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University of Aberdeen Lecture

'Regions in a system of multi-level governance'

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Ladies and Gentlemen,

Let me start by thanking the University of Aberdeen for inviting me here today. I am glad to be back in Scotland, glad to have been able to also visit Glasgow this time around. I have this image of Scotland as a place filled with excellent initiatives. Indeed, when I was Scotland in January 2007 and had the opportunity to visit the Queen's Medical Research Institute. And again today I have been impressed with your projects and your way of working. Scotland is in many ways a role model, paving the way for different innovative approaches to regional policy. In particular, you understand well the role of partnership and efficient local government and I am convinced that this helps you to be better prepared for meeting the future challenges of a globalised world.

This morning I visited the Clydebank College and the Clydebank rebuilt community projects. I could see with my own eyes the added value of strong community engagement and the close relationship between higher education and economic development. The role that partnerships and local governments play in such undertakings takes me quite naturally to the issues I would like to explore with you today – the place of regions in a system of multi-level governance and the role of the latter in the European cohesion policy, both today and in the future.

Multi-level governance can be understood as the exercise of authority and the various dimensions of relations across levels of government. During the 1980s and 1990s, decentralisation across the European Union – in Spain, France, Belgium, Italy and the United Kingdom, to name but a few – transferred more competences to regional and local governments and increased their capacity to formulate and deliver policy.

In Scotland devolution was decided in 1997 and led to the installation of the Scottish Parliament and the Scottish Government. This has been a most influential political and institutional change that also had an impact on the implementation of European policies and programmes. And within Scotland itself, multi-level governance is an issue as is illustrated by the recent Local Authority Concordat setting out formally a new relationship between central and local government in Scotland.

I mention these events since it is clear that multilevel governance has been and still is gaining ground in Europe. But we all know that political

structures vary strongly. We have 24 "unitary" Member States in the EU and three that can be considered fully fledged "federal" states – Belgium, Germany and Austria. Most unitary Member States have at least two tiers of governance below the national level and around one-third of the Member States has three levels, also true for my home country, Poland. The main message, therefore, is that the decentralisation and the enforcement of regional and local structures are continuing in virtually all Member States.

And – behind the democracy and legitimacy arguments - there are good reasons for this, in particular when it comes to economic policies. Investment policy implemented by local and regional authorities - who know best their territories - means more sensitivity to local growth factors and more proximity to social and economic agents. Empowering all those with relevant expertise in the design and implementation of policies at local level creates ownership, responsibility, and hence greater efficiency in policy-making and implementation. Simply put, decentralisation is beneficial from an economic point of view, particularly today as we are faced with challenges such as energy, demography and, generally speaking, globalisation.

Paradoxically, perhaps, in this globalised situation, local and regional governments have become major actors in the European economies and their expenditure account for almost 13% of Europe's GDP. They are also the leading public investors and ensure 64% of all public investment in the EU. To add to this picture, local and regional fiscal resources are growing, for example in Spain where the budgets of the Spanish

autonomous communities have grown 3 times over a ten year period from 1995. Overall in the EU, local and regional fiscal resources grew with 4.5% per year in volume over 2000-2005. In most cases, this evolution has taken place to compensate for the financial costs of new responsibilities, meaning as I mentioned, an increased capacity but also responsibility to formulate and deliver policy.

But, for us in the Commission, multi-level governance is not just about the vertical co-operation and co-ordination between higher and lower levels of government. **Horizontal** relationships, involving relationships between main actors of social and economic development at the same level are also key. Today, the successful economic development and the emergence of new competitive advantages require the existence of "co-operation culture", linking together private and public, academia, economic and social actors, the civil society. Only in this way regional and local economies can embark upon the innovation path, helping them to meet the new challenges and to capture new opportunities. This cannot happen, however, without these horizontal partnerships I mentioned, based on confidence and trust.

Clearly, multilevel governance should be accompanied by more emphasis on accountability issues because the participation of multiple actors at different levels of government can lead to a dispersion of influence and responsibility. The key accountability problem is how voters can make sure that the actions taken by the various levels of government are in line with their preferences.

There may be temptations for the government to maximize freedom from scrutiny and oversight for instance by monopolizing and not sharing information about their own performance. In short, multilevel governance systems are under the threat of fragmentation, which could complicate accountability mechanisms. I know that in Scotland, you have tried to tackle this issue through publishing government performance against a fixed set of indicators. In any case, I firmly believe that this threat is more than counterbalanced by the proximity argument – meaning that, in comparison to central administration, the information gap (between voters and the government) is smaller while efficiency and pressure on public servants higher. Multi-level governance both **vertical** through decentralisation with proper institutional capacity at regional and local level and **horizontal** through active partnership between and within regions will enhance public accountability.

Effective multi-level governance is also of particular value for the optimal delivery of Cohesion policy. There is today general agreement that we are living in a globalised world where all actors need to mobilise in order to improve the overall economic performance of the Union. In other words, there is an economic rationale for involving different levels of government and a wider partnership in the process of policy design and implementation.

We are working on those new challenges and on our investment policies for them to target the challenges correctly. We see that top-down development strategies are not enough. All layers of government and all partners must be involved. Clearly, all must take ownership and

responsibility. Each region must also be in a position to lever its unique set of assets, ideas and skills to compete both nationally and internationally. Although each region is confronted with general challenges and opportunities, the impact of those challenges and opportunities on its territory takes specific forms which call for tailor-made strategies to face and take advantage of them.

Scotland has already demonstrated that you are willing to take the bull by the horns and rise to the **international** challenge. Scotland is indeed visible and present with a strong identity and robust development dynamics – hopefully this will continue - in the world, perhaps more so than other comparable European regions. Good examples in the region are not difficult to find. One, for example, here in Lothian where you have established an internationally-renowned biomedical cluster. I am proud that Cohesion policy has actively contributed to this, through its support for the Queens Medical Research Institute. I also understand that further promising initiatives focussing on research and innovation are coming forward under the current programme, clearly indicating those robust dynamics I referred to, in order to respond to the ever increasing global challenges.

Our globalising world implies a certain competition between regions, and a multi-level governance system enables the mobilisation of all relevant actors to optimise a region's performance vis-à-vis other regions. However, multi-level governance is also helpful in enhancing **co-operation** not just *within* but also *between* regions. I have said on many occasions that the partnership in Scotland is a particularly good example

of cooperation occurring at the infra-regional level, using its diversity as strength for an optimal implementation of policies and programmes.

Of course, I encourage you to continue on this path as it seems to yield the most sustainable results but cooperation and partnership spilling over regional borders is also crucial to achieve more efficiency and competitiveness. Scotland has the opportunity to make the most of the cross-border and interregional cooperation possibilities provided by Cohesion policy during 2007-2013. I'm thinking here, for example, of the INTERREG IV-B cross-border territorial cooperation programme between Northern Ireland, the Border Region of Ireland and Western Scotland. Scotland is clearly very much involved in the interregional cooperation and benefits from the positive spill-over that this generates.

I was arguing that multi-level governance – both vertical and horizontal – is vital for Cohesion policy. That is why this policy recognises and encourages the participation of regional and local levels of governance in fostering economic development to such an extent. The partnership principle, one of the basic principles of our policy, ensured that development plans should be drawn up by the competent authorities following discussion with national, regional and local actors.

But it is not just Cohesion policy which recognises the importance of the role of regions and local authorities. The very construction of the modern European Union and its institutions recognizes the role of regions and local authorities. The principles of subsidiarity and partnership were incorporated into the Maastricht Treaty in 1992 and have, over the years,

become regarded as fundamental elements of the Union's governance system. Indeed, the Berlin declaration from 2007 - when celebrating the 50 years of the Rome Treaty - identifies the diverse traditions and cultures of the EU and clearly states that "*tasks are shared between the European Union, the Member States and their regions and local authorities*".

This new approach is enshrined in the Lisbon Treaty - that may be adopted by all Member States should the Irish say yes in the new referendum scheduled before the end of October next year - as it proposes a new definition of the subsidiarity principle that recognises, for the first time, explicitly the local and regional dimension. Clearly subsidiarity is not only the division of labour; the Treaty thus expands this definition.

Nevertheless, the discussion on multilevel governance continues beyond the Treaty definitions and the Commission has recently adopted a Green Paper on territorial cohesion. With its focus on diversity of the Union's territories and, henceforth, the need to reinforce the role of regional and local authorities within the multi-level governance system, the Green Paper inscribes itself in this framework of continued debate.

The Paper also provides detailed directions on the content of territorial cohesion: first, territorial cohesion **recognizes territorial diversity** as an asset and builds on this diversity to improve growth perspective, strengthen competitiveness, and improve well-being. In other words, each territory is endowed with a different growth potential and each territory needs tailor-made policies to make the most of this potential. As I said earlier, Scotland can surely be regarded as a model in the sense

that you have been able to build on and use also your intra-regional diversity positively.

Second, economic growth in a global economy is increasingly driven by multiple co-operation structures involving different types of actors and different levels of the government. This means that no single **territory can** develop in isolation: building links, coordinating activities, networking and cooperating is essential. In addition, as I mentioned before, delivery of public goods necessarily has interregional spill-over effects.

Third, taking territory as the relevant unit of analysis and focus for designing and implementing development policies, has several policy implications. It means that territorial cohesion should promote the "territorial" coordination of Community and national policies, leading to a more horizontal and integrated approach to territorial development. This also means that, within a multi-level governance delivery system, the role of regional and local authorities should be reinforced.

Territorial cohesion finally implies more **coordination** between territorial and sectoral policies and more focus on territorial impact of sectoral policies. At the national level, the ways in which policies with territorial impact are co-ordinated are diverse and determined by strong historical, cultural and institutional aspects. The Green Paper invites to discuss further the issue of policy co-ordination but I am aware that this is very difficult debate. But what can be improved, surely, is synergy but without subordinating one policy to another and without compromising the

relevance of multilevel governance in delivering the most efficient mix of policies.

As you can see, the debate launched in the Green Paper is highly relevant to the multilevel governance concept and I invite you to submit your views, sharing perhaps your experience of policy-making and implementation in Scotland, before the end of February next year.

Let me finish by making a link to the most recent issues and actions taken by the European Commission. In these times of financial and economic turmoil, the European Commission has proposed an Economic Recovery Plan including measures at both national and EU levels.

The summit of last week was important to multilevel governance, indeed, to cope with the challenges you need, as I said, an efficient and functioning multilevel governance system.

The difference with this crisis, compared to many that went before, is that we're talking about a combination of 3 processes. 1) The large impact of the crisis, nobody is immune. 2) The traditional cyclical contraction or recession is adding to the problem and 3) the crisis has aggravated the structural weaknesses of our economies. In short, we are going through a unique situation. However, we can come out of strengthened if we use this situation to, perhaps, start a new industrial and technological revolution. Indeed, the package adopted is a mix to boost short term lack financing of investments – the credit crunch – and at the same time efforts to gear investments and mindset towards new openings. To come out strengthened from the crisis we need to restructure our economies,

not necessarily support traditional industries. Economic efficiency will, in the future, be measured by energy and ecological efficiency, of this I am certain. Of course, investing and protecting jobs is essential but we also need to stay on the track on a more competitive and innovative economy.

The climate package was also adopted. For sure, certain derogations were obtained but overall this package made the necessary inroads to improving our climate change situation. But we need to follow this through and not end up with a situation where some countries wait until the very last moment to restructure their electricity production and then have one or two years in 2018-2019 to reach the targets set for 2020!

The Treaty, finally, was also discussed at the summit. I am glad to sway that the member States all agreed to take into consideration the concerns of the Irish people. This Treaty is important for us and I hope it will see the light in 2020.

Ladies and Gentlemen,

To conclude, multi-level governance is at the centre of democracy and will remain one of the key aspects to be explored in the context of the future Cohesion policy, after 2014. To summarize my speech in a few words: for me, multilevel governance is simply BETTER governance.

Thank you for your attention.