

Multi-level governance

What is multi-level governance?

Multi-level governance refers to a situation where public authorities in charge of a given policy domain belong to various levels of authority and policy competences, and budgetary resources are distributed across these levels of government. This increases the number of actors, organizations, agendas and policies to be coordinated in order to achieve coherent policies.

Two trends contribute to an increase in the interdependence of various levels of government:

- **Globalisation** is characterised by the emergence of new powerful internationalised actors—multinational enterprises—and by the geographical extension of the scope of innovation partnerships and competitive pressures. Intergovernmental organisations and international regulations increasingly shape governance regimes, notably in Europe where the European Commission plays a prominent role in supporting research and innovation agendas (OECD, 2010a);
- **Regionalisation and decentralisation** have made local and regional governments more powerful and increased their capacity to design and operate their own development policies (OECD, 2005a; OECD, 2010b).

Why is multi-level governance relevant for innovation policy?

The governance of innovation policy is characterised by a shift from the national level as the unique locus for the design and implementation of innovation policy, to both the international and sub-national levels. Those two levels have experienced a rise in relevance and an increase in policy activity in innovation, while targeting the same innovation actors. To achieve policy coherence, multi-level governance of innovation calls for a clear division of labour and strong complementarities between these various levels, and it seeks to avoid policy overlaps and gaps.

Increase in globalisation and internationalisation of innovation policy

R&D and innovation activities are increasingly global, thanks to the shifting international organization of functions within multinational enterprises, which are internationalizing their R&D at faster pace and on a larger scale than before (OECD 2010a). The increasing complexity of innovation and pervasiveness of new technologies generate a drive towards much wider partnerships extending over national borders (see [A new context for innovation](#) [1]).

As a response to these trends, national innovation policy is increasingly framed in global terms, reflecting a growing sense of global identity, the global nature of many problems and issues and the globalisation of markets and production. National innovation policies aim at fostering domestic innovation potential and developing local skills, in order to raise the attractiveness of the country for global innovation performers and mobile talents.

Policies, both at national and at supra-national levels (the EU R&D Framework programmes are an emblematic case) foster the participation of national actors to international R&D and innovation networks. Indivisibilities, notably in very large research infrastructures, create the need for international policy cooperation in funding and exploitation of such resources. Education systems are also increasingly open, through alignment of curricula and permeability of education trajectories across national borders as well as incentives to foster the international mobility of students, teachers and researchers.

Growing role of the regional level in innovation policy

The importance of regions in innovation policy is linked to the following two trends (OECD 2011):

- The inclusion of regions and their assets in national innovation policies, in recognition of the importance of places and proximity linkages for innovation promotion.
- A shift in regional development policy paradigms, with an increasing focus on the mobilisation of knowledge assets and the promotion of innovation for endogenous growth, while moving away from a redistribution policy paradigm.

Sub-national authorities—mainly regions, but also cities in some countries—have become important actors in shaping and implementing innovation policies with a territorial dimension. Exploiting benefits of spatial and cultural proximity between firms and other organisations is at the root of these efforts, as proximity facilitates the flow of tacit knowledge which is important for developing new combinations of ideas, technologies and skills as well as for spurring cooperation and interactive learning processes (see [Regions and innovation policy](#) [2]).

What other topics relate to multi-level governance?

Topics relevant to multi-level governance are the following:

- **Capability and resource failures** (see [Capability and resource failures](#) [3]). Particularly at the regional level, failures in capabilities and resources will dramatically affect the processes and outcomes of multi-level governance efforts. Multi-level governance in the field of innovation is complex: it requires that authorities at various levels possess not only the right capabilities and resources to effectively run their own competencies, but also the capacity and means to enter into negotiations, align their policies and conclude agreements with authorities from other levels.
- **Coordination across levels of government.** Cooperative coordination is just one dimension in the complexity of patterns for innovation governance. Another complementary dimension is that of coordination between policy domains at the same level of government, i.e. **horizontal governance**. Sound innovation policy governance incorporates both **multi-level** (or vertical) and **horizontal** considerations to achieve policy coherence.
- A particularly relevant aspect of multi-level governance for innovation is that of **cross-border innovation policies**. When functional regions for innovation do not conform to administrative boundaries, a need arises for alignment of policies across the borders involving, in most cases, both sub-national and national authorities active in the cross-border area. In Europe policies dedicated to territorial cooperation across national borders add a supra-national level that needs to also be aligned with strategies and policies at national and local levels.
- In addition, the emergence of **public-private partnerships** in policy-making result in more diversified patterns of stakeholders and further increase the complexity of multi-level governance.

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What policies are relevant to multi-level governance?

Focusing on national-regional relationships, multi-level governance efforts differ according to the role assigned to sub-national level authorities (Perry and May 2007) in the following areas:

- **Stages**, where regions are seen as appropriate scales of action or stages where policy is enacted, though regional units are not participants.
- **Implementors**, where regional authorities and agencies have a role in the implementation of nationally-defined policy initiatives and delivering centrally conceived priorities.
- **Partners**, where regional bodies have a role in shaping and delivering R&D&I agendas.
- **Independent policy makers**, where regional authorities act autonomously in agenda-setting.

The roles assigned to sub-national level authorities reflect country-specific institutional arrangements. A stylised typology of relationships and associated key policy tasks is shown in Table 1.

Table 1. Stylised typology of relationships and associated key policy tasks.

Passive	Regions as stages	Regions as implementers
	Within nationally-defined policy frameworks, regions are seen as	Regional authorities and agencies have a role in

appropriate scales of action, as 'containers' of innovation or 'stages' on which policy is enacted. Policy may be defined or organized within regional units yet regional authorities or agencies are not seen as participants in that process.

the implementation of nationally-defined and funded policy initiatives. Regions provide not only stages for policy delivery but are also agents for delivery according to centrally conceived priorities and targets.

Active

Regions as partners

Here regional authorities and bodies have increasing agency in shaping national priorities for science and innovation in a more 'co-determined' model of policy formulation. Regions are participants in national policy processes and may, for instance, be involved in co-funding the national scientific infrastructure.

Regions as independent policy-makers

Regional authorities and bodies are increasingly devoting their own finance and resources to funding regionally significant scientific investments or projects. The emergence of 'regional science policies' may be characterized by independent agenda-setting, institutional creation and new governance arrangements, new mechanisms and policy tools or strategic intelligence and capacity building.

As for practical arrangements, multi-level governance is supported by tools to achieve coordination and coherence between policy goals and policy instruments deployed at the various levels of government. These take various forms, depending notably on the institutional structure and the competences of regions in innovation policy.

Contracts and performance indicators

Contracts and performance indicators are institutional mechanisms to support transfers of funds between upstream and downstream levels of government or to organize joint funding mechanisms. Contracts set out the goals, the nature and the conditions attached to the transfers or the joint funding arrangements, and help align partners around common goals. Performance indicators are key elements that give substance to the contracts and ensure effectiveness of the multi-level governance arrangements.

By organizing a negotiation phase, contracts can help harness the diversity between various regions and develop their specific potential while achieving consistency at national level. The presence of a negotiation phase also contributes to building capacity at both ends of the partnership.

Contracts are common within countries, between national and sub-national levels, but do also exist between supra-national level and national level, the European Cohesion policy instruments being a prime example here (OECD 2005a).

Conditionalities

A conditionality is a particular form of contract, where institutional and structural reforms are promoted by preventively conditioning transfers of funds to the design and implementation of those reforms. Conditionalities combine a strong commitment by the recipients of funds to well-defined and measurable results and necessary institutional changes, with a large degree of freedom regarding how to achieve those results. Enhancing the ex ante focus on targets and the ex post verification of performance are at the core of the conditionalities (Barca 2009).

Implementing smart specialization strategies at regional level is a typical example of conditionality, imposed by the supra-national level (European Union) to the national level within the framework of allocation of Cohesion funds.

Devolved administrations to sub-national level

Devolved administrations and deconcentration of national responsibilities to the sub-national level is another tool for policy coherence. National authorities can establish decentralized agencies or bodies, in charge of translating national interests at the sub-regional levels and vice-versa, aiming at fine-tuning and aligning policy instruments from both levels (OECD 2007).

Joint policies

With joint policies, national and regional authorities join resources to fund, e.g., regional hubs of expertise based on specific regional strengths, acting in wider networks at national level.

Challenges in multi-level governance of innovation

Multi-level governance in innovation policy faces of the following challenges:

- Articulating goals and means between various levels of government is a time- and resource-consuming process, involving high transaction costs.
- Achieving good coordination and alignment of policies is hampered by imperfect information.
- Weak **horizontal governance** at one level of government makes the negotiations and search for better articulation of policies with another level of government more cumbersome.
- Lack of resources and **public budgets for innovation** at one level acts as a barrier to coordination efforts with other levels
- The need for flexibility in multi-level arrangements comes often in conflict with a need for stability and long-term perspective in policy.

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