



EUROPEAN COMMISSION

SECRETARIAT-GENERAL

PV(2019) 2316 final

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

Brussels, 27 November 2019

TEXTE EN

MINUTES

**of the 2316th meeting of the Commission
held in Brussels
(Berlaymont)
on Wednesday 20 November 2019
(morning)**

PV(2019) 2316 final

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

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TABLE OF CONTENTS

Attendance list	4-7
1. AGENDA AND RESULTS OF WEEKLY MEETING OF CHEFS DE CABINET (OJ(2019) 2316/FINAL; RCC(2019) 2316)	8
2. EUROPEAN SEMESTER OF ECONOMIC AND BUDGETARY POLICY COORDINATION FOR 2020 – COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, AND THE EUROPEAN CENTRAL BANK ON THE 2020 DRAFT BUDGETARY PLANS: OVERALL ASSESSMENT (COM(2019) 900; RCC(2019) 118).....	8
3. EUROPEAN SEMESTER OF ECONOMIC AND BUDGETARY POLICY COORDINATION FOR 2020 – COMMISSION OPINION ON THE DRAFT BUDGETARY PLAN OF EURO AREA MEMBER STATES FOR 2020 (C(2019) 9100 TO 9118; SWD(2019) 910 TO 928; RCC(2019) 118).....	9
4. EUROPEAN SEMESTER OF ECONOMIC AND BUDGETARY POLICY COORDINATION FOR 2020 – FOURTH COMMISSION ENHANCED SURVEILLANCE REPORT FOR GREECE, NOVEMBER 2019 (COM(2019) 930; SWD(2019) 930; RCC(2019) 118).....	9
5. EUROPEAN SEMESTER OF ECONOMIC AND BUDGETARY POLICY COORDINATION FOR 2020 – COMMISSION PROPOSALS ON PROCEDURES PURSUANT TO ARTICLE 121(4) TFEU AND ARTICLE 11(2) OF REGULATION (EC) NO 1466/97 (COM(2019) 910; COM(2019) 912; COM(2019) 913; COM(2019) 920; COM(2019) 921; COM(2019) 922; SWD(2019) 932; SWD(2019) 941; RCC(2019) 118).....	9

6. DRAFT GENERAL BUDGET OF THE EUROPEAN UNION FOR 2020 16

Single sitting: Wednesday 20 November 2019 (morning)

The sitting opened at 10.04 with Mr TIMMERMANS in the chair, the PRESIDENT being absent.

Present:

Mr TIMMERMANS	First Vice-President
Ms MOGHERINI	High Representative / Vice-President
Mr ŠEFČOVIČ	Vice-President
Mr DOMBROVSKIS	Vice-President
Mr OETTINGER	Member
Ms MALMSTRÖM	Member
Mr ARIAS CAÑETE	Member
Mr VELLA	Member
Mr ANDRIUKAITIS	Member
Mr MOSCOVICI	Member
Ms JOUROVÁ	Member
Ms VESTAGER	Member
Mr MOEDAS	Member
Sir Julian KING	Member

Absent:

Mr JUNCKER	President
Mr KATAINEN	Vice-President
Mr HAHN	Member
Mr MIMICA	Member
Mr AVRAMOPOULOS	Member
Ms THYSEN	Member
Mr STYLIANIDES	Member
Mr HOGAN	Member
Ms BULC	Member
Ms BIEŃKOWSKA	Member
Mr NAVRACSICS	Member
Ms GABRIEL	Member

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

Ms DE BASALDÚA	Chef de cabinet to Mr KATAINEN
Mr CHARALAMBOUS	Deputy Chef de cabinet to Mr HAHN
Mr BEHRNDT	Chef de cabinet to Mr MIMICA
Ms SCHMITT	Chef de cabinet to Mr AVRAMOPOULOS
Ms BERNAERTS	Chef de cabinet to Ms THYSSEN
Mr BRIENS	Chef de cabinet to Mr STYLIANIDES
Ms SIRACUSA	Deputy Chef de cabinet to Mr HOGAN
Mr FAJARDO	Deputy Chef de cabinet to Ms BULC
Mr HEDBERG	Deputy Chef de cabinet to Ms BIENKOWSKA
Ms KIRALY	Chef de cabinet to Mr NAVRACSICS
Ms BORISSOVA	Chef de cabinet to Ms GABRIEL

The following also sat in:

Ms MARTÍNEZ ALBEROLA	Chef de cabinet to the PRESIDENT	
Mr ROMERO REQUENA	Director-General, Legal Service	
Ms AHRENKILDE HANSEN	Director-General, DG Communication	
Ms ANDREEVA	Head of the Spokesperson's Service and Chief Spokesperson of the Commission	
Mr SWIEBODA	European Political Strategy Centre	
Mr LEARDINI	Deputy Secretary-General	
Mr SZOSTAK	Deputy Chef de cabinet to the PRESIDENT	
Mr THOLONIAT	Adviser in the PRESIDENT's Office	Items 1 to 5
Ms CANENBLEY	Adviser in the PRESIDENT's Office	Item 6
Mr REMY	PRESIDENT's Office	
Mr SUARDI	Chef de cabinet to Mr DOMBROVSKIS	Items 1 to 5
Mr KLEINER	Deputy Chef de cabinet to Mr OETTINGER	Item 6

Mr BAILLY

Chef de cabinet to Mr MOSCOVICI

Items 1 to 5

Mr HEMMELGARN

Secretariat-General

Ms BERTAUD

Commission Spokesperson's Service

Secretary: Ms JUHANSONE, Acting Secretary-General, assisted by Mr AYET
PUIGARNAU, Director in the Secretariat-General.

1. AGENDA AND RESULTS OF WEEKLY MEETING OF CHEFS DE CABINET
(OJ(2019) 2316/FINAL; RCC(2019) 2316)

At the start of the meeting, Mr TIMMERMANS noted that 14 Members of the Commission were present. He pointed out that, in accordance with Article 7 of the Rules of Procedure of the Commission, the number of Members necessary for the Commission to reach a quorum was 15.

Since the quorum was not reached, Mr TIMMERMANS drew on the acting Secretary-General's report and authorised the launch of two written procedures (SEC(2019) 441 [PE/2019/8388] and SEC(2019) 440 [PE/2019/8389]) in order to adopt as soon as possible the decisions included in items 4 and 6 of that day's agenda (OJ(2019) 2316/final). At their weekly meeting on Monday 18 November 2019, the Chefs de cabinet had recommended that these items be adopted, as set out in the record of the meeting (RCC(2019) 2316).

Mr TIMMERMANS also adopted the definitive agenda of the meeting, pursuant to Article 6 of the Commission's Rules of Procedure, which included, for information, the budgetary elements of the Autumn Package of the European Semester of Economic and Budgetary Policy Coordination for 2020, and the results of the interinstitutional negotiations on the draft general budget of the European Union for 2020, following the conciliation meetings that took place on 15 and 18 November 2019.

2. EUROPEAN SEMESTER OF ECONOMIC AND BUDGETARY POLICY COORDINATION FOR 2020 – COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, AND THE EUROPEAN CENTRAL BANK ON THE 2020 DRAFT BUDGETARY PLANS: OVERALL ASSESSMENT
(COM(2019) 900; RCC(2019) 118)

3. **EUROPEAN SEMESTER OF ECONOMIC AND BUDGETARY POLICY COORDINATION FOR 2020 – COMMISSION OPINION ON THE DRAFT BUDGETARY PLAN OF EURO AREA MEMBER STATES FOR 2020**
(C(2019) 9100 TO 9118; SWD(2019) 910 TO 928; RCC(2019) 118)
4. **EUROPEAN SEMESTER OF ECONOMIC AND BUDGETARY POLICY COORDINATION FOR 2020 – FOURTH COMMISSION ENHANCED SURVEILLANCE REPORT FOR GREECE, NOVEMBER 2019**
(COM(2019) 930; SWD(2019) 930; RCC(2019) 118)
5. **EUROPEAN SEMESTER OF ECONOMIC AND BUDGETARY POLICY COORDINATION FOR 2020 – COMMISSION PROPOSALS ON PROCEDURES PURSUANT TO ARTICLE 121(4) TFEU AND ARTICLE 11(2) OF REGULATION (EC) NO 1466/97**
(COM(2019) 910; COM(2019) 912; COM(2019) 913; COM(2019) 920; COM(2019) 921; COM(2019) 922; SWD(2019) 932; SWD(2019) 941; RCC(2019) 118)

Mr TIMMERMANS invited Mr DOMBROVSKIS and Mr MOSCOVICI to present the Commission's opinions on the draft budgetary plans of the euro-area Member States for 2020, the decisions being adopted under the significant deviation procedure applied to Hungary and Romania, and the fourth enhanced surveillance report on Greece. These documents concerned the budget side of the European Semester of Economic and Budgetary Policy Coordination.

Mr DOMBROVSKIS began by referring to the Commission's opinions on the euro-area Member States' draft budgetary plans, noting that, for the first time since 2002, none of them were subject to an excessive deficit procedure. Nine Member States – Germany, Ireland, Greece, Cyprus, Luxembourg, Malta, the Netherlands, Slovenia and Austria – had projected a budgetary surplus. This year, only France had forecast a deficit slightly above the threshold of 3% of GDP, which he explained was due to a one-off measure. He also stressed that Greece's public finances were compliant with the Stability and Growth Pact, as the country had

exceeded the primary surplus target of 3.5% of GDP in 2019 and was projected to achieve it again in 2020.

All euro-area Member States were obliged to comply with the requirements of the preventive arm of the Stability and Growth Pact, while those whose debt exceeded 60% of GDP were also required to comply with the public debt rule. He noted that Germany, Ireland, Greece, Cyprus, Luxembourg, Lithuania, Malta, the Netherlands and Austria had met these requirements, Estonia and Latvia were broadly compliant, while Belgium, Spain, Finland, France, Italy, Portugal, Slovenia and Slovakia were at risk of not complying with the Stability and Growth Pact. The latter group had been asked to take the necessary measures under their national budgetary processes to make their draft budgetary plans for 2020 compliant with the Pact.

Mr DOMBROVSKIS explained that the Member States whose draft budgetary plans were at risk of non-compliance with the Stability and Growth Pact fell into two groups. In the first group, Belgium, Spain and France showed high debt-to-GDP ratios of close to 100%, with Italy even posting 136%, which meant that those countries were unlikely to comply with the debt criterion. These Member States were also projected to deviate significantly from their adjustment paths to achieve their medium-term budgetary objectives. He pointed out that Belgium and Spain, whose governments were in the process of being formed, had been invited to present new, updated budgetary plans that complied with the Stability and Growth Pact. He regretted that these countries had not made more effort to reduce their public debt.

In the second group, Slovakia and Finland had debt-to-GDP ratios below 60%, while Portugal and Slovenia were projected to comply with the debt rule. Overall, these Member States had achieved budgetary balances that provided a sizeable margin towards the 3% of GDP reference value. Slovenia reported a headline surplus of 0.5% of GDP and could even come close to its medium-term budgetary objective in 2020. Slovakia had taken extra measures after presenting its draft budgetary plan, allowing it to avoid the risk of deviating significantly from its medium-term adjustment path in 2020. However, its spending indicators for 2019 and 2020 taken together pointed to a significant risk of deviation.

Mr DOMBROVSKIS felt that the overall picture for the euro area was fairly satisfactory, with overall debt having fallen, headline surpluses in nine Member States and medium-term budgetary objectives projected to be reached next year in nine more. However, a closer look revealed the situation to be more nuanced. Recommendations had been given to highly-indebted euro-area Member States to build up fiscal buffers, and to those that already had them to support public and private investment. Although the latter had begun to follow these recommendations or planned to do so, the former had not taken full advantage of the favourable economic period to consolidate their public finances or planned any significant budgetary adjustments in 2020. He accepted that the current climate presented risks and that the arguments in favour of differentiated budgetary policies were understandable.

As regards Hungary and Romania, Mr DOMBROVSKIS noted that, without any effective action on the part of these two Member States to follow the recommendations made by the Commission under the significant deviation procedure, a series of measures would need to be adopted to extend the procedure.

With a new Commission about to take office, Mr MOSCOVICI wished to give an overview of the experience of the current Commission, which was the first to apply the Union's budgetary rules and governance framework - i.e. the 'six-pack' and 'two-pack' legislation adopted at the peak of the sovereign debt crisis in 2010.

He began by welcoming the progress made: whereas in November 2014 only five Member States had presented draft budgetary plans that complied with the rules, those countries now numbered nine. Furthermore, the situation had greatly improved with regard to headline and structural deficits, public debt levels had stabilised or even fallen across the euro area, and growth had been strengthened. Finally, he noted that Greece had returned to the normal budgetary surveillance procedure.

He went on to point out that the challenges raised by the Member States had remained fairly constant over time, given that as far back as 2014, the draft

budgetary plans of certain countries presented a risk of non-compliance, while others had compliant public finances that even exceeded the requirements of the Pact, and were expected to invest in growth. He noted in passing the growing importance of the euro area's fiscal position in national analyses and in the discussions held within the Eurogroup before national budgets were adopted, which he saw as a significant step forward.

Mr MOSCOVICI drew a number of lessons from these overall observations which could prove useful in the future. He felt that the flexible approach of the rules that had guided the current College had borne fruit by allowing better results to be achieved without imposing penalties from the outset or causing political tensions. However, he also acknowledged that this approach had tested the rules to their technical and political limits and that it was time to think seriously about the next stage. He saw three good reasons for this. Firstly, in economic terms, the Union was entering a new period in which its long-term environmental and political viability would take priority over strictly financial considerations. Secondly, in terms of political considerations, the flexible application of the rules, though justified, came with a political cost in the sense that certain euro-area Member States felt that the rules had been distorted. Lastly, in a technical and legislative sense, the EU's rules had become too complex and opaque for Member States, citizens and their representatives to be able to take ownership of them.

Although the matter was contentious, he was convinced of the case for starting a discussion on the rules for coordinating the EU's budgetary policies. He recalled that the 'two-pack' and the 'six-pack' had enabled the Commission to ask a democratically elected and sovereign representative of national budgetary policy to adjust its course as it went along, but that power came with a number of duties – dialogue, restraint and political responsibility.

Mr MOSCOVICI returned in more detail to the fourth enhanced surveillance report on Greece. He was pleased to announce the positive conclusions of the report, which would allow another payment of profits made on Greek bonds held by central banks, i.e. around EUR 767 million, which was far from a negligible amount.

The new Greek government had also taken the steps required to comply with the political commitments made by its predecessor. He took note of the government's willingness to cooperate upstream with the EU institutions and of its reform plans, which would help boost growth, focus on business and investment, and tackle certain challenges in a budgetary context that was still fragile. Those measures inspired confidence in the country's future.

In his final comments on Greece in the College, he recalled how far that Member State had come since the worst moments of the economic crisis, in particular in the summers of 2012 and 2015. He felt that the Commission had put itself on the right side of history by taking the right decisions, however difficult they had been. Much of the credit for that was due to the PRESIDENT, who had stubbornly rejected a Greek exit from the Union.

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

- the complexity and lack of clarity of the procedures set out in the 'two-pack' and 'six-pack' Regulations and Directive;
- hence the difficulty in understanding the Union's economic and fiscal governance rules, and thus explaining and conveying them to EU citizens;
- the usefulness of the conclusions in the report by the independent European Fiscal Board on the evaluation of the EU's fiscal rules, which advocated simplification and could serve as a basis for the forthcoming review of the rules;
- the importance of learning lessons from the implementation of fiscal governance rules during the current term of office and passing them on to the new Commission, which would have the task of reforming the framework;
- the difficult questions which the next Commission would face given that some Member States had not made the most of a favourable economic climate by

improving their fiscal situation and thus ran the risk of seeing it deteriorate rapidly in the event of an economic downturn;

- the considerable public debt accumulated by some Member States: heavy liabilities which would make them vulnerable if interest rates rose;
- the overriding need for the EU to develop innovative technologies in the interest of its international competitiveness;
- to that end, the need for Member States' fiscal policies to be better coordinated and based on a shared understanding of the strategic objectives to be reached.

Mr DOMBROVSKIS picked up on some of the comments made during the discussion. As regards fiscal rules, he said that the report presented by the independent European Fiscal Board in September could indeed serve as a starting point for a simplification exercise. However, that meant establishing a broad consensus on the way forward in the Economic and Financial Affairs Council.

The Member States which had not taken advantage of favourable economic times to restore their fiscal positions were in effect putting themselves in a weak position when economic activity slowed down, as was the case at present. They also ran the risk of falling further behind Member States as a whole, which had improved their position during the recent years of growth.

Mr MOSCOVICI stressed the need for the Union to learn the lessons of past crises in order to rethink its rules, especially as the economic climate was changing. Apart from the real progress in the Banking Union, the Capital Markets Union and the fight against money laundering, he regretted the fact that not enough progress had been made in thinking about the architecture of the euro area, a task which the incoming Commission would doubtless have to take on.

Mr TIMMERMANS pointed out that the Member States with substantial fiscal space were starting to relaunch their investment activities without necessarily drawing attention to the fact. However, over the years public debt levels had

become very variable between Member States in the euro area, which created an underlying tension in the single currency zone. Those gaps would have to be gradually filled, and that fundamental question would have to be discussed, especially as interest rates might start to rise again.

Mr MOSCOVICI confirmed that the Member States with significant fiscal space were not inactive, but they were also far from fully exploiting that space to carry out necessary investment.

Mr TIMMERMANS thanked Mr DOMBROVSKIS and Mr MOSCOVICI for their presentations.

All these measures were subject to adoption by written procedure under Article 12(5) of the Commission's Rules of Procedure, the deadline for which had been set at 11:00 on Wednesday 20 November, i.e. (i) the communication on the overall assessment – COM(2019) 900 [PE/2019/8243]; (ii) the Commission's opinions on the Member States' draft budgetary plans: Austria – C(2019) 9100 [PE/2019/8195], Belgium – C(2019) 9101 [PE/2019/8196], Cyprus – C(2019) 9102 [PE/2019/8203], Germany – C(2019) 9103 [PE/2019/8213], Estonia – C(2019) 9104 [PE/2019/8215], Spain – C(2019) 9105 [PE/2019/8206], Greece – C(2019) 9106 [PE/2019/8205], Finland – C(2019) 9107 [PE/2019/8240], France – C(2019) 9108 [PE/2019/8216], Ireland – C(2019) 9109 [PE/2019/8214], Italy – C(2019) 9110 [PE/2019/8237], Lithuania – C(2019) 9111 [PE/2019/8223], Luxembourg – C(2019) 9112 [PE/2019/8221], Latvia – C(2019) 9113 [PE/2019/8236], Malta – C(2019) 9114 [PE/2019/8226], Portugal – C(2019) 9115 [PE/2019/8230], Netherlands – C(2019) 9116 [PE/2019/8239], Slovenia – C(2019) 9117 [PE/2019/8233], Slovakia – C(2019) 9118 [PE/2019/8238]; (iii) the report on Greece: COM(2019) 930 [PE/2019/8244]; and (iv) the recommendations and reports relating to the procedures linked to compliance with the Stability and Growth Pact concerning Hungary and Romania: COM(2019) 910 [PE/2019/8200], COM(2019) 913 [PE/2019/8224], COM(2019) 912 [PE/2019/8198], COM(2019) 920 [PE/2019/8199], COM(2019) 921 [PE/2019/8225], COM(2019) 922 [PE/2019/8197].

6. DRAFT GENERAL BUDGET OF THE EUROPEAN UNION FOR 2020

Mr TIMMERMANS invited Mr OETTINGER to brief the College on the outcome of the meeting of the Council (Economic and Financial Affairs/Budget) and on the Conciliation Committee's meetings on the draft general budget of the European Union for 2020, which had taken place from 15 to 18 November 2019.

Mr OETTINGER stated that, after lengthy but constructive negotiations, an agreement had finally been reached on 18 November, just before the end of the conciliation period. He reiterated that the divergence between the positions of the two arms of the budgetary authority had been no less than EUR 4.2 billion, requiring significant efforts in order for the two sides to find common ground.

Among the factors that had helped to bring about an agreement, a EUR 400-million increase in commitment appropriations had made it possible to take a step in the direction of the European Parliament, while taking account of certain concerns of the Council. Thus, Article 15(3) of the EU Financial Regulation, which provided for the possibility of transferring unused funds for research programmes from one budgetary year to another, would not be applied in 2020. In addition, an available margin of EUR 1.5 billion had been maintained below the expenditure ceilings of the current Multiannual Financial Framework in order to allow the Union to react to unexpected needs.

Mr OETTINGER stressed that, beyond the positions of individual EU institutions, the agreement reflected common political ambitions, for example on climate action. Furthermore, compared to the 2019 budget, the 2020 budget significantly strengthened the budget lines for the LIFE programme, Horizon 2020 and the 'Energy' strand of the Connecting Europe Facility, the respective allocations for which were increased by 5.6%, 8.8% and 35%.

He also expressed satisfaction at maintaining the overall amounts proposed for administrative expenditure.

In conclusion, Mr OETTINGER stressed the importance of this 2020 budget for the next Commission and as a means of facilitating the transition to the next MFF from 2021 to 2027.

The Commission took note of this information.

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The meeting closed at 10.45.