



EUROPEAN COMMISSION

SECRETARIAT-GENERAL

PV(2024) 2498 final

- English translation of the French version which is authentic -

Brussels, 11 September 2024

TEXTE EN

MINUTES

of the 2498th meeting of the Commission

held in Brussels

(Berlaymont)

on Wednesday 3 July 2024

(morning)

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Single sitting: Wednesday 3 July 2024 (morning)

The sitting opened at 9.09 with Mr DOMBROVSKIS in the chair.

Present:

Mr DOMBROVSKIS	Executive Vice-President
Mr ŠEFČOVIČ	Executive Vice-President
Ms JOUROVÁ	Vice-President
Mr HAHN	Member
Mr SCHMIT	Member
Mr GENTILONI	Member
Mr WOJCIECHOWSKI	Member
Mr BRETON	Member
Ms FERREIRA	Member
Mr REYNDERS	Member
Mr LENARČIČ	Member
Mr SINKEVIČIUS	Member

Absent:

Ms von der LEYEN	President
Ms VESTAGER	Executive Vice-President
Mr BORRELL i FONTELLES	High Representative / Vice-President
Ms ŠUICA	Vice-President
Mr SCHINAS	Vice-President
Ms KYRIAKIDES	Member
Ms DALLI	Member
Ms JOHANSSON	Member
Ms VÁLEAN	Member
Mr VÁRHELYI	Member
Ms URPILAINEN	Member

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Ms SIMSON	Member
Ms McGUINNESS	Member
Ms IVANOVA	Member
Mr HOEKSTRA	Member

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

Mr PIERGIOVANNI	Deputy Head of Cabinet to Ms VESTAGER
Ms BERGENFELT	Deputy Head of Cabinet to Mr BORRELL
Ms SRSEN	Deputy Head of Cabinet to Ms ŠUICA
Ms LLANO-CARDENAL	Expert in Mr SCHINAS' cabinet
Mr ROSSIDES	Head of Cabinet to Ms KYRIAKIDES
Ms GERHARDS	Deputy Head of Cabinet to Ms DALLI
Ms CUPSAN-CATALIN	Deputy Head of Cabinet to Ms JOHANSSON
Mr FÁBREGAS	Deputy Head of Cabinet to Ms VÁLEAN
Mr KRISTÓFFY	Head of Cabinet to Mr VÁRHELYI
Mr LAHTI	Head of Cabinet to Ms URPILAINEN
Mr KADARIK	Deputy Head of Cabinet to Ms SIMSON
Ms DE BASALDUA	Deputy Head of Cabinet to Ms McGUINNESS
Mr SCHULTE	Head of Cabinet to Ms IVANOVA
Ms DENTLER	Deputy Head of Cabinet to Mr HOEKSTRA

The following also sat in:

Ms PETKOVA	Director of Coordination and Administration in the PRESIDENT's cabinet	
Mr CALLEJA CRESPO	Director-General, Legal Service	
Ms SPINANT	Director-General, DG Communication	
Ms PODESTA	Deputy Chief Spokesperson of the Commission	
M. THYGESEN	Chair of the European Fiscal Board	Item 2
Mr MALZUBRIS	Economic Data Analyst at the Secretariat of the European Fiscal Board	Item 2

(3 July 2024)

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.

Mr DOMBROVSKIS warmly welcomed Mr REYNDERS on his return to the Commission. Mr REYNDERS expressed his satisfaction at resuming his duties in the College and his deep gratitude to Ms JOUROVÁ for the excellent management of his portfolio during his absence.

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1. AGENDAS

(OJ(2024) 2498/FINAL; SEC(2024) 2498/FINAL; RCC(2024) 2498)

Mr DOMBROVSKIS noted at the opening of the meeting that the quorum required for the Commission's deliberations to be valid, as defined in Article 7 of the Commission's Rules of Procedure, had not been reached.

In accordance with Article 6 of the Rules of Procedure, he therefore adopted the definitive agenda for that day's meeting. He also authorised the launch of an urgent written procedure (SEC(2024) 208 [PE/2024/4836]) in order to adopt as quickly as possible the decisions in items 4, 5, 7 and 8 of that agenda, distributed as OJ(2024) 2498 final, which the Heads of Cabinet had recommended for adoption at their weekly meeting on Monday 1 July 2024, as set out in the minutes distributed as RCC(2024) 2498.

2. ANNUAL REPORT OF THE EUROPEAN FISCAL BOARD ON THE APPROPRIATE FISCAL STANCE FOR THE EURO AREA IN 2025

Mr DOMBROVSKIS asked Mr Niels THYGESEN, Chair of the independent European Fiscal Board, to present the assessment of the appropriate fiscal stance for the euro area in 2025. He welcomed the publication of this annual report at the

beginning of the process of implementing the new EU economic governance framework, as he felt that this would help the Commission and the Member States integrate the new rules effectively into the current economic cycle. He also expressed his satisfaction with the main findings of the report, in particular the Board's opinion that the new fiscal rules could help ensure the sustainability of Member States' debt levels and achieve the inflation target of the European Central Bank (ECB).

Mr THYGESEN thanked the College for inviting him to present the Board's annual report and outlined its four key messages: (i) economic growth in the euro area was expected to recover in 2025, driven by private consumption, lower inflation and strong labour markets; (ii) assuming no policy change, discretionary fiscal support was expected to remain substantial, at a level that the Board considered to be too high; (iii) a significant restrictive fiscal impulse in 2025 would be appropriate; and (iv) delays in implementing the reform of the fiscal framework and the postponement of recommendations under the excessive deficit procedure increased the uncertainty around the fiscal stance for 2025.

He then described the current economic context and noted the generally positive outlook for the euro area. In particular, economic growth was expected to increase from 0.4% of gross domestic product (GDP) in the euro area in 2023 to 0.8% in 2024 and then to 1.4% in 2025. At the same time, labour markets remained resilient, with historically low unemployment, which helped sustain private consumption. Moreover, inflation was expected to continue to slow down, although it remained above the target set by the ECB.

Mr THYGESEN also set out the projected fiscal developments for the euro area in 2025. According to the Board's analysis, although GDP growth was accelerating, public finances were expected to remain broadly unchanged. Thus, with no policy changes, the structural budget deficit was expected to remain close to 3% of GDP. The European Fiscal Board considered this level of fiscal support to be excessive, in particular because of three factors: (i) the favourable economic outlook; (ii) the still

very high level of indebtedness in several countries; and (iii) significant support in the form of grants under the Recovery and Resilience Facility, which were not included in the budget balance.

On the basis of this analysis, Mr THYGESEN presented the Board's recommended fiscal policy guidelines for 2025. He considered that a significant fiscal contraction would be appropriate in order to reduce the primary deficit by 0.7-0.8% of GDP. He added that establishing sufficient reserves would also help the ECB fulfil its mandate. Countries with debt levels above 90% of GDP should contribute more to this restrictive fiscal impulse to ensure debt sustainability and preserve financial market confidence.

National fiscal policies for 2025 would be developed and implemented in line with the revised EU fiscal framework. If this framework were to be applied as intended, the country-specific and risk-based approach at the heart of the reform should lead to an appropriate fiscal stance in 2025. However, he noted that the transition to the new fiscal rules was subject to some uncertainty, notably with regard to the possibility of carrying over a higher-than-expected deficit from 2024 to 2025 or the publication of the Commission's recommendations under the excessive deficit procedure in the autumn, when national budgetary procedures were already at an advanced stage.

Finally, Mr THYGESEN stressed the strong support of the European Fiscal Board for the full implementation of the EU's new economic governance framework, which could help ensure macroeconomic stabilisation and an appropriate fiscal stance for the euro area. In this respect, he explained that the expenditure path by country meant that fiscal stabilisation was virtually on 'autopilot'. Consequently, under normal cyclical conditions, the resulting fiscal impulse should be more appropriate for the euro area as a whole than previous approaches. Nevertheless, Mr THYGESEN stressed the importance of continuing discussions on the fiscal stance for the euro area in the event of adverse economic shocks. He concluded that the expected benefits of the new framework depended on the effective

implementation of the revised rules, and that the role of the Commission would be paramount in this context. At the very end, Mr THYGESEN also argued that the revised EU fiscal framework finally agreed in April this year was even better than the Commission's original proposal

Mr GENTILONI thanked Mr THYGESEN for his insightful presentation and the excellent report from the European Fiscal Board. He agreed with the Board's assessment of the outlook for the coming year, anticipating a gradual recovery in economic growth, a sustained level of employment and falling inflation. He highlighted the Eurostat estimate published the previous day, which confirmed the downward trend in inflation within the euro area.

However, he stressed that the situation regarding public finances continued to be challenging in a context marked by extraordinary circumstances such as the COVID-19 pandemic, the Russian war of aggression in Ukraine and the energy crisis. Moreover, despite the gradual reduction in the EU's overall deficit towards the 3% of GDP target, some Member States still had high levels of deficit and public debt.

Mr GENTILONI pointed out that the Commission had just communicated to the Member States the recommended net expenditure paths for their medium-term fiscal and structural plans set for adoption in the autumn. According to the timetable of the new economic governance framework, Council decisions on the excessive deficit procedure would be adopted in July, while the Commission's quantitative adjustment recommendations would be provided to the Member States in the autumn. Although these timing differences could be challenging in terms of implementation, particularly for 2025, they should nevertheless contribute to the establishment of robust medium-term fiscal and structural adjustment plans in the Member States. The Commission had already started discussions with the Member States on these plans.

According to current forecasts, the euro area fiscal stance for the coming year would

be neutral if there were no policy changes. However, given the expectations in terms of adjustment paths, draft budgets and national medium-term plans, the revised economic governance framework was expected in practice to result in a slightly restrictive euro area fiscal stance for 2025. The estimates suggested an overall fiscal restraint of between 0.25% and 0.5% of GDP, which was in line with the European Fiscal Board's recommendations.

Above all, there was a delicate balance to be maintained in this exercise in order to ensure sufficient national fiscal leeway to undertake the necessary reforms and investments. In this regard, he reminded the meeting of the role that the NextGenerationEU instrument – which remained operational – could play, as well as the flexibility provided for under the new rules, which allowed Member States to stagger their fiscal efforts over four to seven years, subject to certain conditions.

Mr GENTILONI concluded by highlighting the combination of political and technical uncertainties already mentioned by Mr THYGESEN, in particular the difficulties for governments facing fragile situations to adopt a medium-term perspective. Finally, he drew attention to the Transmission Protection Instrument (TPI) introduced by the European Central Bank, which aimed to limit the risks of financial fragmentation and instability. He pointed out that the effectiveness of this instrument would depend on the correct implementation by the Member States of the established fiscal framework, stressing the importance of monitoring fiscal policy developments over the coming months.

In response to Mr GENTILONI's intervention, Mr THYGESEN said that the European Fiscal Board shared his concerns about the increase in expenditure and the reduced focus on fiscal sustainability in recent years. To date, the reaction of the financial markets to these trends had been relatively subdued, but this attitude could change if public finance challenges continued to worsen. In this context, he expressed the hope that the implementation of the new system of fiscal rules would receive political backing from the governments of the Member States. Finally, he added that the Board would present its annual report for 2024 in October and that

the reform of the European fiscal framework would be analysed in greater detail on that occasion.

Mr DOMBROVSKIS wound up the debate by thanking Mr THYGESEN and the European Fiscal Board for their work and fruitful collaboration in recent years. He noted in this connection that the revision of the economic governance framework provided for a new mandate for the European Fiscal Board and that the Commission would soon start the procedure to recruit the Board's new members.

The Commission took note of this information.

3. OTHER BUSINESS

IMPLEMENTING THE INTEROPERABLE EUROPE ACT AND ENSURING DIGITAL-READY EU POLICYMAKING BY DESIGN (SEC(2024) 200)

Mr DOMBROVSKIS asked Mr HAHN to present to the College an information note on the implementation of the Interoperable Europe Act and the digitalisation of European policymaking by design.

Mr HAHN began by recalling that the aim of the Interoperable Europe Act was to strengthen cooperation between Member States' digital government practitioners with a view to ensuring the interoperability of public services in the Union. He added that this legal commitment now needed to be transposed to the European level in order to ensure its full and consistent implementation.

The Commission had been analysing the impact of drawing up legislative proposals in terms of human and financial resources, but this analysis did not include digital impacts. The latter, which were sometimes costly for European and national administrations, could, however, lead to an unnecessary increase in the administrative burden. Therefore, the proposal was to introduce a systematic digital

impact assessment into the Commission's decision-making process for any new European initiative and add a digital dimension to the existing legislative financial statement.

This would involve, first of all, conducting a preliminary digital assessment in the early stages of policy planning. This assessment would be based on simple questions as to the possible digital impacts of new policy initiatives, such as data requirements, reporting obligations, and the IT systems needed to implement these initiatives. Secondly, specific support and guidance would be offered to the policy and legal teams during the policy-making phase. This would make it possible to examine the feasibility of reusing existing IT systems and to ensure the interoperability of data collection tools and data specifications. Finally, each legislative proposal would be accompanied by a legislative financial and digital statement containing essential information on its digital impacts. Mr HAHN explained that these measures are scheduled for implementation in the Commission in the autumn, when the internal budgetary rules were due to be updated.

He pointed out that this approach was in line with the requirements of the Interoperable Europe Act, which required interoperability assessments for any new service or procedure with cross-border implications, and would deliver on the political commitment to devise 'digital by design' legislative proposals. The aim was to promote the use of existing systems rather than developing new ones, and to facilitate the exchange of data within the Union. Although large amounts of data were available in different fields, they were often not connected to one another. Mr HAHN therefore considered it essential to make existing data more easily reusable, in particular by ensuring that they were compatible with the standards and IT systems already in place.

By adopting such an approach from the outset when developing policy, the Commission aimed to streamline the political process and reduce reporting obligations. This was aligned with the aim announced by the PRESIDENT to reduce the administrative burden at European level and could lead to savings of several

hundred million euro for EU administrations and businesses. This would not affect major European digital initiatives, such as the Artificial Intelligence Act or the Digital Services Act (DSA).

Mr HAHN concluded by noting that improved data sharing and interoperability would make evaluations and policy-making processes more effective and informed. It was therefore projected to be a policy fit for the digital age, which simplified administrative procedures, supported public services and used digital tools for the benefit of all users.

The Commission took note of this information.

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The meeting closed at 9.43.