

ESADE

Ramon Llull University

ESADEgeo-CENTER
FOR GLOBAL ECONOMY
AND GEOPOLITICS



Multi-Level Governance (MLG): The Role of Public Administrations

ESADEgeo Position Paper 23

December 2011

Francisco Longo

Associate Professor in the Department of People Management and
Organisation

Director, Institute of Public Governance and Management

Abstract

In this article I address the issue of how Public Administrations should develop within the new paradigm of multi-level governance. To this end, I chronologically describe the development of the various models of governance since the late 19th century to the present and how we have reached the current interpretation of Multi-Level Governance (MLG). In doing so, I shall follow Agranoff's scheme. I then discuss the main MLG dysfunctions found in the present socio-economic and political context. Last, I put forward an approach for advancing multi-centric governance.

Multi-Level Governance (MLG): The Role of Public Administrations

(1)

Agranoff identifies four eras in the development of inter-governmental relations:

➤ (1) Legal and jurisdictional inter-governmental relations

The first Inter-Governmental Relations (IGR) model appeared with the creation of modern Nation States and their need to organise themselves geographically. It is characterised by its stress on legal and jurisdictional issues. The regulatory system is highly centralised: the main principles and norms are issued from the one and only centre and functions are transferred to sub-national divisions, each of which specialises and takes charge of a given sphere, informing the centre when problems or dysfunctions arise.

The centre's main concerns are to ensure that powers are suitably allocated to each tier of government and that these are properly exercised. The main transactions, beyond subsidies and transfer of revenues, involve the transfer of data and submission of reports on regional and local government results.

Accountability measures are confined to maintaining the legal status of each tier of government.

➤ (2) Welfare State interdependencies

The second model appeared with the development of The Welfare State and is characterised by what Agranoff terms “deep interdependence” among the various players making up the governance system. The marked growth that the State underwent in this period forced it to legislate more and to draw up and launch programmes centring on lower tiers of government. The regions assumed the execution of these programmes, acting in most cases as agents for their principal (central government).

Although government was formally split, functions overlapped: government operations implied several tiers (or levels) acting at the same time and the power and influence of a given jurisdiction was limited as a result. This gave rise to greater exchange and negotiation in a quest to reach agreement. In some cases, concurrent powers were established, leading to duplications and hence problems of accountability.

Given the hurdles to establishing State constitutional mechanisms for controlling lower tiers of government, *de facto* controls were introduced by making funding dependent on meeting certain requirements, and through evaluations and audits. This spurred considerable growth in public administration. Armies of civil servants were charged with the tasks of dealing with funding requests, drawing up fiscal and other reports.

Those running each administration became negotiators and fundraisers, each fighting for their own corner. In some cases, this set administrations at loggerheads, in what became a sneaky zero-sum competition for resources.

Grants and subsidies became the most visible part of the inter-governmental transaction model. However, with the passage of time, many of these transactions gave rise to contracts between tiers of government, co-operation

agreements and even bodies providing joint services and inter-governmental partnerships.

➤ **(3) Governmental partners**

The third model arises from the incorporation of the private sector (both profit and non-profit) in the provision of public services. In Europe, the EU plays a key role. From the moment that European funds began to flow through various government channels, new fund 'recipients' began to spring up, many of them non-governmental.

While The Welfare State's interdependence remained, new non-governmental agents were added and became partners of the State, providing services in a less regulated setting in which market forces were given priority. This new scenario bore on the respective rights and duties of the public sector vis-à-vis the private one. To what extent should the public sector regulate and standardise the provision of private sector services when these are partly publicly funded?

Through grants and contracts (especially the latter), the government recognised non-profit entities' ability to directly provide services. It also broadened the range of services the for-profit private sector could provide to embrace not only security and road-building but also public health, care of the disabled, and financial services, among others.

Public management also took a leaf out of the private sector's book, placing greater emphasis on economic efficiency, focusing on objectives, competitive tendering and so on. The administration shifted from an operations-based approach to one that involved reviewing various contracts. As a result, public servants shook off the shackles of strict, hierarchically-enforced controls, gaining freedom of action in deciding service provision and in adding public value.

➤ **(4) Networked Inter-Governmental Relations**

The last model is characterised by networked relations, featuring the various players in the governance system (local governments, business associations and interests, etc.). These players, which had long worked hand-in-glove with the higher echelons of government, now found themselves sitting down with public administrations to thrash out policy and implementation. The model of relations changed, shifting from competition to collaboration in which it was understood that no single organisation can easily solve the problems that arise.

These developments consolidated multilateralism in drawing up regulations and policies on the one hand and in giving greater weight to supranational and global considerations on the other. The EU's employment and HR policies are an example of the former. Agenda 21 (which has spawned a host of local and regional implementation networks) exemplifies the latter.

Earlier attempts to achieve administrative decentralisation thus turned into a quest for political decentralisation in which various public, private and lower-tier government players were given more power. Dialogue, deliberation and joint action were fostered and there was talk of 'shared responsibility' for the results.

(2)

So far, we have covered the four Inter-Governmental Relations eras proposed by Agranoff. One should realise that the characteristics of each era have been added to public administration practices, creating an amalgam of all four. What currently characterises multi-level governance is that it comprises the activities and dynamics drawn from the different eras, crosses organisations' legal geographic and jurisdictional boundaries, and takes on a power and identity of its very own.

For example, the Spanish Constitution states that the country is organised in municipalities, provinces and autonomous communities [regions]. There are also counties, consortia, regional boards, district councils, etc. If that was not

enough, there is a host of for-profit and non-profit private players that also provide public services and fill the gaps the State cannot. Since 1986, Spain has been a member of the EU, forcing the country to take part in a supra-national organisation and accept its directives.

In this context, public administrations must learn to manage the complexity arising from a plethora of players and demands, adapting to events in real time while keeping sight of long-term aims. It is no easy task and this is precisely why one needs to identify where dysfunctions may arise.

We shall begin with the recurring problem of jurisdictional disputes. This issue is generally tackled from the legalistic standpoint, with questions focusing on: (a) the level at which powers are or should be placed to avoid overlaps and duplications; (b) the extent to which powers are (or should) cover one or more levels (with solely-exercised or shared powers); (c) what principles the exercise of such powers are (or should be based) by a given player (in this case, we refer to the party that ought to hold those powers).

When we approach these issues from a descriptive perspective, we basically focus on jurisdictional questions. By contrast, when we adopt a normative approach, we ask 'who should decide' and try to discover: (i) the 'appropriate' *demos* for each decision be it a supranational entity, a State, people, or community; (ii) the principles on which decisions regarding the allocation of powers are based. In both cases, we mainly appeal to principles of political legitimacy, 'subsidiarity' and proportionality.

When it comes to defining the attribution of powers, one can see a complex interaction between the political and legal spheres. Even more importantly, there is a shared, static vision of jurisdiction underlying the debate which considers a given set of powers as having a specific *locus* within the governance system, whether such powers be linked to one tier of government or shared between several.

However, the real world reveals that jurisdiction cannot be framed solely in terms of a vertical logic in which tiers of government carry out various functions (legislating, regulating and implementing). This is because government processes also occur in parallel, with negotiation among players, informal rules that shape organisational behaviour, unofficial ways of regulating the governance system, and so on.

Accordingly, when dealing with the question of the attribution of powers, it is important not to see the issue merely as a kind of giant jigsaw puzzle in which there is one and only one ideal place for each piece of power within the governance system's bigger picture. Rather, the process should be seen as a dynamic requiring constant rebalancing in response to both external factors (crises, social demands, internationalisation, technological changes, and so forth) and internal ones (for example, incentives for the various players to acquire given powers).

The concept of 'powers' is a fuzzy one. That is particularly true if we take into account the dysfunctions associated with systems of multi-level governance, namely attributing responsibilities but not willing resources—something all too common in devolutionary processes.

This problem arises when there is a breach of institutional loyalty as a result of political frictions or economic strictures. It can also arise because governments respond to citizens' growing demands by assuming functions that were not envisaged and for which there is no budgetary provision. Such cases continually crop up at the local level.

Such limitations become patent on reading some of the provisions made in The Spanish Constitution. Article 137 of The Constitution says that the State is organised in "*municipalities, provinces, and autonomous communities [regions] that enjoy a degree of freedom in managing their interests*"¹; yet at the same time Article 142, states that "*local tax collection agencies shall dispose of*

¹ Refer to the Constitution itself for the Spanish text.

sufficient resources to carry out the statutory functions assigned to public corporations, such revenues mainly being generated by local taxes and contributions by the State and Autonomous Communities [regions]'. However, when State and autonomous communities lack sufficient resources, it is impossible to meet citizens' growing demands on local governments.

Making resources available sometimes boils down to tackling public sector inefficiencies. Another dysfunction found in GMN systems is what one might term expansionary emulation, or put another way, the creation of inefficient duplication. This can occur, for example, when a government grants certain powers to a lower tier but fails to scrap the now redundant administrative apparatus at the higher level.² It also occurs when all institutions at the same level want to apply identical service provision models and abstain from collaboration and cost-sharing.

To round off the subject of dysfunctions, one should mention the recurring problem of accountability within a system of multi-level governance. Traditional control systems lose value from the moment networked systems either replace or complement hierarchical ones.

(3)

All of these dysfunctions reflect the predominance of governance systems based on vertical integration and hierarchy, and the weakness of relational mechanisms (which are patchy and depend on whatever the local culture happens to be). MLG requires the acquisition of certain capabilities in public systems to overcome these dysfunctions.

In the first place, there is a need to come up with a reasonably rational design for allocating powers if public administration's ability to make and enforce demands is to become more credible. An interesting proposal is to review and

² Translator's note: This is something of a Spanish specialty. Madrid is full of 'white elephant' ministries that have largely lost their *raison d'être* but grind on at great public expense as if regional devolution had never happened.

extend the principle of 'subsidiarity' so that it embraces not only the question of who acts but also of how they act and choose the most appropriate measures. From this standpoint, a good multi-level system of governance is one in which there is always a legitimate candidate (preferably, also the most efficient and best-placed one) for making change.

From this perspective, the key to tackling MLG lies in approaching mutual problems by drawing on a knowledge base that is both nurtured and exploited by contributing organisations. The communication channel must be based on negotiation, building consensus, and collaboration. Here, it would be well worth exploiting Internet and Communication Technologies (ICT) and social networks to build professional communities used to collaboration and in which there is less political interference.

Public administrations should also acquire *political management*, or relational management capabilities, forcing them to go beyond their traditional obsession with red tape. In an MLG system, there should be many voices and sources of legitimacy. Hierarchical government needs to adopt a more mature, strategic role in its relations with social agents.

All of these proposals for change allow one to divine a new path towards accountability. The interdependences and collective nature of measures in an MLG system mean that the old hierarchical approach is no longer applicable in all cases. Under the old system, various 'principals' tried to ensure their 'agents' fulfilled their assigned tasks within the chain of delegated command (voters delegating powers to their elected representatives, public managers to their subordinates and so on). Now a new context requires a new approach.

From the constitutional perspective, accountability should stem from a set of rules and principles that create a political system of weights and counterweights that can be institutionalised in various ways. These ways may not necessarily be of the top-down variety and could include cross-cutting mechanisms (for example, professional codes of conduct) and allow citizens/users to directly evaluate the services provided.

Here, it is vital to consolidate transparency and freedom of information measures to put all citizens on an equal footing. Only thus can one properly monitor and evaluate results. This would enable public administrations to link past, present and future measures, weigh their successes and failures and to learn how to improve their governance models.

For further information about ESADEgeo's Position Papers, please feel free to contact:

Irene García García
Researcher
ESADE Center for Global Economy and Geopolitics
Av. Pedralbes 60-62, 08034 Barcelona, Spain
93 280.61.62 Ext. 3917
[| www.esadegeo.com](http://www.esadegeo.com) | <http://twitter.com/#!/ESADEgeo> |