

Danuta Hübner
Chair of the Committee on Regional Development

"CEPS High-level group on institutional reform"

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The Union has undergone a radical makeover as a result of the crisis. Within the span of a brief few years, we have witnessed unprecedented shifts in economic governance, financial sector reforms, in fiscal consolidation measures and a gradual transition towards growth friendly policies. The changes motivated by the crisis themselves created difficult challenges for the Union. More specifically, a trio of challenges materialized.

Firstly, the broad range of reforms in economic governance and financial sector matters generated a need for accompanying mechanisms of democratic legitimacy. The crisis episode added a range of new competences to the portfolio of European Institutions. We saw this particularly in the case of the European Commission and of the European Council. The institutional balance, which had been in place prior to the crisis-driven reforms, was shaken.

This is not to say that we ought to go back to the old institutional equilibrium, but rather to find a new one, one that adequately addresses the new European realities in a post-crisis world. This will entail looking at checks and balances and proceeding with fine-tuning both inter-institutional relations as well as the intra-institutional functioning in this new era.

Of particular importance in this context will be the rethinking of the role and involvement in Union decision-making of the European Parliament and of national parliaments. We have seen that crisis driven reforms have not been accompanied by adequate mechanisms of democratic legitimacy. We have also seen that the cooperation between the European Parliament and national parliaments remains deficient. While the Lisbon Treaty had come with strong promises that the Union

would be equipped with an enhanced dose of legitimacy, this failed to materialize. Slowly, a severe democratic deficit emerged. We need to tackle it hands on.

Secondly, the crisis also generated novel layers of differentiation in the Union. The bulk of crisis driven reforms targeted the common currency area. Non-euro area members aspiring to join the euro were not always taken on board in the reforms on an equal footing with their euro counterparts. Moreover, different appetites for union reforms were also displayed both within the euro and non-euro group of member states. These trends exposed the difficulty the EU faces in dealing with its heterogeneity. It also called into question the cohesion, solidarity and integrity of the Union. The weakness of the legal basis we have access to has often led to the reaching out to intergovernmental solutions.

Thirdly, the crisis also brought to the fore the questions of whether we have in place adequately functioning institutional structures to deal with the problems of the Union and whether inter-institutional cooperation can live up to the challenges of the day. Difficult concerns about the efficiency of the Union's institutions thus emerged.

The members of the CEPS High-level Group believed that it was essential to address these challenges, particularly in the context of the upcoming European elections. It is imperative to use the opportunity created by the elections. The elections should empower the EU institutions, make them more efficient and bring them closer to the citizens. It is also crucial that EU institutions genuinely serve the interests of the single market as a whole and take into account the needs of all member states.

We realise that we faced a golden opportunity to shape the future institutional landscape to emerge after the elections. A treaty reform might be unavoidable – and is certainly advisable – in the future, but we cannot wait until a more propitious political climate comes about. The EU has to deliver on its promises to its citizens now.

With these thoughts at heart, the CEPS High-level Group on EU institutional reform looked at the three principal stages of the EU decision-making process (initiation, negotiation and adoption, implementation), seen through the perspective of the three challenges identified above, in order to pinpoint the main inter-institutional and intra-institutional weaknesses and put forward specific recommendations to shift the EU institutional machinery into high gear.

Let me say a few words on the European Commission.

The Commission has acquired a broad range of new competences in the aftermath of the crisis. Its executive power became pivotal for instance in the context of the European Semester, of the new packages of economic governance. It is also due to gain a significant role in the context of the single resolution mechanism, the second pillar of the banking union, currently being discussed. With new powers comes also a rethink of the role that the Commission should play in the new institutional equilibrium and what checks and balances need to be put in place, particularly in the implementation phase. A dramatic rethink is needed when it comes to the Commission's relation with other institutions, as well as concerning its own internal functioning.

Looking at the state of play, there is certainly room for improvement when it comes to increasing the efficiency of the Commission, its democratic legitimacy as well as its flexibility (ensuring that the Commission serves the interests of the single market as a whole, while providing all the service required for the EMU).

When it comes to efficiency and legitimacy, our report highlights the importance of having the structure of the Commission decided by its President only after the European Parliament gives its green light to the Commission President and his/her programme for the new Commission. The structure of the Commission itself should ensure the most efficient implementation of its new priorities.

Staying with legitimacy, at the beginning of each legislature, the Commission should submit a five-year legislative plan to the European Parliament and the Council. This

strategic legislative plan should focus the annual structural dialogue between the Commission and the European Parliament, which should also promote the use of own-initiative legislative reports.

Let me now make some more specific points on the efficiency of the Commission. Once the European Parliament gives its ok to the programme, the president of the Commission can then effectively give the mandate to various clusters within the Commission on the basis of his/her programmatic speech in the European Parliament. This new approach would also have an impact on the way hearings are organised with potential commissioners. This might also require some adjustment in the committee structure of the European Parliament.

In a Commission of 28 commissioners, one could envisage 8-10 clusters, chaired by vice presidents of the Commission. Each cluster could bring together 2-4 portfolios, with examples of clusters including: industry and internal market, agriculture and consumer policy, economic monetary and financial affairs, external relations etc. Some portfolios could stay outside clusters. Example of such portfolios could include trade and competition.

The collegiality rule of decision-making should not be changed, but clusters of commissioners should present their common position for the college to decide. In case of no agreement between the cluster commissioners, the president should decide.

In addition to clusters, the structure of temporary taskforces could be envisaged. The heads of the taskforce could be ex-directors general reporting to clusters. Example of taskforces could include youth unemployment, the new treaty, external borders etc.

A comment also on the size of the cabinets. This should be limited to four to five advisors. In this way, we would minimize the number of entry points for vested interests to capture agenda setting within the Commission.

There is also room for improvement when it comes to the recruitment procedures for directors and vice directors general, with a view to avoiding the rule that they too often come from cabinets at the end of the term. Being a member of cabinet does not necessarily mean that one is a good manager.

We also need to reconsider the number of directorates. The large number of Directorates (33 DGs and 11 Services) makes effective internal coordination more difficult.

The reorganisation of the College of Commissioners around clustered portfolios would allow for the reduction of the Directorates General. Reducing the number of DGs and re-examining the role of the Secretariat General, which at present stands out as the extended arm of the President, is essential to improve coordination within the Commission and contribute to moving from a silo to a more holistic approach in policy-making. It would also make it more difficult for vested interests to capture a specific policy. The selection of the Directors General should focus more on their managerial skills.

Concerning flexibility, the Commission has a key role to play when it comes to keeping the Union united in the face of increasing differentiation. If the proposals put forward by the Commission are open to the participation of the 28 members of the Union, then the risks of multi-tier Europe will be considerably decreased. It is up to the Commission to manage the multi-tier Europe we are faced with.

And indeed the Commission has up until now put some proposals on the table, which are open to the whole internal market. An example is the proposal for the ECB based single supervisor. Nonetheless, the openness does not always provide a genuine level playing field for euro and non-euro member states. In the case of the SSM for instance, while non-euro member states can opt-in to the system, their participation is not on an equal footing with that of euro members, because final decisions are taken by the governing council of the ECB, composed of eurozone members only. Moreover non-euro opt-ins also lack access to a fiscal backstop.

There is certainly room for improvement when it comes to making the Commission more flexible in this sense. One helping hand could certainly come from having a form of opt-in blueprint, which could be used to define the participation of non-euro opt-ins into EMU reforms. The enhanced cooperation method available under current Treaties could be an option to be used before a fully-fledged blueprint is adopted (this might require Treaty change).

We have come a long way since the start of the crisis, yet a lot of work still lies ahead of us when it comes to both intra as well as inter-institutional reforms. Some of the challenges, and these are perhaps the most difficult ones, were generated by the crisis induced changes themselves. Our future leaders will certainly have their hands full over the coming years. We hope that the directions for change flagged out by our report will inspire them in their efforts to improve the functioning of the Union.