PART III

Chapter 6

Multi-level Governance: A Conceptual Framework

As cities and national governments cannot act alone to effectively tackle climate change, a framework for understanding the linkages across multiple levels of government and with the private sector and non-governmental stakeholders is needed. Chapter 6 proposes a multi-level governance framework that explores these linkages between national, regional and local policies to address climate change. Such a framework identifies vertical governance between different levels of government, as well as horizontal governance across multiple sectors at the same level of government, including engagement with non-governmental actors, and governance across and between cities or territories. It lays out a framework to explore, "what is good practice?" in the area of multi-level governance and climate change, laying out a number of sub-themes and questions for investigation in Part III of the book.

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Key points

Multi-level governance provides a conceptual framework for understanding and addressing climate change adaptation and mitigation policy issues

● A multi-level governance framework provides a means to understand the complex web of interactions between different level of governments, non-state and non-governmental actors, all of whom are contributing to action on climate change today.

● Multi-level governance may help to overcome some of the many obstacles to effective design and implementation of climate policies. Tools for multi-level governance – in the form of vertical and horizontal co-operation – may help to narrow the "policy gap" among levels of government and promote implementation of stated policy goals and plans.

● The chapter provides a framework to examine and identify good practice with multi-level governance for climate change. This framework is used as a starting point for the chapters that follow in Part III of the book.

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A multi-level governance framework provides a starting point for understanding how central governments and other public and private actors interface to design and implement policies from international to national and local levels of action (Hooghe and Marks, 2003). This has been widely developed and used by the OECD to assess the performance of co-operative frameworks in nations as well as metropolitan and rural regions (*OECD Territorial Reviews*). Regardless of the constitutional form of government, multi-level governance calls for a narrowing or closing of the policy "gaps" among levels of government via the adoption of tools for vertical and horizontal co-operation. The OECD framework endorses, for example, the use of performance indicators, a variety of forms of fiscal grants or financing mechanisms, and the use of contracts between levels of government (OECD, 2005; 2007; 2009a). These tools help improve co-ordination among stakeholders and build capacity in particular at the sub-national level (OECD, 2009b). This approach is currently being applied to enhance an integrated approach of water policy (OECD, 2011 forthcoming).

Multi-level governance also provides a flexible conceptual framework to understand the relationships between cities, regions and national governments across mitigation and adaptation policy issues as well as across a widening range of non-state and non-governmental actors[1] (Marks, 1993; Betsill and Bulkeley, 2004; Bulkeley and Schroeder, 2008; Corfee-Morlot, 2009). Public interest in climate change in the 1980s may have emerged initially through international and national science-policy interactions (Corfee-Morlot *et al.*, 2007), however it has become increasingly evident that regional and local policy decisions are also essential in the design and implementation of mitigation and adaptation strategies. This is because greenhouse gas emissions are the result of actions or processes that occur in a given place and, while national and international policy frameworks can mandate and co-ordinate action, a multitude of local-level actions will ultimately be needed to alter future

emission pathways over the long term. Also climate change impacts are felt locally; thus adapting to climate change will also require a wide variety of regional and local changes. As with climate mitigation, adaptation may be guided through nationally led mandates, but its implementation will be inevitably local in character. Of course, key information and specific knowledge gained from local experimentation can also contribute to the design of climate policy at the central level (OECD, 2007, 2009c and 2009d).

Much analysis of climate change policy has taken an international regimes-based approach and focused on the establishment of international treaties as a main driver of change (Haas *et al*., 1993; Paterson, 2008; Young, 1989). However, examining the political economy of climate change policy through a multi-level governance approach helps to break down state-centric understanding to better characterise the relationships between different actors horizontally across and vertically between different levels of government and governance. The multi-level relationships on climate policy will involve different configurations of actors and priorities depending on the scale and scope of decision making.

Any multi-level governance framework will encompass at least two different dimensions of action and influence and both warrant attention: the first is the vertical dimension across scales or levels of governance and the second is the horizontal dimension of governance (Bulkeley and Betsill, 2005; Hooghe and Marks, 2003; OECD, 2006).

The vertical dimension of multi-level governance recognises that national governments cannot effectively implement national climate strategies without working closely with regional and local governments as agents of change. On the other hand, to take action, cities cannot be effective and do not operate in isolation from other parts of government. Local governmental authority to act in areas related to climate change is often "nested" in legal and institutional frameworks at higher scales (Dietz *et al*., 2003; Hooghe and Marks, 2003). For example, while regional and local policies determine the specific details of land use, human settlement patterns and transportation planning, the space for action and potential for change is usually limited by national development paths, national policies and technical standards and national budgets and funding priorities (Sathaye *et al*., 2007). This suggests that action at local scale may enable or constrain what is possible nationally and *vice versa*, highlighting a two-way relationship between local and national action on climate change. Economic aspects are also key. In particular, externalities and spillovers of local policies are often used as a key argument for supporting improved co-ordination between levels of government and the search for a "relevant scale" for allocating public responsibilities and resources.

On the horizontal axis, there is increasing evidence of multi-level patterns of governance and transnational networks on climate change and other global environmental issues where actors work across organisational boundaries to influence outcomes. Within the multi-level regulatory framework, learning, information transmission and co-operation also occurs horizontally with linkages increasingly being forged between cities, regions and national governments (Bulkeley and Moser, 2007). At the sub-national level, some of these horizontal relationships have been created through formalised information networks and coalitions acting both nationally and internationally, including ICLEI's Cities for Climate Protection, the Climate Alliance, the C-40 Large Cities Climate Leadership Group, the US Mayors Climate Protection Agreement, among others.[2] These groups have given an institutional foundation to concerted effort and collaboration on climate change at city level (Aall *et al*., 2007).

Horizontal co-ordination at the local level is not just about international associations of local authorities. Above all, it concerns different forms of co-ordination among local jurisdictions that belong to the same urban metropolitan area or the same rural area or between urban and rural areas. Urban regions are characterised by a strong institutional fragmentation while many strategic decisions need to be made, and services provided, at this level (OECD, 2006). This element is very important for urban development policies in general and environmental issues in particular. Speaking about the "horizontal dimension" of multi-level governance is also very often associated with the need for improving co-ordination across line ministries at the central level for dealing with cross-cutting policies, which is particularly the case on environmental issues. On issues of climate change, cities and other local governments hold the unique potential to work closely with local constituencies to develop visions of the future that match the needs of these constituents while also addressing climate change (Brunner, 1996; Cash and Moser, 2000; Moser and Dilling, 2007).

Horizontal governance patterns also include the notion of issue-based governance[3] where often overlapping jurisdictions address key issues separately and in parallel with other decisions on other pieces of the climate change puzzle (Hooghe and Marks, 2003; Gray, 1973). These may include a range of policy issues with significantly earlier and deeper historical foundations than climate change, *e.g.* in the areas of energy efficiency, air pollution or water management, where there may be separate instruments or mechanisms (Corfee-Morlot, 2009). Instruments may include joint powers agreements, separate commissions, regional councils or boards, annexation, metropolitan districts, metropolitan governments, tax-base sharing and redistributive grants, and informal co-operative mechanisms (OECD, 2006; Walker, 1987). Horizontal governance activities thus increasingly also include giving "voice" or influence in the policy dialogue process to business, research and environmental non-governmental organisation.[4] One prominent example of this is the broad evidence of non-governmental actors in a range of activities related to climate policy from the generation of ideas to formulate policy to a "watchdog" role to assess how well policies are performing with respect to the stated goals of policy (Gough and Shackley, 2001; Levy and Newell, 2005; Weiss and Jacobson, 1998).

Local-scale action allows for an interface between experts and local stakeholders to build understanding about how climate change may affect local development choices and how those choices will affect the future climate. However for this to be possible, a number of different pre-conditions must hold: the existence of some autonomy in regional strategic planning as well as the institutionalisation of a dialogue with private (citizens, associations, firms, and other relevant local stakeholders). Through this type of local deliberative exchange, social norms may evolve, for example about how climate protection fits with visions of future development; this can make it possible to garner bipartisan political support for policy reforms and action.

In adaptation local actors should both benefit from and shape adaptation decision making at other levels in order to ensure successful adaptation action. Lessons and experiences with adaptation at the local level must feed into higher levels of decision making to make sure that local strategies remain relevant and appropriate, and provide a basis for transferring knowledge to other sectors and communities. Effective communication channels, institutions that support innovation and experimentation, and meaningful participation from community-level actors are central to achieving this

objective (OECD, 2009e). Inevitably local action on climate change will facilitate identification of specific obstacles to action and enable the design of targeted solutions to overcome these, whether the solutions are grounded in local or higher levels of action.

Key obstacles to the effective design and implementation of policies at local level are varied, ranging from issues of authority to problems of resources and capacity. In particular there may be a lack of devolved authority in many relevant areas from buildings to transport. There may also be political tension between national and local policy priorities and different preferences for change. There may be overall failure to diffuse incentives for change through the market system, with climate change being dealt with in only a narrow way through a sub-set of policies targeting a limited range of actors or investments. This will slow change and limit the cost-effectiveness of climate policy initiatives across levels of government. There will also be a need to consider the legal and regulatory frameworks at the disposal of sub national governments and to examine how these can be aligned to integrate climate change considerations. Last but not least there may be the lack of co-ordination among line ministries taking purely vertical approaches to cross-sectoral policies that can require co-design or implementation at the local level.

Methodology and key questions to structure the analysis

There is therefore a need to consider city-scale action on climate change within a multi-level governance framework and within this to focus on the question of: What is good practice? In particular, the analysis that follows examines general recommendations that could help governments strengthen multi-level governance of climate change. This is examined in four parts (corresponding to the chapters that follow):

i)   How is climate policy playing out across local levels or horizontal levels of governance? Is it working well and if so why?

ii) What are different national-local linkages or vertical governance approaches to deliver GHG mitigation and/or climate adaptation? What are the key institutional models and within these features of "good practice"?

iii) What are the main financial instruments and tools available to local governments to address climate change action and how to these link up to other levels of government?

iv) What are the key tools for good multi-level governance of climate change? Are they in place and effectively functioning to support cost-effective local decision making on climate change? If not, what is needed to ensure that appropriate tools will be put in place?

Overall, it is useful to probe the notion of "good practice". This chapter of the book begins to review and test the usefulness of a number of principles or criteria for good practice that can be broadly drawn from previous OECD work in the fields of environmental and regional/urban development policy respectively, and from the brief literature review included here. These principles include (see also Beck *et al.*, 2009 and Kivimaa and Mickwitz, 2006):

● **Ensure participatory governance and strategic planning at relevant scale:** Does the policy framework stimulate reflection and understanding across a broad cross-section of local stakeholders about how climate change and climate protection and policy will affect the local communities and development and help to shape a way forward to integrate climate protection and resilience into urban development planning? How is citizen engagement and participatory development included in the approach to climate policy design?

- **Provide an analytical foundation for short and long-term planning:** What internal as well as external "know-how" exists on climate change mitigation and adaptation issues and is adequate use made of available resources? Are research efforts relevant to local policy, *i.e.* is it sufficient, tailored to regional or local questions and in an accessible form to support sub-national decision making? Are planning structures in place to incorporate long-term issues raised by climate change research?

- **Deliver cost-effectiveness and economic efficiency:** Will the policy(ies) or planning practice(s) lead to least cost investments to achieve a given climate goal/target? Does the policy mix rely upon an appropriate mix of instruments, including market to guide private investment to least-cost outcomes? To what extent are direct as well as indirect impacts (costs and benefits) of climate change policies as well as both mitigation, adaptation and risks of inaction considered in the design of policies?

- **Encourage experimentation and innovation, particularly at local and regional levels of governance:** How can national governments encourage experimentation and learn from such experience? How can the unique opportunities for local scale innovation be incentivised and monitored to draw lessons either to improve policies in other local context or more broadly diffused through regional or national policy frameworks?

- **Address distributional consequences and procedural equity:** How will the policy(ies) affect the poorest in the targeted community? Does it lead to good access to information and decision making across all segments of the targeted population?

- **Establish a long-term planning horizon:** Climate change action planning is a project that unfolds over the long term. It therefore demands continuous commitment and political vision. How can policies and practices be designed that transcend the political cycle and embody a long-term, future-oriented vision?

- **Deliver policy coherence:** How do we align incentives in a pro-active manner to deliver climate protection and resilience, working both vertically across levels of government, and horizontally across different actors and issues within a given scale of governance. Have the potential contradictions and synergies between the aims related to climate change mitigation and adaptation and other policy goals been assessed? Have there been efforts to minimise contradictions and exploit and expand on synergies? Has there been an effort to integrate climate change action to be compatible with other policy priorities?

- **Conduct monitoring, reporting and evaluation:** Are there clearly-stated evaluation and reporting requirements for climate change mitigation and adaptation policies to allow performance assessment (including deadlines) *ex ante*? To what extent has performance assessment occurred? Have indicators been defined, followed up and used to assess performance?

Some of these principles may be more important and practical to pursue at one scale *versus* another – *e.g.* equity and participatory governance practices may be more meaningful at local scales of decision making than for national policy and decision making. With respect to coherence, a positive outcome will depend upon local contexts and starting points and must be assessed by looking at the balance of outcomes across new actions to address climate change and pre-existing incentives and outcomes in related areas (*e.g.* urban development plans, transport and/or energy policies). Feasibility of any multi-level governance proposal or action is also to some extent going to be determined by whether the new action can be well integrated into existing practices in related areas.
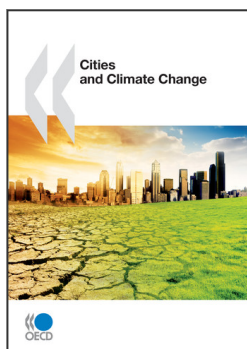
Notes

1. The word "state" here refers to nation-states – not to be confused with sub-national regional or state government authorities. Overall, many have argued that the authority of (nation-)state actors is considerably weaker today than it has been in the past on issues of public concern (Sathaye *et al.*, 2007). These patterns put emphasis on "governance" rather than on "governments" as a centre for social research on global environmental change and decision making.

2. For example, ICLEI's Cities for Climate Protection network has been extensively analysed in the literature (Aall *et al.*, 2007; Betsill and Bulkeley, 2004, 2006; Lindseth, 2004). One of the first networks established, it counts over 680 cities as members from over 30 countries worldwide.

3. An example of issue-based governance is where an institutional structure is in place to govern water resources, or air quality at regional scale covering one or more municipalities.

4. These are also fondly known as BINGOs, RINGOs and ENGOs, representing business and industry, research and environmental non-governmental organisations, respectively.

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