



EUROPEAN COMMISSION

SECRETARIAT-GENERAL

PV(2017) 2212 final

- English language version of the French text which is authentic -

Brussels, 19 July 2017

TEXTE EN

MINUTES

**of the 2212th meeting of the Commission
held in Strasbourg
(Winston Churchill building)
on Wednesday 16 May 2017
(afternoon)**

PV(2017) 2212 final

- English language version of the French text which is authentic -

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TABLE OF CONTENTS

Attendance list	5-7
1. AGENDAS (OJ(2017) 2212/FINAL; SEC(2017) 227/FINAL)	8
2. WEEKLY MEETING OF CHEFS DE CABINET (RCC(2017) 2212).....	8
3. APPROVAL OF THE MINUTES OF THE 2210 TH MEETING OF THE COMMISSION (3 MAY) AND THE MINUTES OF THE 2211 TH MEETING (10 MAY) (PV(2017) 2210 AND /2).....	8
4. INTERINSTITUTIONAL RELATIONS (RCC(2017) 50)	8
4.1. LEGISLATIVE MATTERS	9
4.2. RELATIONS WITH THE EUROPEAN COUNCIL AND THE COUNCIL	10
4.3. RELATIONS WITH PARLIAMENT	11
5. WRITTEN PROCEDURES, EMPOWERMENT AND DELEGATION OF POWERS.....	12
5.1. WRITTEN PROCEDURES APPROVED (SEC(2017) 228 ET SEQ.).....	12
5.2. EMPOWERMENT (SEC(2017) 229 ET SEQ.)	12
5.3. DELEGATION / SUBDELEGATION OF POWERS (SEC(2017) 231 ET SEQ.).....	12
5.4. SENSITIVE WRITTEN PROCEDURES (SEC(2017) 232 AND /2)	12
6. ADMINISTRATIVE AND BUDGETARY MATTERS (SEC(2017) 233)	13
6.1. DG EDUCATION, YOUTH, SPORT AND CULTURE – APPOINTMENT OF AD14/15 DIRECTOR (PERS(2017) 75 TO /3)	13
6.2. DG EDUCATION, YOUTH, SPORT AND CULTURE – APPOINTMENT OF AD14/15 DIRECTOR (PERS(2017) 7 TO /3)	13

6.3. DG MARITIME AFFAIRS AND FISHERIES – APPOINTMENT OF AD14/15 PRINCIPAL ADVISER (PERS(2016) 125 TO /4).....	14
6.4. EUROPEAN ANTI-FRAUD OFFICE – APPOINTMENT OF AD14/15 DIRECTOR (PERS(2016) 129 TO /3).....	15
6.5. SECRETARIAT-GENERAL – APPOINTMENT OF AD14/15 DIRECTOR (PERS(2017) 4 TO /3).....	15
6.6. DG EMPLOYMENT, SOCIAL AFFAIRS AND INCLUSION – AMENDMENT OF THE ORGANISATION CHART (SEC(2017) 254; SEC(2017) 249).....	16
6.7. DG CLIMATE ACTION / DG ENVIRONMENT – AMENDMENT OF ORGANISATION CHARTS (SEC(2017) 254; SEC(2017) 248; SEC(2017) 251).....	16
6.8. DG MIGRATION AND HOME AFFAIRS / DG JUSTICE AND CONSUMERS – AMENDMENT OF THE ORGANISATION CHARTS (SEC(2017) 254; SEC(2017) 252; SEC(2017) 253)	17
6.9. DG HUMAN RESOURCES AND SECURITY – FOLLOW-UP TO THE CONCILIATION MEETING WITH STAFF REPRESENTATIVES CONCERNING A NEW DECISION ON THE PROVISIONS FOR IMPLEMENTING ARTICLE 79(2) OF THE CONDITIONS OF EMPLOYMENT OF OTHER SERVANTS OF THE EUROPEAN UNION AND REPEALING COMMISSION DECISION C(2011)1264 (SEC(2017) 255).....	18
7. OTHER BUSINESS.....	19
COMMISSION DECISION ON THE ADMISSIBILITY OF THE PROPOSED CITIZENS' INITIATIVE ENTITLED 'LET US REDUCE THE WAGE AND ECONOMIC DIFFERENCES THAT TEAR THE EU APART!' (C(2017) 3382 AND /2)	19
8. POLICY DEBATE ON THE PREPARATION OF THE 2017 EUROPEAN SEMESTER SPRING PACKAGE (RCC(2017) 55).....	23
9. OTHER BUSINESS (CONTINUED).....	31
9.1. PREPARATION OF THE 2018 DRAFT GENERAL BUDGET OF THE EUROPEAN UNION IN RELATION TO THE ONGOING MID-TERM REVIEW OF THE MULTIANNUAL FINANCIAL FRAMEWORK 2014-2020 (INFO(2017) 41)	31

9.2. NEXT STEPS WITH REGARD TO THE DOSSIERS CONCERNING GLYPHOSATE AND ENDOCRINE DISRUPTORS (INFO(2017) 28; INFO(2017) 39; RCC(2017) 53).....	32
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10. TWELFTH REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE EUROPEAN COUNCIL AND THE COUNCIL ON THE RELOCATION AND RESETTLEMENT OF REFUGEES (COM(2017) 260 TO /3; RCC(2017) 56)	32
11. COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE EUROPEAN COUNCIL AND THE COUNCIL – SEVENTH PROGRESS REPORT TOWARDS AN EFFECTIVE AND GENUINE SECURITY UNION (COM(2017) 261 TO /3; RCC(2017) 56)	33

Single sitting: Tuesday 16 May 2017 (afternoon)

The sitting opened at 13.26 with Mr JUNCKER, President, in the chair. The discussion of item 11 was chaired in part by Mr ANSIP.

Present:

Mr JUNCKER	President	Items 1 to 11 (in part)
Ms MOGHERINI	High Representative / Vice-President	Items 1 to 8
Mr ANSIP	Vice-President	
Mr ŠEFČOVIČ	Vice-President	Items 1 to 8 (in part) and 11 (in part)
Mr DOMBROVSKIS	Vice-President	
Mr KATAINEN	Vice-President	
Mr OETTINGER	Member	Items 1 to 11 (in part)
Ms MALMSTRÖM	Member	
Mr MIMICA	Member	Items 1 to 8
Mr ARIAS CAÑETE	Member	
Mr VELLA	Member	
Mr ANDRIUKAITIS	Member	
Mr AVRAMOPOULOS	Member	
Ms THYSSEN	Member	
Mr MOSCOVICI	Member	Items 1 to 8
Mr STYLIANIDES	Member	
Mr HOGAN	Member	
Ms BULC	Member	
Ms BIENKOWSKA	Member	
Ms JOUROVÁ	Member	
Mr NAVRACSICS	Member	
Ms CREȚU	Member	Items 1 to 8
Ms VESTAGER	Member	
Sir Julian KING	Member	

Absent:

Mr TIMMERMANS

First Vice-President

Mr HAHN

Member

Mr MOEDAS

Member

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

Mr COLOMBANI	A member of Mr TIMMERMANS's staff
Mr MUELLER	A member of Mr HAHN's staff
Mr VICENTE	Chef de cabinet to Mr MOEDAS

The following also sat in:

Mr SELMAYR	Chef de cabinet to the PRESIDENT	
Mr ROMERO REQUENA	Director-General, Legal Service	
Mr PESONEN	Director-General, DG Communication	
Mr SCHINAS	Head of the Spokesperson's Service and Chief Spokesperson of the Commission	Items 1 to 11 (in part)
Ms METTLER	Head of the European Political Strategy Centre	
Ms MICHOU	Deputy Secretary-General	
Ms MARTÍNEZ ALBEROLA	Deputy Chef de cabinet to the PRESIDENT	
Mr THOLONIAT	Adviser in the PRESIDENT's Office	Items 1 to 8
Ms ARKI	PRESIDENT's Office	
Mr WYNANDS	Chef de cabinet to Mr DOMBROVSKIS	Items 1 to 8
Ms PASERMAN	Deputy Chef de cabinet to Ms THYSEN	Items 1 to 8
Mr BAILLY	Chef de cabinet to Mr MOSCOVICI	Items 1 to 8
Ms ANDREEVA	Commission Spokesperson's Service	

Secretary: Mr ITALIANER, Secretary-General, assisted by Mr AYET PUIGARNAU,
Director in the Secretariat-General.

1. AGENDAS

(OJ(2017) 2212/FINAL; SEC(2017) 227/FINAL)

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

2. WEEKLY MEETING OF CHEFS DE CABINET

(RCC(2017) 2212)

The Commission considered the Secretary-General's report on the weekly meeting of Chefs de cabinet held on Monday 15 May.

3. APPROVAL OF THE MINUTES OF THE 2210TH MEETING OF THE COMMISSION (3 MAY) AND THE MINUTES OF THE 2211TH MEETING (10 MAY)

(PV(2017) 2210 AND /2)

The Commission approved the minutes of its 2210th meeting and decided to hold over approval of the minutes of its 2211th meeting for the following week.

4. INTERINSTITUTIONAL RELATIONS

(RCC(2017) 50)

The Commission took note of the record of the meeting of the Interinstitutional Relations Group (IRG) held on Friday 12 May (RCC(2017) 50).

It paid particular attention to the following points.

4.1. LEGISLATIVE MATTERS

i) Trilogues

(point 3.1 of the IRG record)

- Geo-blocking and other forms of discrimination based on customers' nationality, place of residence or place of establishment within the internal market and amendment of Regulation (EC) 2006/2004 and Directive 2009/22/EC (Regulation) – THUN UND HOHENSTEIN report – 2016/0152 (COD)

The Commission approved the line set out in SI(2017) 189/2.

- Macro-financial assistance to the Republic of Moldova (Decision) – MOISĂ report – 2017/0007 (COD)

The Commission approved the line set out in SI(2017) 197.

ii) Council dossiers

(point 3.3 of the IRG record)

- Double Taxation Dispute Resolution Mechanisms in the European Union (Council Directive) – THEURER report – 2016/0338 (CNS)

The Commission approved the line set out in SI(2017) 201.

- Amendment of Decision 2008/376/EC on the adoption of the Research Programme of the Research Fund for Coal and Steel and on the multiannual technical guidelines for this programme (Council Decision) – BUZEK report – 2016/0047 (NLE)

The Commission approved the line set out in SI(2017) 206.

4.2. RELATIONS WITH THE EUROPEAN COUNCIL AND THE COUNCIL

iii) Programming of Council business

(SI(2017) 207)

The Commission took note of the information in SI(2017) 207 on the Council meetings between 18 and 31 May.

iv) Non-legislative dossiers

(point 4.1 of the IRG record)

- Next Steps for a sustainable European future – European action for sustainability (Draft Council Conclusions) – COM(2016) 739

The Commission approved the line set out in SI(2017) 185 and /3.

- New European Consensus on Development – Our World, our Dignity, our Future – NEUSER & WENTA report – COM(2016) 740 final/2

The Commission approved the line set out in SI(2017) 198.

- Renewed partnership with the countries of Africa, the Caribbean and the Pacific – JOIN(2016) 52 – Aspects of the institutional set-up

The Commission approved the line set out in SI(2017) 200.

- Joint European External Action Service – Commission services non-paper on European Union External Action on Counter-terrorism

The Commission took note of the information in SI(2017) 204 and /2.

- Amendment of Joint Action 2008/124/CFSP on the European Union Rule of Law Mission in Kosovo¹ (EULEX Kosovo) (Council Decision)
- HR(2017) 60

The Commission approved the line set out in SI(2017) 205.

4.3. RELATIONS WITH PARLIAMENT

- v) Action taken on legislative opinions and non-legislative resolutions adopted by Parliament at its March I and II part-sessions**
(point 5.6.1 of the IRG record)

The Commission approved SP(2017) 309 on the action taken on the legislative opinions and non-legislative resolutions adopted by Parliament at its March I and II part-sessions, for transmission to Parliament.

- vi) Action taken on non-legislative resolutions adopted by Parliament at its February II part-session – Follow-up to the non-legislative resolution on civil law rules on robotics – DELVAUX report – 2015/2103 (INL)**
(point 5.6.2 of the IRG record)

The Commission approved document SP(2017) 310/3 on the action taken on the non-legislative resolution on civil law rules on robotics adopted by Parliament at its February II part-session, for transmission to Parliament.

¹ This designation is without prejudice to positions on status, and is in line with UN Security Council Resolution 1244/1999 and the International Court of Justice Opinion on the Kosovo declaration of independence.

5. WRITTEN PROCEDURES, EMPOWERMENT AND DELEGATION OF POWERS

5.1. WRITTEN PROCEDURES APPROVED (SEC(2017) 228 ET SEQ.)

The Commission took note of the Secretariat-General's memoranda recording decisions adopted between 8 and 12 May.

5.2. EMPOWERMENT (SEC(2017) 229 ET SEQ.)

The Commission took note of the Secretariat-General's memoranda recording decisions adopted between 8 and 12 May.

5.3. DELEGATION / SUBDELEGATION OF POWERS (SEC(2017) 231 ET SEQ.)

The Commission took note of the Secretariat-General's memoranda recording decisions adopted under the delegation and subdelegation procedure between 8 and 12 May, as archived in Decide.

5.4. SENSITIVE WRITTEN PROCEDURES (SEC(2017) 232 AND /2)

The Commission took note of the sensitive written procedures for which the time limit expired between 15 and 19 May and of the finalisation written procedures initiated following the weekly meeting of Chefs de cabinet on 15 May.

6. ADMINISTRATIVE AND BUDGETARY MATTERS

(SEC(2017) 233)

ADMINISTRATIVE MATTERS

(PERS(2017) 79)

6.1. DG EDUCATION, YOUTH, SPORT AND CULTURE – APPOINTMENT OF AD14/15 DIRECTOR

(PERS(2017) 75 TO /3)

The Commission had before it applications under Article 29(1)(a)(i) and (iii) of the Staff Regulations for the post of Director of the ‘Policy Strategy and Evaluation’ Directorate in DG Education, Youth, Sport and Culture (PERS(2017) 75).

It took note of the opinions of the Consultative Committee on Appointments of 19 and 27 April (PERS(2017) 75/2 and /3).

The Commission proceeded to compare the applicants’ qualifications for the post. It also considered their ability, efficiency and conduct in the service. On a proposal from Mr OETTINGER, in agreement with the PRESIDENT and after consulting Mr NAVRACSICS and also Mr ANSIP, Mr DOMBROVSKIS and Mr KATAINEN, it decided to appoint Mr Stefaan HERMANS to the post.

This decision would take effect immediately.

6.2. DG EDUCATION, YOUTH, SPORT AND CULTURE – APPOINTMENT OF AD14/15 DIRECTOR

(PERS(2017) 7 TO /3)

The Commission had before it applications under Article 29(1)(a)(i) and (iii) of the Staff Regulations for the post of Director of the ‘Youth, Education and

Erasmus+’ Directorate in DG Education, Youth, Sport and Culture (PERS(2017) 7).

It took note of the opinions of the Consultative Committee on Appointments of 16 February and 27 April (PERS(2017) 7/2 and /3).

The Commission proceeded to compare the applicants’ qualifications for the post. It also considered their ability, efficiency and conduct in the service. On a proposal from Mr OETTINGER, in agreement with the PRESIDENT and after consulting Mr NAVRACSICS and also Mr ANSIP, Mr DOMBROVSKIS and Mr KATAINEN, it decided to appoint Ms Sophia ERIKSSON WATERSCHOOT to the post.

This decision would take effect immediately.

**6.3. DG MARITIME AFFAIRS AND FISHERIES – APPOINTMENT OF
AD14/15 PRINCIPAL ADVISER
(PERS(2016) 125 TO /4)**

The Commission had before it applications under Article 29(1)(a)(i) and (iii) of the Staff Regulations for the post of Principal Adviser in charge of the development of fisheries law in DG Maritime Affairs and Fisheries (PERS(2016) 125 and /2).

It took note of the opinions of the Consultative Committee on Appointments of 15 and 30 March (PERS(2016) 125/3 and /4).

The Commission proceeded to compare the applicants’ qualifications for the post. It also considered their ability, efficiency and conduct in the service. On a proposal from Mr OETTINGER, in agreement with the PRESIDENT and after consulting Mr VELLA and also Mr ŠEFČOVIČ and Mr KATAINEN, it decided to appoint Mr Fabrizio DONATELLA to the post.

This decision would take effect immediately.

6.4. EUROPEAN ANTI-FRAUD OFFICE – APPOINTMENT OF AD14/15 DIRECTOR
(PERS(2016) 129 TO /3)

The Commission had before it applications under 29(1)(a)(i) and (iii) of the Staff Regulations for the post of Director of the ‘Investigations I’ Directorate in the European Anti-Fraud Office (PERS(2016) 129).

The Commission took note of the opinions of the Consultative Committee on Appointments of 21 March and 6 April (PERS(2016) 129/2 and /3).

The Commission proceeded to compare the applicants’ qualifications for the post. It also considered their ability, efficiency and conduct in the service. On a proposal from Mr OETTINGER, in agreement with the PRESIDENT, it then decided to appoint Mr Dominik SCHNICHELS to the post.

The decision would take effect on 16 June 2017.

6.5. SECRETARIAT-GENERAL – APPOINTMENT OF AD14/15 DIRECTOR
(PERS(2017) 4 TO /3)

The Commission had before it applications under Article 29(1)(a)(i) and (iii) of the Staff Regulations for the post of Director of the ‘Smart Regulation and Work Programme’ Directorate in the Secretariat-General (PERS(2017) 4).

It took note of the opinions of the Consultative Committee on Appointments of 27 February and 23 March (PERS(2017) 4/2 and /3).

The Commission proceeded to compare the applicants’ qualifications for the post. It also considered their ability, efficiency and conduct in the service. On a proposal from Mr OETTINGER, in agreement with the PRESIDENT, it then decided to appoint Mr John WATSON to the post.

This decision would take effect on 1 July 2017.

**6.6. DG EMPLOYMENT, SOCIAL AFFAIRS AND INCLUSION –
AMENDMENT OF THE ORGANISATION CHART
(SEC(2017) 254; SEC(2017) 249)**

The Commission took note of the information in SEC(2017) 254 and, on a proposal from Mr OETTINGER, in agreement with the PRESIDENT, and having consulted Ms THYSSEN and also Mr DOMBROVSKIS and Mr KATAINEN, decided:

- to abolish Directorate EMPL.R ‘Resources, planning and communication’;
- to adopt the new organisation chart set out in SEC(2017) 249.

This decision would take effect on 16 June 2017.

Following this reorganisation, the total number of directorates in DG Employment, Social Affairs and Inclusion would fall from 8 to 7 and the total number of units would remain the same.

**6.7. DG CLIMATE ACTION / DG ENVIRONMENT – AMENDMENT OF
ORGANISATION CHARTS
(SEC(2017) 254; SEC(2017) 248; SEC(2017) 251)**

The Commission took note of the information in SEC(2017) 254 and, on a proposal from Mr OETTINGER, in agreement with the PRESIDENT, and having consulted Mr VELLA and Mr ARIAS CAÑETE and also Mr ŠEFČOVIČ and Mr KATAINEN, decided:

- to abolish the shared resource directorate ENV.SRD in DG Environment and DG Climate Action, attached administratively to DG Environment;

- to abolish units ENV.SRD.1 ‘Administration and support services’, ENV.SRD.2 ‘Finances’ and ENV.SRD.3 ‘Information Technology’;
- to create a new unit CLIMA.A.4 ‘Financial Resources and Planning’ in DG Climate Action;
- to create new units ENV.A.4 ‘Administration, Information Technology and Support Services’ and ENV.A.5 ‘Finances’ in DG Environment;
- to transfer the staff and corresponding quota of posts of the shared resource directorate ENV.SRD, as agreed by both departments, to DG Climate Action and DG Environment;
- to adopt the new organisation charts set out in SEC(2017) 248 and SEC(2017) 251.

These decisions would take effect on 1 October 2017.

Following this reorganisation, the total number of units in DG Climate Action would increase from 10 to 11, and in DG Environment the total number of directorates would decrease from 7 to 6 and the total number of units would decrease from 24 to 23.

6.8. DG MIGRATION AND HOME AFFAIRS / DG JUSTICE AND CONSUMERS – AMENDMENT OF THE ORGANISATION CHARTS (SEC(2017) 254; SEC(2017) 252; SEC(2017) 253)

The Commission took note of the information in SEC(2017) 254 and, on a proposal from Mr OETTINGER, in agreement with the PRESIDENT, and having consulted Mr AVRAMOPOULOS and Ms JOUROVÁ and also Mr TIMMERMANS, Mr DOMBROVSKIS and Mr KATAINEN, decided:

- to abolish the shared resource directorate JUST.SRD in DG Migration and Home Affairs and DG Justice and Consumers, which was administratively

attached to the latter;

- to abolish unit JUST.SRD.1 ‘Budget, Control and Ex Post Audits’ and unit JUST.SRD.2 ‘Administrative Expenditure’;
- to create a new unit HOME.E.4 ‘Budget and Control’;
- to abolish unit JUST.B.4 ‘Judicial training and e-Justice’ and rename unit JUST.SRD.3 ‘Information Technologies and Document Management’ as unit JUST.B.4 ‘e-Justice, IT and Document Management’;
- to transfer the staff and corresponding quota of posts of the shared resource directorate JUST.SRD, as agreed by both departments, to DG Migration and Home Affairs and DG Justice and Consumers;
- to adopt the new organisation charts set out in SEC(2017) 252 and SEC(2017) 253.

These decisions would take effect on 16 June 2017.

Following this reorganisation, the total number of units in DG Migration and Home Affairs would increase from 19 to 20 and the total number of units in DG Justice and Consumers would decrease from 25 to 22.

6.9. DG HUMAN RESOURCES AND SECURITY – FOLLOW-UP TO THE CONCILIATION MEETING WITH STAFF REPRESENTATIVES CONCERNING A NEW DECISION ON THE PROVISIONS FOR IMPLEMENTING ARTICLE 79(2) OF THE CONDITIONS OF EMPLOYMENT OF OTHER SERVANTS OF THE EUROPEAN UNION AND REPEALING COMMISSION DECISION C(2011)1264 (SEC(2017) 255)

The Commission, on a proposal from Mr OETTINGER, in agreement with

the PRESIDENT, decided to approve the list of proposals in SEC(2017) 255, presented by the Member of the Commission responsible, Mr OETTINGER, following the conciliation procedure.

This decision would take effect immediately.

7. OTHER BUSINESS

COMMISSION DECISION ON THE ADMISSIBILITY OF THE PROPOSED CITIZENS' INITIATIVE ENTITLED 'LET US REDUCE THE WAGE AND ECONOMIC DIFFERENCES THAT TEAR THE EU APART!'

(C(2017) 3382 AND /2)

In the absence of Mr TIMMERMANS, the PRESIDENT asked Ms THYSSEN to present the decision tabled that day to register, subject to certain conditions, the citizens' initiative entitled 'Let us reduce the wage and economic differences that tear the EU apart!'.

She reminded the meeting that in accordance with the conditions for admissibility provided for in Regulation (EU) 211/2011 on the citizens' initiative, the proposed action must, in order to be registered, manifestly fall within the Commission's powers to submit a proposal for a legal act for the purpose of implementing the Treaties, and fulfil the other conditions set out in Article 4(2) of that Regulation.

The initiative proposed in the case in question suggested that the Commission should present 'Legal acts that clearly demonstrate the EU's intention to eliminate wage inequalities between Member States and which – to achieve this objective – allow for a more efficient cohesion of these states'.

Ms THYSSEN pointed out that the current Commission had already taken decisive measures in this field, for example the proposal on the posting of workers and, more

recently, the European pillar of social rights presented on 26 April.

Turning to the initiative itself, she explained that the Commission had powers to propose legal acts based on several provisions of the Treaty on the Functioning of the European Union relating to cohesion policy, employment and social affairs. However, with regard to legal acts concerning working conditions, social security and social protection of workers, i.e. coming under Article 153 of the Treaty on the Functioning of the European Union, the TFEU clearly stated that they ‘shall not apply to pay, the right of association, the right to strike or the right to impose lock-outs’. The Commission must therefore indicate that, since this citizens’ initiative concerned legal acts in the fields enumerated in Article 153 of the Treaty on the Functioning of the European Union, the organisers could collect statements of support only for proposals other than legal acts applicable to pay, the right of association, the right to strike or the right to impose lock-outs.

Ms THYSSEN therefore proposed that the College partially admit the initiative ‘Let us reduce the wage and economic differences that tear the EU apart!’, and register it specifying that the signatures would be collected in respect of acts relating to the fields enumerated by Article 153 of the Treaty on the Functioning of the European Union.

She stressed that the College’s task that day was to decide only on the legal admissibility of the proposal and not at this stage to analyse its substance or political expediency. If, within a year, one million signatures from citizens from at least seven Member States were collected, the Commission would have three months to decide whether or not to consent to the requests, duly justifying its decision.

Ms THYSSEN also referred to the topical issue of another citizens’ initiative entitled ‘Stop TTIP’, which the previous Commission had found inadmissible by a decision taken by delegation in July 2014. This decision had now been annulled by the General Court of the European Union on 10 May.

She reminded the meeting that the citizens' initiative in question called on the Commission to 'repeal the negotiating mandate for the Transatlantic Trade and Investment Partnership (TTIP)' with the US and 'not to conclude the Comprehensive Economic and Trade Agreement (CETA)' with Canada. In September 2014 the previous Commission had refused to register this initiative on the grounds that it did not manifestly fall within its powers to submit a proposal for a legal act for the purpose of implementing the Treaties, in accordance with the conditions for admissibility provided for in Regulation (EU) 211/2011 on the citizens' initiative. The previous Commission had considered that, given its purely interinstitutional and preparatory nature, the decision authorising the opening of negotiations on the Transatlantic Trade and Investment Partnership (TTIP) with the US was not a legal act within the meaning of the aforementioned Regulation and of Article 11(4) of the Treaty on European Union.

The General Court judgment rejected the previous Commission's position and held that the Commission should have registered the initiative, since it fulfilled the conditions laid down in the applicable regulation. The Court ruled that an instrument for participatory democracy such as the European Citizens' Initiative presumed an interpretation of the concept of 'legal act' that included acts such as decisions to open negotiations with a view to concluding an international agreement that – as in the case of the Transatlantic Trade and Investment Partnership (TTIP) with the US or the Comprehensive and Economic Trade Agreement (CETA) with Canada – was manifestly intended to modify the legal order of the Union.

In conclusion, Ms THYSEN indicated that, in the absence of any legal grounds and following the clear guidelines set by the PRESIDENT, the present Commission would not appeal against the Court judgment. Contact would be made with the organisers of the initiative to inform them of the Commission's intention of registering the initiative they had proposed in 2014.

The previous Commission's decision in 2014 had been taken in accordance with the

internal rules of procedure in force at the time, i.e. the rules on a technical decision taken by virtue of a delegation of powers to the Commission's Secretary-General. She highlighted the change introduced by the present Commission at the start of its term of office, on a proposal from the PRESIDENT, requiring decisions to register or refuse to register European Citizens' Initiatives to be submitted to the oral procedure (i.e. to the College itself) for political discussion, as of 2015, and the same procedure to be applied to the adoption of formal decisions on the admissibility of initiatives as of March 2017.

She felt that the present Commission did its best to register as many citizens' initiatives as possible within the present legal framework and that it followed an approach that was closer to citizens when interpreting the conditions laid down in Regulation (EU) 211/2011. Rather than rejecting an application for registration, the present Commission, under Mr JUNCKER's Presidency, tried where appropriate to partially register some citizens' initiatives, subject to certain conditions, as in the present case.

In conclusion, Ms THYSSEN said that on 11 April, at the European Citizens' Initiative Day, Mr TIMMERMANS had announced the launching of a review of this tool with a view to proposing, in the course of 2017, an amendment to the Regulation on the European Citizens' Initiative. This could further develop the potential of the ECI, thus encouraging citizen participation and democratic debate.

The Commission confirmed that the admissibility criteria under Article 4(2) of Regulation (EU) 211/2011 were fulfilled for the proposed citizens' initiative entitled 'Let us reduce the wage and economic differences that tear the EU apart!'. The Commission therefore decided to register the initiative subject to the conditions set out above, in accordance with document C(2017) 3382/2, and authorised Mr TIMMERMANS to sign the decision on its behalf, to notify the organisers of the initiative thereof in the authentic language (English), and to publish it, for information, in the Official Journal of the European Union.

**8. POLICY DEBATE ON THE PREPARATION OF THE 2017 EUROPEAN SEMESTER SPRING PACKAGE
(RCC(2017) 55)**

Mr DOMBROVSKIS presented to the College all the documents that made up the European Semester Spring Package, including the recommendations for Council recommendations to the Member States for 2017. The package would shortly be proposed for adoption. He focused on the budgetary aspects and more specifically on the main decisions to be taken under the Stability and Growth Pact and the macroeconomic imbalances procedure.

He began by noting that there was good news at this new stage of the European Semester, as the fiscal position of three Member States – Croatia, Portugal and Greece – was such that it was possible to envisage ending their excessive deficit procedures.

He explained that this was the case for Croatia, which had undeniably made progress, but also Portugal, whose government had sent the Commission a letter supplementing the national reform programme with a commitment to undertake structural reforms relating to the budget, the pension system, skills and a reduction in non-performing loans. He regarded this letter as a key political signal confirming the positive outlook in terms of the progress achieved and reforms implemented by Portugal. He therefore considered that the Commission could propose closing the excessive deficit procedure, even though it would not be until the end of June that Eurostat would have data on the impact of the bank rescue operations on the level of Portugal's deficit and government debt. In the case of Greece, he noted that the budget figures for 2016 also suggested that the excessive deficit procedure could be closed, which was excellent news. However, in agreement with Mr MOSCOVICI, he proposed to wait until the second review of the programme of financial

assistance for Greece had been finalised and the discussions on debt had been concluded before submitting a recommendation that the procedure be formally closed.

He briefly mentioned the other decisions that would be proposed under the Stability and Growth Pact, in particular the significant deviation procedure concerning Romania under the preventive arm of the Pact.

Mr DOMBROVSKIS then turned to the case of Italy, beginning with the general point that the Italian Government had not met the previous year's budgetary objectives and would not meet this year's or next year's either. In 2016 Italy had asked to be allowed a temporary deviation, also termed 'flexibility', corresponding to 0.75% of its GDP, including 0.5% for structural reforms – which did not pose any problems – and 0.25% under the investment clause, which did raise a number of questions. Italy had also been given additional flexibility to allow for migration, security and the earthquakes that had hit the country. He noted that Italy seemed to have been able to make the additional fiscal effort requested for 2017, equivalent to 0.2% of its GDP. All these flexibility arrangements and the extra efforts that had been made should enable the country to meet the requirements of the preventive arm of the Stability and Growth Pact and to avoid the opening of an excessive deficit procedure on account of its high government debt.

He explained that for a flexibility margin of 0.25% of GDP to be applied under the investment clause, Italy would, in return, have to increase its level of investment, but this had not been the case, as government investment had actually fallen. He noted, however, the reasons advanced by the Italian authorities, who had partly attributed these results to the reduction in co-financing from the Union at the start of the new programming period and to the consequences of the new Italian legislation on public procurement and concessions adopted the previous year in line with the Commission's 2016 recommendations.

Mr DOMBROVSKIS felt that it was up to the Commission to accept or reject the

arguments put forward by the Italian authorities regarding the investment clause. He noted that if the requisite criteria were not met, the Commission would have no choice but to invalidate the use of flexibility under the investment clause and to open an excessive deficit procedure. In the longer term he feared that Italy's budgetary situation would have to be re-examined given the high level of its government debt.

Lastly, Mr DOMBROVSKIS raised in this context the question of the budgetary requirements set in the country-specific recommendations. These requirements were defined by a matrix reflecting the relevant provisions of the preventive arm of the Stability and Growth Pact concerning an annual benchmark adjustment of 0.5% of GDP that was required to meet the medium-term budgetary objective, and reflected in practice by an adjustment that was higher or lower depending on the state of the economy and the level of debt of the country concerned.

He pointed out that this matrix-based approach had been adopted in the form of an interpretative communication in January 2015 on the use of flexibility available under the Pact, which provided for a method to adapt fiscal requirements in step with the economic cycle. He reminded the meeting of the rationale behind this approach, which was to ask the most indebted Member States to make additional fiscal efforts in good economic times and to reduce or even abandon such efforts when their economic and budgetary situation was fragile.

Rather than ease the budgetary adjustments set out in the matrix systematically, in particular by specifying a margin of discretion, Mr DOMBROVSKIS recommended that each case be considered on its own merits, where particular economic and budgetary reasons justified it. He suggested that this approach be reflected in the European Semester documents as an exceptional measure limited to 2017. He concluded his presentation by arguing that this approach did not change the applicable rules, but was still fair and balanced.

Mr MOSCOVICI drew attention to the fact that the Commission, in its

recommendations, had to reconcile three objectives, namely (i) applying the rules, (ii) contributing to the achievement of its growth and employment policy objectives, and (iii) ensuring the economic relevance of its recommendations. In relation to the budgetary element in particular, the Commission had to decide on the focus to give to the Member States' draft budgets for 2018, on which it would give its opinions in November.

He briefly recapped the good news announced in the spring economic forecasts, which would have to be taken into consideration in the recommendations, in particular continued growth, expected to be 1.8% in 2018, a euro-area deficit of 1.3% next year, and debt that would continue to fall gradually, to below 90%.

With regard to the rules of the Stability and Growth Pact, almost all Member States were now below the 3% deficit threshold and therefore in the preventive arm of the Pact, which was welcome. These rules were designed to continue the reduction in deficits towards a medium-term objective resulting in budgetary balance. The Member States that had not yet reached this target had to make an annual fiscal effort of some 0.5% of their gross domestic product, 'as a benchmark' according to the Pact, an effort adjusted by country, depending on the conditions set out in an indicative and legally non-binding table, in other words the adjustment matrix already referred to by Mr DOMBROVSKIS.

Mr MOSCOVICI considered that the question that day was whether the budgetary efforts to be recommended on the basis of the matrix – sometimes well above 0.5% – were consistent with economic reality. He took the view that the recovery in the Union remained fragile, but also atypical, with inflation still low despite the accommodative policy conducted by the European Central Bank, with the result that fiscal consolidations were weighing more heavily than usual on growth. On the basis of his department's calculations, he stressed that a strict application of the Stability and Growth Pact and the matrix would have a negative impact on the recovery in the Member States concerned, where growth would be 1.4% instead of

the 1.8% expected in 2018. He highlighted the euro-area objectives of growth, employment, and a neutral, or even positive, fiscal stance pursued by the Union.

He therefore proposed that the recommendations should reference the rules – Stability and Growth Pact and matrix — to guide Member States in drawing up their budget, but also the assessment criteria that the Commission would use in its opinions in the autumn – growth, employment, overall fiscal stance of the euro area – to spell out its methodology. The idea was not to grant more flexibility to Member States, but to clarify the Commission’s margin for interpretation in situations where the figures in the matrix contradicted the policy objectives. Ideally, it would be advisable to attach a quantitative limit to this margin of discretion so as to prevent excessive deviations by Member States.

Returning to the thrust of the recommendations proper, Mr MOSCOVICI supported the abrogation of the excessive deficit procedure for Portugal because of its fiscal performance in 2016 and 2017, its fiscal path for 2018 and the commitments given by its government in the letter to the Commission dated 14 May. The College could also review the situation in the autumn when the final figures were known.

He also argued in favour of abrogating the excessive deficit procedure concerning Greece, which had reduced its deficits in accordance with the rules, but recommended that the legal decision be reserved pending relief measures for Greek debt.

With regard to Italy, he proposed that the College confirm the investment clause for 2016, because even though the nominal volumes of investment were disappointing, that was due in large part to Italian regulatory developments and an allocation from the European Structural and Investment Funds.

Ms THYSSEN, for her part, noted the central importance attached by the current Commission to the social dimension in the European Semester coordination process, which was one of the ways of putting into practice the principles of the

European Pillar of Social Rights that she had presented several weeks ago.

She supported the approach advocated by Mr DOMBROVSKIS and Mr MOSCOVICI in relation to the excessive deficit procedures for Portugal and Greece.

With regard to the fiscal effort required of the Member States under the preventive arm of the Stability and Growth Pact, she hoped that the Commission would adhere to its decision of January 2015, in which it had adopted the adjustment matrix referred to by Mr DOMBROVSKIS and Mr MOSCOVICI, and explained how it would make its assessment. She also recommended making sure that the upturn was sustainable so as not to choke off the nascent recovery and called for the matrix to be applied by distinguishing between Member States according to their stage in the economic cycle, i.e. on the basis of an assessment rather than automatically. She suggested explaining this reasoning in the umbrella communication which would accompany the country-specific recommendations, without spelling out the exact scope of the margin of discretion.

More generally, Ms THYSEN felt that the Union should carry out a comprehensive review of its budgetary rules – some of which, such as the Stability and Growth Pact, were twenty years old – rather than draw up ad hoc solutions to resolve certain complex issues.

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

- the view of some Members that there was a need to take account of the impact on growth of fiscal adjustments resulting from the matrix so as not to jeopardise growth in those Member States whose economic health was still fragile;
- the value in this connection of putting a precise figure on the margin allowed for adjustment of the additional fiscal effort required as derived from the matrix adopted by the Commission in January 2015 to enable the governments

- concerned to plan their budgets accurately and to remove any ambiguity concerning the margin of discretion available;
- the need to take account of the political impact of stepping up the fiscal efforts required;
 - the reluctance on the part of other Members to call into question the flexibility already provided for in the Interpretative Communication of January 2015, namely the matrix and the rules for applying it, by laying down new rules and introducing new margins for discretion which would damage the credibility of the whole process of economic governance;
 - the need to reduce public debt, which could only be done when the economic conditions were right and should not therefore be postponed until later; the negative effect as a whole of a high level of public debt on growth;
 - the consequent importance of applying the adjustment matrix as it stood, while allowing the Commission to take account of specific cases, backed up by sound economic arguments;
 - the support of some Members for the use by Italy of the investment clause on the basis of objective economic arguments; for others, the fact that it was illogical to use the investment clause when there was no sign of an increase in public investment;
 - the level of Italy's public debt, which would continue to hold back growth if it was not gradually reduced against the background of a favourable economic climate;
 - for all Members, the need to revise the system of economic governance by considering changes to the rules of the Stability and Growth Pact that would allow them to be applied effectively in all Member States, while allowing temporary adjustments to deal with specific economic situations.

Mr DOMBROVSKIS took the view that, by raising in the series of documents to be published the following week in connection with the European Semester the possibility of taking account of specific economic situations on the basis of objective data, the Commission would be able, on an exceptional basis, to propose adjustments to the fiscal objectives of the Member States as set by the matrix without calling into question the system of governance as a whole.

Mr MOSCOVICI underlined the importance of ensuring that this system of economic governance was consistent and explained that it was with this in mind that quantifying the authorised adjustments to the fiscal requirements could also be considered, since each Member State would have been able to use the available adjustment margin in full possession of the facts.

The PRESIDENT wound up the discussion by pointing out first of all that the Commission had taken the decision to set up a Group of Commissioners tasked with reviewing the operation of the rules of the Stability and Growth Pact and reporting on its findings as soon as possible in the context of the work on the future of the Economic and Monetary Union.

He went on to express support for the decisions proposed by Mr DOMBROVSKIS and Mr MOSCOVICI regarding excessive deficit procedures against the Member States mentioned.

In the interests of the Commission's credibility, the PRESIDENT preferred that the content of and rules for applying the fiscal adjustment matrix should not be changed; this did not rule out the possibility of mentioning in the country-specific recommendations and in the umbrella communication the possibility for the Commission to take account of specific economic situations on the basis of objective data and to make adjustments on an exceptional basis to the Member States' fiscal objectives as set by the matrix.

He concluded by inviting Mr DOMBROVSKIS and Mr MOSCOVICI to explain

this last point to the governments likely to be affected and to emphasise the need for them to make a firm and clear commitment in return for possible exceptional adjustments to their fiscal effort objectives.

The Commission took note of the results and conclusions of the policy debate.

9. OTHER BUSINESS (CONTINUED)

9.1. PREPARATION OF THE 2018 DRAFT GENERAL BUDGET OF THE EUROPEAN UNION IN RELATION TO THE ONGOING MID-TERM REVIEW OF THE MULTIANNUAL FINANCIAL FRAMEWORK 2014-2020 (INFO(2017) 41)

Mr OETTINGER referred to the presentation of the general draft budget for 2018, which was scheduled for 30 May, and for which he was requesting the consent of the College in view of a particular circumstance, namely the mid-term review of the multiannual financial framework 2014-2020. The Commission had submitted its review proposal in September 2016, which set out the twin aims of (i) providing additional funding to take effective action with regard to migration and security and stimulate growth and employment, and (ii) providing for more flexibility within the EU budget. After the customary deliberations, the interinstitutional approval process for this mid-term review had been carried out as planned, until being blocked by the UK government because of the early general election to be held on 8 June, to allow the UK government to respect its commitment to avoid taking any decisions binding the future government before those elections. Because of this blockage, approval of the review of the current multiannual financial framework would be postponed until after 8 June at the earliest.

For the presentation of the 2018 draft general budget, Mr OETTINGER proposed that (i) the original deadline of 30 May should be maintained, and (ii) the elements that would be contained in the mid-term review of the multiannual financial framework should be included.

On the proposal from the PRESIDENT, the Commission approved the line set out by Mr OETTINGER and took note of the information note in INFO(2017) 41.

**9.2. NEXT STEPS WITH REGARD TO THE DOSSIERS CONCERNING GLYPHOSATE AND ENDOCRINE DISRUPTORS
(INFO(2017) 28; INFO(2017) 39; RCC(2017) 53)**

The Commission took note of the information notes INFO(2017) 28 and INFO(2017) 39.

**10. TWELFTH REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE EUROPEAN COUNCIL AND THE COUNCIL ON THE RELOCATION AND RESETTLEMENT OF REFUGEES
(COM(2017) 260 TO /3; RCC(2017) 56)**

The Commission approved the report in COM(2017) 260/3, for transmission to Parliament, the European Council and the Council and, for information, to the national parliaments.

**11. COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE EUROPEAN COUNCIL AND THE COUNCIL – SEVENTH PROGRESS REPORT TOWARDS AN EFFECTIVE AND GENUINE SECURITY UNION
(COM(2017) 261 TO /3; RCC(2017) 56)**

Sir Julian KING outlined the key points of the communication on the seventh progress report towards an effective and genuine security union, which primarily focused on the means of ensuring the interoperability of Member States' information systems in order to address the EU's needs in terms of security, border and migration management by 2020.

He referred to the 'WannaCry' cyberattack of 12 May, which had affected hundreds of thousands of computers all over the world. The aim of the malware was to lock and encrypt users' files and force them to pay a ransom in virtual currency ('bitcoins'). Its creators had exploited a weakness in the Windows operating system, allowing the hackers to access computer content. This 'ransomware' spread by e-mail, mainly in Russia, China, Taiwan, the United States, Ukraine and Canada, affecting government bodies, local authorities, businesses and individuals.

Sir Julian KING described the action taken by the EU, with Europol's European Cybercrime Centre (EC3) leading the investigation and working closely with national investigators, the EU's Computer Emergency Response Team (CERT-EU), their national equivalents and industrial partners. He welcomed the fact that the Union had led the Member States, by various means, to create structures and teams tasked with responding to this growing phenomenon, of which the public was becoming more aware.

Mr ANSIP explained the measures recommended to all users to prevent the spread of ransomware and other viruses. He also referred to the work he was carrying out with Sir Julian KING and other Commission Members to arrive at a proposal in September 2017 to review the cybersecurity strategy, which dated back to 2013, in

order to enhance prevention and work harder to improve detection and deterrence. He explained how the situation had changed since 2013 and spelled out the principles and objectives of the new strategy. He also mentioned the review of the mandate of the European Union Agency for Network and Information Security (ENISA), which was also scheduled for September. Although part of the response to cybercrime was structural, i.e. based on systems and standards, essentially it had to do with behaviour, whether of citizens, businesses or public authorities. Lastly, he set out the progress he wished to see in the coming months to ensure that the Union had the operational capacity and financial resources that would allow it to enhance its cybersecurity.

The Commission approved, subject to final revision, the communication in COM(2017) 261/3, for transmission to Parliament, the European Council and the Council, and, for information, to the national parliaments.

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The meeting closed at 15.33.