCHMIT reviewed the employment guidelines, drawn up each year by the Commission under Article 148 TFEU. That year the guidelines had been carried over in full while also bringing in new elements related to (i) skills and labour shortages, (ii) new technologies, artificial intelligence and algorithmic management and their impact on the workplace, and (iii) recent initiatives of particular relevance, such as on platform work or affordable housing. Moreover, the employment guidelines now included references to the 2030 national targets on employment, skills and poverty reduction. Among other targeted adjustments, Mr SCHMIT mentioned references to legal migration and the need to address gaps in access to social protection for the self-employed and for workers in non-standard forms of employment.

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

- full support for the current European Semester cycle as an economic policy instrument and for the country-specific Recommendations, deemed to be fair and objective;

- the justified focus on competitiveness in that European Semester cycle and, in that connection, the need to compare the EU’s competitiveness with that of other players on the world stage, such as the United States, at purchasing power parity;

- the value of including an investment dimension in future European Semester cycles, in order to encourage the Member States to invest in policies of general interest, such as defence;

- the importance of a deeper economic analysis in the European Semester that went beyond the main indicators such as growth rate, debt and deficit to include specifics related to competitiveness and the labour market in the various regions of the EU;

- the importance of also taking account of long-term trends such as climate change, depopulation in certain regions, and the shrinking working-age population;

- with regard to the communication on this cycle of the Semester, the recommendation to highlight the notable signs of stability, progress and overall improvement in the Union's economic situation

- the welcome inclusion in the Semester of demographic challenges, like those related to the green and digital transitions, and the crucial role in this connection of the demography toolbox developed by the Commission;

- the importance of boosting the productivity of the EU’s economy in order to stimulate long-term growth, which required major investment in technological development and the digital sector.

The PRESIDENT recognised the need to boost public and private investment within the EU and stressed the importance of improving access to capital by EU companies thanks to an effective and robust Capital Markets Union. She pointed out that productivity was not the only factor to consider in discussions on the prosperity of society. She highlighted the many benefits of the European social market economy model, including the reduction of economic inequalities and greater life expectancy.

Regarding demographic challenges, she indicated that at current projections, assuming unchanged policies, the EU could face a shortage of 50 million people of working age by 2050. This gap could be filled by boosting the potential for labour market participation by women, young people and older people, while at the same time fostering channels for legal migration to the EU.

The PRESIDENT concluded by saying that integrating capital markets should be a key priority for the EU in the next legislative term. She also stressed the importance of focusing on other key challenges for European competitiveness, such as reducing dependence on energy imports and local generation of renewable energy.

Following these presentations, the Commission:

– approved the Communication set out in COM(2024) 600/3 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;

– adopted the Council Recommendations set out in COM(2024) 601/3 (Belgium), COM(2024) 602/3 (Bulgaria), COM(2024) 603/3 (Czechia), COM(2024) 604/3 (Denmark), COM(2024) 605/3 (Germany), COM(2024) 606/3 (Estonia), COM(2024) 607/3 (Ireland), COM(2024) 608/3 (Greece), COM(2024) 609/3 (Spain), COM(2024) 610/3 (France), COM(2024) 611/3 (Croatia), COM(2024) 612/3 (Italy), COM(2024) 613/3 (Cyprus), COM(2024) 614/3 (Latvia), COM(2024) 615/3 (Lithuania), COM(2024) 616/3 (Luxembourg), COM(2024) 617/3 (Hungary), COM(2024) 618/3 (Malta), COM(2024) 619/3 (Netherlands), COM(2024) 620/3 (Austria), COM(2024) 621/3 (Poland), COM(2024) 622/3 (Portugal), COM(2024) 623/3 (Romania), COM(2024) 624/3 (Slovenia), COM(2024) 625/3 (Slovakia), COM(2024) 626/3 (Finland) and COM(2024) 627/3 (Sweden) 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 documents in, respectively, SWD(2024) 601/2, SWD(2024) 602/3, SWD(2024) 603/3, SWD(2024) 604/3, SWD(2024) 605/2, SWD(2024) 606/2, SWD(2024) 607/2, SWD(2024) 608/3, SWD(2024) 609/3, SWD(2024) 610/2, SWD(2024) 611/2, SWD(2024) 612/3, SWD(2024) 613/2, SWD(2024) 614/2, SWD(2024) 615/2, SWD(2024) 616/2, SWD(2024) 617/3, SWD(2024) 618/3,

SWD(2024) 619/2, SWD(2024) 620/2, SWD(2024) 621/3, SWD(2024) 622/2, SWD(2024) 623/3, SWD(2024) 624,/3 SWD(2024) 625/2, SWD(2024) 626/2 and SWD(2024) 627/2, and the fiscal statistical tables in SWD(2024) 600, the contents of which were noted;

– adopted the proposal for a Council Decision set out in COM(2024) 599/2 for transmission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, and, for information, to the national parliaments.

13. OTHER BUSINESS

13.1. LATEST DEVELOPMENTS IN EXTERNAL RELATIONS

The PRESIDENT began by reporting on the recent G7 Summit held from 13 to 15 June in Puglia, Italy. She highlighted the major commitment made at the Summit to provide Ukraine with a USD 50 billion loan secured by windfall profits from immobilised Russian assets in Europe. However, some technical details, especially regarding safety nets, had still to be sorted out by G7 Finance Ministers. This financial support came on top of the funds already pledged by the EU and the United States, whose contributions amounted to EUR 50 billion and USD 60 billion respectively. This sent a strong message to the Russian President, reflecting the determination of G7 members to support Ukraine for as long as it took regardless of future political developments. The costs of the damage caused by the conflict would have to be borne by the Russian aggressor, not by European taxpayers.

She then turned to the G7 leaders' discussions on Africa, emphasising the shift over the past 5 years from development aid policy to a genuine partnership based on shared values and interests. Despite some teething troubles, the Global Gateway initiative was now fully operational and internationally recognised. As regards the situation in the Middle East, she confirmed the G7's full support for the peace plan proposed by US President Joe Biden and the concerns expressed about the risk of escalation at the Israeli-Lebanese border.

The PRESIDENT also referred to discussions on economic security, focusing on the problems of industrial overcapacity in China. Although China accounted for 17% of global GDP, its share of world trade was well above that figure, making up one third of exports. The unexpected slowdown in Chinese domestic demand made matters worse and led to a massive influx of subsidised products into international markets. Many countries had taken defensive action in response to protect their economies from being flooded by low-priced products. Lastly, the PRESIDENT welcomed Pope Francis's very enlightening remarks on the challenges of artificial intelligence.

Mr BORRELL then took stock of Russia's war of aggression against Ukraine. He began by referring to the outcome of the high-level Conference on peace in Ukraine held in Switzerland on 15 and 16 June, highlighting the success of the initiative and the global support shown for Ukraine, despite Russian pressure. The joint communiqué on a peace framework had been signed by around 80 countries and international organisations and explicitly referred to the UN Charter, UN General Assembly resolutions and international law as a basis for a just, lasting and comprehensive peace. Mr BORRELL added that the communiqué proposed a common vision on fundamental issues such as nuclear safety, food security and humanitarian law, as well as the return of deported children.

He therefore felt that the Summit had achieved its main aim of establishing a common framework for a future peace process. However, he stressed the continued need to be realistic, as several key countries had not signed up to the initiative and Russian involvement in genuine peace negotiations remained problematic. The Russian President remained firmly committed to pursuing his expansionary objectives, relying on increased cooperation with North Korea and Chinese support. He also pointed to Mr Putin's attempts to undermine the Summit by organising a competing event in St Petersburg based on a last-minute ceasefire proposal, which would require Ukraine to cede territory currently outside Russian control, some of which was populated by hundreds of thousands of Ukrainian citizens. He stressed the importance of maintaining a united front in Europe and continuing dialogue with global partners, including those with different views from the EU.

Mr BORRELL also brought up his recent bilateral talks with the Presidents of Kenya and Ecuador, as well as with the Ukrainian and Saudi Arabian Foreign Ministers. He mentioned his meeting with Georgian President Salome Zourabichvili and pointed to the instability that would persist in Georgia until the October parliamentary elections, which would determine the country's future. He stressed the EU's dual responsibility in that context, namely to remind the Georgian authorities that EU candidate status came with obligations, while expressing its strong backing for the European aspirations of the Georgian people. Discussions on the next steps would continue at the Foreign Affairs Council scheduled for 24 June.

He then reported on the military situation in Ukraine, noting that Ukrainian forces had managed not only to contain the Russian offensive against Kharkiv, but also to win back territory. He attributed this progress to fresh supplies of Western military equipment and the easing of restrictions on its use against military targets in Russia. However, the situation remained precarious, with Russia continuing to make modest but continual tactical gains that challenged Ukraine's defensive capabilities. He also warned of a possible new Russian offensive in the summer.

Mr BORRELL drew attention to the critical state of Ukraine's energy grid, with 60-70% of its capacity destroyed, causing recurrent power cuts which sapped the population's morale. The situation could become catastrophic in the run-up to winter. The priorities therefore remained unchanged: strengthening Ukraine's air defences, increasing military support and maintaining a united EU front. In this regard, he noted with regret that one Member State had blocked six legislative proposals to set up an assistance fund for Ukraine.

As regards the situation in the Middle East, Mr BORRELL highlighted three major issues: (i) the lack of significant progress on the American President's ceasefire proposal, (ii) the heightened risk of escalation between Israel and Hezbollah, with provocative statements on both sides and increased strikes along the border, and (iii) the Israeli government's suspension of tax revenue payments to the Palestinian Authority. The Foreign Affairs Council on 24 June would discuss the follow-up to the Israeli Foreign Minister's invitation to an ad hoc Association Council, the adoption of sanctions against Hamas under the new dedicated regime and the inclusion of extremist Israeli settlers in the EU human rights sanctions regime.

EU Foreign Ministers would also discuss the situation in the Great Lakes region at their next meeting. As usual, they would be joined by their Western Balkan counterparts at a working lunch. That meeting would be a key opportunity to strengthen ties with those partners and discuss regional issues following Mr BORRELL's discussions in Vienna with the Austrian President and Foreign Ministers from the Western Balkans.

The PRESIDENT concluded by recognising the success of the high-level Conference on peace in Ukraine and praising Switzerland's diplomatic expertise in hosting the event. She was satisfied with the remarkable turnout of almost one hundred countries and international organisations, including 57 heads of state or government, despite Russian and Chinese efforts to undermine the event. Even before the opening of the summit, Mr Putin had reacted by setting out his demands, claiming not only Ukrainian territory currently occupied by Russia but also certain areas not currently under

Russian control, thereby revealing a more aggressive stance than some participants had anticipated. Non-compliance with the principles of the UN Charter posed a risk to the security of every country, but did not guarantee an appropriate response from the international community. Finally, the planned follow-up meeting was a positive sign of progress in the negotiations.

The Commission took note of this information.

13.2. COMMISSION IMPLEMENTING DECISION ON THE REQUEST FOR REGISTRATION, PURSUANT TO REGULATION (EU) 2019/788 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL, OF THE EUROPEAN CITIZENS' INITIATIVE ENTITLED 'AIR-QUOTAS' (C(2024)3817)

13.3. COMMISSION IMPLEMENTING DECISION ON THE REQUEST FOR REGISTRATION, PURSUANT TO REGULATION (EU) 2019/788 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL, OF THE EUROPEAN CITIZENS' INITIATIVE ENTITLED 'STOP DESTROYING VIDEOGAMES' (C(2024)3860)

Ms JOUROVÁ presented to the College the requests to register two European citizens' initiatives entitled '*Quotas aériens*' ('Air-Quotas'), in the authentic language (French), and 'Stop Destroying Videogames', in the authentic language (English).

The organisers of the 'Air-Quotas' initiative called for a citizens' carbon-quota mechanism to be established in each Member State to encourage businesses to decarbonise through consumer demand. In their view, this new mechanism should cover all purchases of goods and services, starting with air transport.

For their part, the organisers of the 'Stop Destroying Videogames' initiative asked the Commission to require publishers selling or licensing video games in the EU to maintain those games in a functional state. In particular, the initiative aimed to prevent publishers from remotely disabling video games and thus better protect consumer rights.

Ms JOUROVÁ pointed out that no part of the two initiatives manifestly fell outside the scope of the Commission's powers to submit a proposal for an EU legal act for the purpose of implementing the Treaties. As the initiatives could therefore be considered admissible, she proposed to register them.

She concluded by pointing out that the organisers would now have to start collecting the required number of signatures, i.e. at least one million in seven Member States. The Commission would need to examine the substance of the initiatives only after those signatures had been collected.

Following this presentation, the Commission:

– confirmed that the citizens' initiative entitled 'Air-Quotas' fulfilled the conditions for registration. It therefore decided, in accordance with C(2024) 3817, to inform the group of organisers and authorised Ms JOUROVÁ to sign the reply on behalf of the College, in the authentic language (French), to send it to the initiative's organisers and to publish it, for information, in the *Official Journal of the European Union*;

– confirmed that the citizens' initiative entitled 'Stop Destroying Videogames' fulfilled the conditions for registration. It therefore decided, in accordance with C(2024) 3860, to inform the group of organisers and authorised Ms JOUROVÁ to sign the reply on behalf of the College, in the authentic language (English), to send it to the group of organisers of the initiative and to publish it, for information, in the *Official Journal of the European Union*;

– agreed to transmit these decisions, for information, to the European Parliament, the Council, the European Economic and Social Committee, the Committee of the Regions and the national parliaments.

13.4. RELEASE OF MR FLODERUS

Ms JOHANSSON reported on the recent release of Johan Floderus, a Swedish national employed by the Commission, and Saeed Azizi, a Swedish and Iranian national, who had both been arbitrarily detained in Iran. She praised the remarkable courage of Mr Floderus, who was held captive for two years in extremely difficult conditions.

She also expressed her appreciation for the efforts of the PRESIDENT and Mr BORRELL, which had played a crucial role in the steps leading to Mr Floderus's release. She then read personal messages of thanks from Mr Floderus and his family, expressing their gratitude to the Commission for its unwavering support throughout their ordeal.

A discussion followed, during which congratulations and expressions of gratitude were addressed to the PRESIDENT, Mr BORRELL and Ms JOHANSSON.

The Commission took note of this information.

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The Commission's other discussions on certain agenda items are recorded in the special minutes.

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The meeting closed at 10.55.