

5. Thematic scenario 'Governance'

Alexandre Dubois (Nordregio)

5.1 Scenario baseline

5.1.1 Present situation and trends

The issues of territorial governance have become a real concern at different levels of government, the EU and the Nation-State not being the least, and have been driven by some key-notions that have found a strong echo in the world of policy-making: subsidiarity, territorial cohesion, effectiveness, transparency... The latest 25 years have therefore witnessed some important changes that are related to the modernisation of the mechanics of governance inside the EU and its member-states.

The European Union in itself is a governance project between countries. In order to have a better insight on the issues of governance inside the EU, it is worth, as a first step, analysing the theoretical framework of EU type of governance. During the 60s and 70s, two main theories were intending to explain the style of policy-making at the EU level. First of all, *neofunctionalism* was based on the belief that even if states were the prime instigators of the EU integration process, other levels, whether sub- or supra-national, will take the process further by ways of 'political spillovers' (Bache, 1998). The competing theory, *Intergovernmentalism*, is focusing on the central role of the state as a point of entry for supra and sub-national authorities, and can be seen as the 'ultimate arbiters of key decisions' (Bache, 1998). The national governments would then serve as guarantors of important domestic policies (Bache, 1998). Those traditional theories have paved the way for more renewed views on the EU style of policy-making, more adapted to the contemporary shape of the EU. *Multi-level governance* and *Liberal Intergovernmentalism* can therefore be described as follow-up of the more traditional theories, respectively Neofunctionalism and Intergovernmentalism.

Before attempting to describe the current situation as regards the theme of territorial governance, it is worth highlighting the important notions that will lead us in our reflection throughout this paper. The first one is the concept of multi-level governance which aims at involving the stakeholders inside each level of authorities (Marks cited in *Böhme et al.*, 2004) on a more equal basis, contrarily to a more hierarchical system. The second notion that will be widely used in this paper is the multi-sectoral approach to policy-making, coordinating sectoral policies in order to optimise their spatial impacts. Finally, a territorial approach to policy-making, where the territory is at the heart of the policies, by integrating both notions of multi-level governance and multi-sectoral approach in order to achieve a strategic vision and integrated policy-making for this territory, has been lately discussed at the highest level of the EU (Informal ministerial meeting, 2004).

As regards the multi-level approach to governance, it is seen as a way to redistribute the responsibilities between the different levels of government, from the EU to the municipalities, following the concept of subsidiarity, by trying to define the most appropriate level of action for a particular issue. But this later concept can be also understood as a way to improve the horizontal type of coordination, that is to say between organizations at the same level, one of the most obvious example being the European Union, fostering

cooperation and policy coordination between its member-states. In most of the EU countries, the national level has been the most important level of authority, which is due to the tight link between the building of democracy and the concept of Nation-State (Loughlin, 2001). Inside each country, the repartition of the responsibilities for policy-making depends on the structure of the state itself (federal, regionalized, decentralised, centralised). In this pattern, the region is often perceived as the 'weak' point (Jönsson *et al.*, 2000) and it is then not surprising that most of the radical changes that occurred in the latest 25 years concerned this particular level. Indeed, the process of political regionalisation that is underway in many European countries has enabled to put the region in a more central position in the political and institutional system. This process can be described as heterogeneous and asymmetric even inside the different member-states, as sometimes regions have different degrees of autonomy and related competences, like in Italy or Spain. This process is also in accordance with the vision of a 'Europe of the Regions', putting the emphasis on the Europeanization of the sub-national levels. Moreover, the way regions operate is different from the one of Nation-State, and can therefore be perceived as a 'principle of organisation in civil society' (Keating in Le Gales, 1998), differing in the sense that they often offer other approaches to management, such as partnerships. At the local administrative level, the delegation of powers from the state, associated with a stronger involvement of market forces (especially via taxes), has enabled the authorities, in some countries, to be more involved in the conception and implementation of its policies (Nicholls, 2005).

But the process of regionalisation goes beyond the bare political process of decentralisation or regionalisation. Indeed, it also refers to the increasing cooperation between the regions, often on a trans-national basis. This horizontal type of coordination is targeting a better economic integration of the territories, which could be linked to the 'functional synergies' addressed in the ESDP (Jönsson *et al.*, 2000). This first type of cross-border cooperation was the creation of the Euregio, a Dutch-German initiative, and now the number of trans-border cooperation has increased dramatically in the latest 25 years, counting with more than 70 Euro-Regions (Perkmann, 2003). This type of initiatives has enabled a better functional integration of the regions and helped the sub-national authorities to foster a more pro-active approach for the development of the territory. Such incentives for cooperation beyond the bare administrative limits exist also at the local level. Indeed, some countries have enabled such inter-municipal co-operations. Such partnerships enable the municipalities to express a common vision for their territory. Those territories are often culturally, economically and functionally connected, and thus forming a coherent territory for efficient policy-making. However, the extent of cooperation is often limited to a restricted number of policy sectors, such as environment or transport.

In the 29 countries under scrutiny in this paper, there are large differences as regards the use of sectoral or territorial approach to policy-making. The sectoral approach is commonly used at the EU and national levels. This approach was historically implemented in order to 'tackle a specific sectoral issue' (Discussion paper, 2004). The recognition of territorial specificities throughout Europe has put the emphasis on the need for a more tailor-made approach. As regards this theme, the ESPON 2.3.2 project gives us an interesting analysis of the main component of the couple sectoral/territorial aspects of governance: degree and forms of coordination of sectoral policies, use of policy packages, use of territorial plans...

The ESPON 2.3.2 concludes that several EU countries have sectoral policies or currently elaborate such policies. However, there are relatively few examples of mechanisms or processes to integrate sectoral policies and examine the spatial implications, whether at the conception or implementation phases. The problem of non-coordination of sectoral policies has been emphasised in some recent studies (Robert, 2001), as different sectoral policies can have contrary spatial impacts. The use of policy packages as a mechanism of integration of sectoral policies is one of the solutions found in some EU countries in order to

minimize those contrary effects (ESPON 2.3.2). Cooperation between agencies, departments and authorities also plays a considerable role in the setting up of an environment favouring sectoral coordination. It seems that most of the former EU15 countries have developed mechanisms for inter-sectoral coordination (ESPON 2.3.2).

Finally, the need for more tailor-made solutions, especially as regards spatial planning policies, can be perceived via the use of territorial plans in the different countries studied. Those plans, whether they are legally binding or not, enable to create a strategic vision for the development of the territory. The ESPON 2.3.2 project has given an overview of the range of such plans at different scale of territories, from national to municipal. Those plans can be perceived as the framework enabling to coordinate actors and policies for the purpose of territorial development.

5.1.2 Existing relevant EU policies

The way EU policies are conceived and implemented has been thoroughly debated in the latest years, one of the most interesting outcomes being the 'White paper on European Governance'. As regards EU policies and the issues of territorial governance, the discussion can be divided in two main parts: first of all, an overview of the nature of the EU policies themselves is needed; then a closer look at the EU Regional Policy will give us a better hint on the role of the policy in the context of regional and local development.

EU policies can have various impacts in the different member states. This feature is mainly due to the various national patterns of policy-making, which have different traditions in involving State/Public actors and Societal actors in the process (Schmidt, 2005). Four such categories can be identified: *corporatist* (Germany), *clientelist* (Italy), *statist* (UK, France) and *pluralist* (Schmidt, 2005). The EU style of policy-making, often described as pluralist, can thus lead to either disruption or continuity with the national style of policy-making (Schmidt, 2005). Moreover, the willingness (or reluctance) of the countries to adapt to EU policy-making is also an important variable. However, the impacts that EU policies can have on the national systems is also very dependent on the policy sector itself, as some of them have traditionally different ways of including the public and societal actors in the policy process.

In the EU policy-making context, there is no policy that is directly dealing with the issues of territorial governance. In fact, it is the whole nature of the EU policies that can give us a better idea on the manner the different issues are dealt with, at which level of authority, between which actors, at which scale... EU policies have been designed from the beginning as sectoral policies, reflecting much the national way of policy-making. The array of policy sectors is broad, the Common Agriculture Policy and the Transport Policy belonging to the most emblematic ones. The purpose was to draw a strategic plan over the European territory in order to improve the situation on the selected issue. This sectoral policy-making has had some good results, but the debate is currently growing on the need of better integration and coordination of sectoral policies between them, using a multi-sectoral approach. This issue is particularly highlighted when dealing with the environment, which needs to be closely coordinated with transport and energy policies in order to be more efficient and prevent opposite impacts to occur. Studies on the cost of non-coordination raised the attention on this need for a renewed approach (Robert, 2001). During the informal meeting in November 2004, it was agreed by the Member-States to put the emphasis on a multi-sectoral approach to policy-making, taking into account the diversity of resources and the particular needs of each territory (Discussion paper, 2004).

Although most of the EU sectoral policies have territorial impacts, only the Regional Policy can be considered as a territorial policy (Robert, 2001). The policy was first designed in order to reduce the disparities between the different regions in the EU. The main purpose is

to develop the tangible (physical infrastructure, urban regeneration...) and intangible (business development, human resources...) structures of the territories by taking into account their geographical and socio-economic pre-conditions and specificities. This policy has fostered projects aiming at a better cohesion of the European territory by targeting the territories and their specific needs, one of the main levers being the Structural and Cohesion Funds. The ESPON 2.2.1 project has shown that those funds have had contrasted results, as their effects are often difficult to distinguish from other policies'. One of the main concerns is the lack of coordination between the EU and the national regional policies, which can have different priorities and thus mixed effects. However, it has been shown that the EU Regional Policy has had a strong impact in improving the governance system in the targeted regions, by fostering innovative and tailor-made types of governance (Bache, 1998). Indeed, the introduction of partnership as a main principle is often considered as one of the main improvements realised by the EU regional policy (Bache, 1998). Partnership is intending to improve the participation of the stakeholders in the policy-making process. Public-Private Partnerships are for instance increasingly used at the regional or local level in order to build the widest coalition of interests possible (public authorities, private actors, NGOs), the aim being that the broader the coalition the better the 'common interest' is defined. In fact, the intention is to have a more decentralised and collective approach to regional policy (Bachtler and Turok, 1997), by shifting from the more directive and hierarchical approach by the national governments. The EU Regional Policy has had strong impact on the modernisation of the institutional structures in some countries (Ireland for example), by creating a regional layer of authority that did not exist before. Although its direct impacts are difficult to assess (Bachtler and Turok, 1997; ESPON 232), it has had some effects on the governance systems at the sub-national levels by developing horizontal (between regions or municipalities, and involving other actors and stakeholders) and vertical (with higher and lower layers of authority) coordination when dealing with policy-making and implementation.

The Open Method of Coordination (OMC) has been developed as a new tool improving the policy-making process in some selected sectoral policies, such as, for instance, European Employment Strategy, social inclusion or education (Zeitlin, 2002). However, the OMC is not an already-made package, but it should be seen as a framework for co-operation, and is thus taking different forms in the different policy sectors (Radaelli, 2003). The OMC is based around the exchange of 'best practice' as well as mutual feedbacks, trans-national comparison and policy adjustment of the policies of the different member states (Zeitlin, 2002). Participation of the widest possible actors is a fundamental feature in the process of the OMC (Radaelli, 2003). However, the evaluation of the OMC as a policy-making process has raised some important bias. First of all, if actors from different levels were often involved, they were seldom reaching out to others than the traditional types of actors (Unions...) (Zeitlin, 2002). Then, the involvement of regional or local actors was somehow limited (Radaelli, 2003) and came at a later stage in the process, mostly the implementation one, and they were therefore seldom involved in the conception or monitoring phases (Zeitlin, 2002), mainly centralised at the national level.

To conclude, the challenges for the EU policies can be considered as twofold. First of all, the cohesion of sectoral policies should be emphasised in order to optimize the EU financial resources and to minimize the possible opposite impacts. On the other hand, the EU Regional Policy enables to give a more territorial dimension to the EU policies, that is to say targeted to the specific local needs, and to deal with the regional governance issues.

5.1.3 Most important driving forces

The review of the past and current trends concerning territorial governance has led us to identify its most important driving forces.

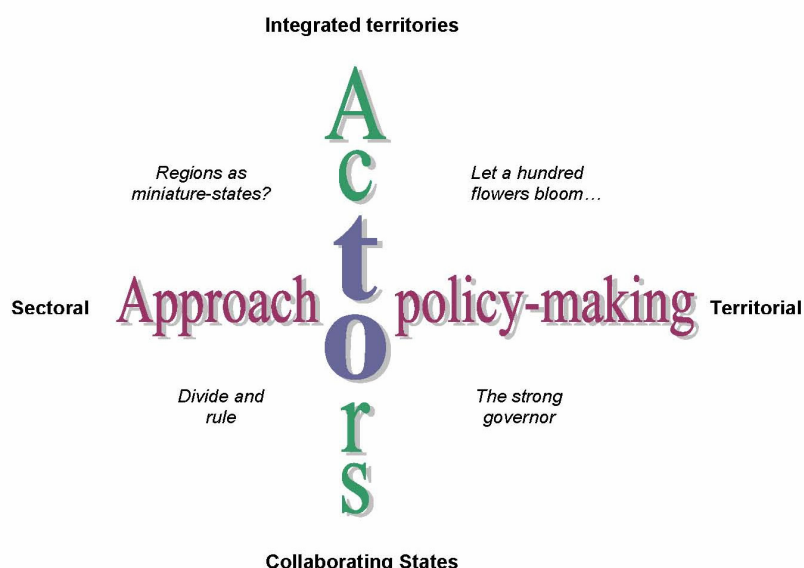
- ✓ New roles for supra- and sub-national levels in the policy-making process
- ✓ Partnership as a 'new deal' in governance, involving public, private and NGOs stakeholders
- ✓ New tools for governance (OMC) intending to make the coordination of sectoral policies between the member states more efficient
- ✓ Need for policy-making based on territories instead of sectors in order to optimize the territorial impacts of the policies
- ✓ Importance of the EU Regional Policy in developing new tools for governance for the regional and local levels
- ✓ Political and functional spillover effects, especially to regional level

It is therefore possible to regroup those different driving forces in two main categories.

First of all, territorial governance is dependent on the **actors** that are involved, and especially the way they collaborate. With actors, it is intended the array and degree of involvement of the actors, as well as their possibilities to influence (to a more or lesser degree) the policy-making process.

Second, the issues of territorial governance are also largely influenced by the **policy approach** itself. As identified in the previous part, this focus is mainly twofold: sectoral or territorial.

5.1.4 Identification of the scenarios hypotheses



The synthesis of the analysis on the main driving forces in the field of governance inside the EU has led to their grouping into two categories: the actors involved in the policy-making process, including their ability to influence the process, and the approach to policy-making chosen. Those two categories are therefore defining the two main axes upon which our scenarios will be built. As shown in the diagram here above, the two possible directions for the development of each axis define a quadrant with four possible scenarios.

Actors axis:

- ✓ *Integrated territories*: the actors involved in the decision-making process are spread over different levels (supra-national, national, Subnational). Even if not evenly shared, each actor has a real ability to influence the decision-making process, whether at the conception or the implementation phase.
- ✓ *Collaborating States*: the main actors of the decision-making process are situated at the national level (national governments, agencies). The State is mobilizing the other actors in the decision-making process, but with little degree of influence on it. Subnational levels are mainly involved at the implementation stage.

Approach to policy-making axis:

- ✓ *Sectoral*: the use of sectoral policies is still widely used in the policy-making process in order to 'tackle' some specific issues of high European interests.
- ✓ *Territorial*: the territories are the focus of the policy-making process. The main goal is to optimize the effects of the policy sectors on each territory by using a tailor-made approach.

In order to propose two distinct pictures of territorial governance in Europe, two scenarios will be further developed: *Let a hundred flowers bloom...* (*Integrated territories + Territorial approach*) and *Divide and Rule* (*Collaborating States + Sectoral approach*).

5.1.5 Bibliography

This text is a compilation of past studies concerning the process of regionalisation in Europe, most of them published by the European Union entities.

Assembly of European Regions (1998) *Le progrès du régionalisme en Europe*, Second Edition, December 1998

Bache, I. (1998) *The politics of European Union Regional Policy – Multi-level governance or flexible gatekeeping?* Sheffield Academic Press, Sheffield, England

Bachtler, J., and Turok, I., (1997) *The coherence of EU Regional Policy* Jessica Kingsley Publishers

Böhme, K., Richardson, T., Dabinett, G. & Jensen, O. B. (2004) *Values in a vacuum? Towards an Integrated Multi-level Analysis of the Governance of European Space*, European Planning Studies, Vol.12, No.8, December 2004

Commission of the European Communities (2001) *European Governance – A white paper*, Brussels, 25 July 2001

Council of Europe (1998) *Regionalisation and its effects on local self-government*, January 1998

ESPON 1.1.1. – *Potentials for polycentric development in Europe – Annex report C: Governing polycentrism*, August 2004, www.espon.lu

- ESPON 2.2.1. – The territorial impacts of the Structural Funds – Final report
- ESPON 2.2.2 *Country reports (Poland, Slovakia, Czech Republic)*
- ESPON 2.3.2. – Governance of territorial and urban policies from EU to local level – Second Interim Report
- European Parliament (2000) *Regionalisation in Europe*, April 2000
- European Union Commission (2001) *Multi-level governance: linking and networking the various regional and local levels*, May 2001
- European Union Commission (2001) *White paper on governance - Networking people for a good governance in Europe*, May 2001
- Exploiting Europe's territorial diversity for sustainable economic growth – Discussion paper for the EU informal ministerial meeting on territorial cohesion*, Rotterdam, November 29, 2004
- Jönsson, C., Tägil, S. And Törnqvist, G., (2000) *Organizing European Space* SAGE Publications
- Kohler-Koch, B., & Eising, R., (1999) *The transformation of governance in the European Union* Routledge/ECPR Studies in European Political Science, London
- Le Galès, P. & Lequesne, C., (1998) *Regions in Europe*, Routledge Editions, London
- Loughlin, J. (2001) *Subnational democracy in the European Union – Challenges and opportunities*, Oxford University Press
- Nicholls, W. J., (2005) *Power and governance: Metropolitan governance in France* Urban Studies, Vol. 42, No. 4, April 2005
- Perkmann, M. (2003) *Cross-border regions in Europe* European Urban and Regional Studies 10 (2) pp 153-171
- Radaelli, C.M. (2003) *The open method of coordination: A new governance architecture for the European Union?* Report 2003:1 for SIEPS (Swedish Institute for European Policy Studies), Stockholm, Sweden
- Robert J. (co-ordinator) -Stumm T. - De Vet J.M. -Reincke C.J. - Hollanders M. -Figueiredo M.A., *Spatial impacts of Community Policies and costs of non-co-ordination*, DG Regional Policy EC, 2001
- Schmidt, V. A. (2005) *Theorizing democracy in Europe: The impact of the EU on National and Sectoral policy-making processes* Paper prepared for delivery to the Biannual Meetings of the European Union Studies Association, Austin TX, March 31 - -April 3, 2005
- Series of studies from the Committee of the Regions Devolution in the Member States of the European Union, http://www.cor.eu.int/en/documents/progress_democracy.htm
- Zeitlin, J. (2002) *Opening the Open Method of Coordination* Presentation prepared for the Committee of the Regions Conference on 'The Open Method of Coordination: Improving European Governance?', Brussels, 30 September – 1 October 2002

5.2 Thematic prospective scenarios

5.2.1 Scenario 1: Let a hundred flowers bloom...

5.2.1.1 Scenario hypothesis

The first hypothesis in this scenario relates to the Actors' category. The notion of multi-level governance, which was backed by the member states, emphasises the EU as integrated and collaborating territories. Actors at different levels (supranational, national, subnational) as well as from different 'niches' (public, private, NGOs) are participating actively to the policy-making process. Moreover, the shift in focus from sectoral to territorial policy-making is acknowledging that the great diversity of territorial preconditions and potentials inside the union implies specific and more tailor-made approaches.

5.2.1.2 Scenario process

After 2005, the need for new ways of dealing with policies was getting stronger in the EU. On the actors' side, and in line with the recommendations made in the *White paper on governance*, there has been a widening of the array of authority levels represented in the policy-making process, reaching out to supranational and subnational (regions, municipalities) actors. This move towards multi-level governance gave a new impulse to the legitimacy of the decision-making process, which was felt as too technocratic. The responsibility and accountability within the process was shared across the different levels involved, even if not always equally. In fact, the stronger involvement of the supra and subnational levels was the result of both a conscious and unconscious choice of the member states. On the one hand, the states clearly realised that, in order to implement the huge challenge that the Gothenburg and Lisbon strategies represent, they would need the strongest coalition of actors possible, and also by this way, limiting their direct responsibility in case of failure. But on the other hand, it was also the result from a 'snowball effect', the integration of supra- and subnational actors at some specific moment of the policy-making process, mainly the implementation phase, led to an even greater integration, and by this way benefiting from their deep knowledge of local issues. The involvement of other actors was thus enlarged to the conception and monitoring phases, and not anymore restricted to the implementation one. The role of the state was shifting to the one of a guarantor of the institutional framework within which collaboration takes place.

The multi-level governance approach, first initiated in some parts of the EU around 2000, thus became a guiding principle for policy-making though the 'sectoralisation' of policy remained. The different territorial entities (local, regional, national and EU) agreed initially to coordinate their actions and policies on a selected panel of sectoral policies, subsequently extending it across all sectoral policies. The clearer definition of each level's responsibilities engendered by these new arrangements provided a major fillip to the process more generally having results far beyond original expectations.

The implementation of multi-level governance was especially successful in the Central and Eastern European Countries (CEEC). There, the young institutional framework was more flexible to the use of new innovative tools for governance than in the former EU15 countries. Moreover, the remembrance of the former authoritarian communist regimes

pushed towards a weaker central government and a greater involvement of the other subnational authorities. Finally, CEEC were keener to cooperate with EU institutions in order to quickly catch up with the older member states.

The involvement of subnational actors, as described here above, has enhanced the trend towards a greater delegation of powers to the constitutional regions, and local authorities, as started in some countries in the 1980s. The two main characteristics of this decentralisation occurred in two successive phases. First of all, there was a widening of the institutional leverages delegated to the regions, shaping a renewed institutional framework. Second, the decentralisation of the financial management systems by 2015 gave the regions the means to be fully operational partners. Moreover, this two-step process fostered the development of an innovative regional style of governance. The partnership method, introduced within the framework of the EU Regional Policy during the 1990s, was commonly used as a governance tool by the regions by 2015. As stated before, the lack of financial means in the beginning of the decentralisation process pushed the constitutional regions to involve other regional actors, and thus pooling their resources. The most widespread type of partnership was the Public-Private Partnership (PPP). By involving private actors as well as other relevant stakeholders (NGOs, associations...), the public authorities had the ability to better define their actions and to inject innovative solutions for better policy-making. Moreover, they could rely on the financial and human resources of the private sector as complementary to theirs. Horizontal co-operation (Region-Region, Municipality-Municipality) inside the member states improved the coherence and efficiency of the policies with strong territorial impacts.

Thanks to the use of Public-Private Partnership, the provision of public services was substantially improved and was both more efficient and more financially sustainable. However, this renewed flexibility in public services was realised at the expense of equality. Indeed, the most remote and sparsely populated areas were barely reached out. Overall, the greater involvement of private actors in the policy-making process provided with greater flexibility and diversity in the offer of basic services to persons.

The greater integration of the European territories was also largely due to the intensification of cross-border relations between subnational levels. The stronger political role played by the Regions, as well as the territorial approach to policy-making, fostered trans-national regional co-operation throughout Europe. Having both the ability to draw up comprehensive regional plans and the means to implement them gave the subnational levels (Regions, local authorities) the opportunity to collaborate with other subnational levels, both within and across national borders. Indeed, in some areas, it quickly became obvious that the territorial approach would not be optimal unless it was drawn up on a cross-border basis. The success of co-operation programmes such as Interreg was praised and paved the way for deeper policy co-operation between territories, mainly through increased EU Fundings after 2010, and became a strong driving force towards integrated territories in Europe. Significant results were thus made in terms of cross-border co-operation, especially by the shaping of functional cross-border regions, with common labour markets and provision of public services). The area lying at the border of the former EU15 and CEEC became highly dynamic in the field of cross-border co-operation. The intensification of exchanges fostered the development of large functionally integrated cross-border areas, backed by adjusted labour market policies in those territories.

In the continuation of the work that came after the publication of the White Paper on European Governance, the debate on the territorial approach to policy-making increased in both volume and importance, involving the different layers of government in Europe: i.e. not only the EU and the member-states, but also the regions and municipalities were becoming increasingly interested in the policy-making process, essentially based on the specificity of each territory. The process of actually implementing a territorial system of governance was of course to take a considerable amount of time however, as the different actors did not always agree on how to actually implement this strategy on the ground, but it

became widely spread over the EU territory after 2015.

The use of the Open Method of Coordination (OMC) to territorial development issues, instead of the bare sectoral ones, was one of the responses suggested and enabled a renewed sharing of 'best practice'. This led to some adjustments in policies on a cross-border basis, in order to foster the functional integration of the territories, instead of adjusting the whole national systems, which would have taken much more time due to higher degree of bureaucratic inertia. This strategy was particularly successful as regards labour markets policies, combining mainly employment and education policies. The 'tailor-made' adjustments were designed to improve the cross-border spillovers. The use of OMC was therefore an important pillar in the design of tailor-made territorial policies. It was one of the first steps from a sectoral to a territorial approach to policy-making.

In the field of policies, this transition from sectoral to territorial approach led, by 2015, to the development of intermediary policy packages. It was evident to all that an integrated strategy was needed. Thus, the first step here was confirmed and implemented in the framework not of sectoral policies but of thematic strategies. For instance, the transport, energy, agriculture and environment sectors were grouped into a wider 'ecology' theme; Public health, education and training, civil protection and social affairs were grouped under a 'society' theme; Information society, industry, commerce and competition were grouped under an 'economy' theme. The sectoral regrouping process was difficult, and often subject to controversy, but ultimately it was seen as a further important step towards achieving a workable form of territorial governance.

By 2030, the strategy of multi-level governance associated with a territorial approach to policy-making was felt to be successful in enabling a more sustainable path for the development of the various 'territorial capital' that existed throughout Europe. Moreover, cross-border co-operation, which was essentially a top-down process just after 2005, became a natural way for territories to approach the complexity of policy-making and became a widespread tool for territorial management at the subnational levels, achieved on a federative basis.

5.2.1.3 Territorial impacts of the scenario

At the *macro* level, functional integration of cross-border regions has enabled polycentric development, as displayed by the rising number of Mega-Regions and Global Economic Integration Zones increased, moderately in the Pentagon, but significantly in the more peripheral areas of the European territory. The Mega-Regions are composed of a network of regional capitals. Europe has thus become more polycentric in its structure and more balanced as regards economic development. The networks of infrastructure between the Mega-Regions have been considerably improved, boosting the accessibility of regional capitals from a wider European perspective. The overall competitiveness of the EU has increased, as the regions are more able to exploit their comparative advantage and to adapt to new economic challenges. Competition between Mega-Regions and Global Economic Integration Zones is greater. However, the differences in terms of GDP per capita between the leading regions and the lagging ones is greater, which threatens the territorial cohesion of the European territory.

At the *meso* level, trans-national co-operation between regions has also been fostered. In those co-operation areas, the Regions have developed a joint territorial approach to the development of the area. This was made possible by the emphasis on new tools for territorial governance in most of the member-states. New infrastructure networks have been built inside these areas, making the regional capital cities less reliant on their national capitals for access to other markets. This phenomenon can be particularly witnessed when

looking at the extent of the development of Polycentric Integrated Areas (PIA). The development of strong physical networks does however raise questions over their impact on the environment, as well as over their potential side effects on the preservation of the natural and cultural landscape.

At the *micro* level, the settlement pattern initially concentrated around the most important of medium-sized towns. The main effect was thus urban sprawl around these cities and the extension the commuting distances. The regions can thus be seen to be developing in a monocentric fashion, with a strong regional capital, while rural areas are thus becoming increasingly seen as basically recreational, given the increasing need for leisure activities in the main regional cities. In the territorial governance approach developed by most Regions, the rural areas develop their comparative advantage by specialising in agriculture, tourism and leisure activities.

In this scenario the most favoured regions are:

- ✓ Near-border and nationally peripheral regions as they are thoroughly exploiting the advantages of Cross-border co-operation
- ✓ Regions that have been devolved key competences, such as spatial planning and regional development, enabling them to create complete and integrated regional plans
- ✓ Regional capitals as the newly devolved political responsibilities have increased their importance on the national scale, as well as their legitimacy on their regional hinterland.

5.2.1.4 Final image of the territory

In this scenario, the final image of the European territory could be seen as reflecting the idea of 'the bunch of grapes.' The emphasis on territorial governance, coupled with a stronger political role for the regions, fostered a Europe made up of 'islands' of co-operation, i.e. the Mega-Regions, shaping a more balanced overall European territory. Another interesting feature in this final image of the European territory is the growing disparities because strong and weak regions. Indeed, strong regions have a greater capability for co-operation, especially between themselves, but also with their directly neighbouring regions, and thus create more synergies by being part of wider transnational cooperation networks, while weaker regions are partly left out of those networks.

5.2.2 Scenario 2: Divide and Rule

5.2.2.1 Scenario hypothesis

In this scenario, the actors' side is mainly dominated by the national level of authority, both governments and agencies. Instead of delegating powers to the subnational actors, as in scenario 1, the states are mobilizing them in the later stages of the policy-making process, restricting their ability to influence the formation of policies, and binding them to a barely advisory role. The focus on sectoral policies as a main leverage for implementing policies is also reinforced. The context of strong international competition forces the member states to take drastic measures in order to tackle some specific issues (improvement of transport networks, energy crisis...).

5.2.2.2 Scenario process

After 2005, the member states decided that if the Lisbon (competitiveness) and Gothenburg (sustainable development) strategies were to be met, they would have to act as strong and efficient leaders for their respective countries. The style of governance for the EU was then moving towards a forum of collaborating countries than a deeply policy integrated territories. The member states as thus reinforcing their position as the central actor in the policy-making process, dedicated to the development of the domestic agenda. The mobilisation of subnational actors in the policy-making process has improved, but their ability to influence it is limited, and their role restricted to the one of advisors.

The fear of a spreading of powers between a multitude of actors, which would have resulted in a worsening of the public policies' efficiency, was one of the defining driving force for the re-centralisation to the national level, whether governments or sectoral agencies. Moreover, too many actors would have confused the citizens on who is responsible for what, reducing the democratic accountability of the policy-making process. The retention of financial means at the national level emphasized this limited role. However, the member states advocates the need for stronger co-operation with the other domestic public authorities (Constitutional regions, municipalities), but in a contractual form, following the pattern of the French '*Contrat Etat-Region*', less flexible than other forms of management, like partnership for instance.

In order to deflect the lack of the financial means, the local authorities focussed on attracting businesses on their territory to increase their fiscal revenues. The fierce competition led to enhanced larger economic disparities at the local level between 'winners' and 'losers', due to the high pace of business relocation. The most attractive municipalities were those situated along the major road networks, by this way having a better accessibility to regional and national markets. The main consequences are, on the 'winners' side, a higher pressure on the real estate and land-use regulations (often softened in order to attract firms more easily), and, on the 'losers' side, a higher number of disused industrial areas to be decommissioned as well as a rise in local unemployment rate. The rigidity of the national Employment and Education policies, and despite the use of the OMC for these policies, prevented from having a tailor-made response to those local problems. Disparities at the local level were therefore higher after 2015 than they were in 2005.

For some of the societal actors, such as banking interests or major sectoral trade unions, the refocus on the national level was seen as a positive development and an opportunity to

regain importance on the domestic agenda. Indeed, they felt that the state was the only actor that had the real potential to influence the policy-making process on an international scale and to lobby for the domestic interests. Consequently, by 2015, many of those societal actors had closed their offices in Brussels.

After the overall shrinking of the EU budget in 2005, the impacts of EU policies were substantially reduced throughout the European territory. The most affected policy was the Regional Policy, the only policy that was fostering approach to policy-making. The increase in the number of recipient regions after the 2004 enlargement, widely spreading out the funds in far too many regions, was also perceived as a limiting factor for the efficiency of the policy. The further enlargements after 2015 emphasized this trend. Trans-national programmes, such as Interreg, despite some positive outcomes, have not been reconducted after 2013, which limited the exchange of 'best practice' on a cross-border basis.

The emphasis on sectoral policies was sustained. The use of the Open Method of Coordination was only developed on selected sectors with no strategic domestic specificity for the member states. Moreover, the OMC is barely reaching out to public actors at the subnational levels, serving more as a way for the national authorities of controlling the extent and pace of the policy adjustments. The growing emphasis on sectoral policies increased the negative spatial side effects, as the lack of coordination prevented from synergizing the spatial impacts of the various sectoral policies. For instance, if the strong focus on the development of new road infrastructure has enabled to make peripheral areas more accessible, it has been at the expense of some local communities, and with, often non-reversible, environmental impacts.

5.2.2.3 Territorial impacts of the scenario

At the *macro* level, the emphasis on the role of the national governments as lead actors in the policy-making process has fostered the expansion of the national capital cities, which continued to act as the main gateways for the rest of the country. The economic position of the capital cities of the peripheral countries of Europe however has also been strengthened, but overall these areas continue to be faced with serious accessibility problems. The most remote areas are still poorly connected to the wider European networks while their economic development remains effectively decoupled from that of the capital cities. The strong focus on the transport policy as the most important sectoral policy has also improved the position of the capital cities in the CEE Countries, as the road network was mainly expanded eastward..

At the *meso* level, the capital regions remain at the core of the economic system as well as of the infrastructure networks. The transport network is star-shaped and centred on the capital region. The other larger national cities have good connections to the capital, but poor connections with each other. The urban system within countries is typically hierarchical. The regions along the national corridors are favoured. Regional divides are also getting wider at the *meso* level. The rigidity of national policies prevents the development of economically strong Mega-Regions in cross-border regions outside the Pentagon.

At the *micro* level, the strong competition between small and medium-sized cities to attract businesses prevented the creation of fully operative city-networks. Moreover, it seems that the development of the main cities has to some extent been decoupled from the development of their hinterlands, which results in a strong urban-rural divide at the micro scale.

In this scenario, the most favoured regions are:

- ✓ Capital cities as the State is still the cornerstone of the policy-making system
- ✓ Cities and regions along the main European and national axes of transport, as the focus on sectoral approach has given new emphasis to the development of transport corridors.
- ✓ Municipalities in countries with a strong municipal level, enabling them to compete

As such, this scenario is reinforcing the predominant position of the national capitals of the Pentagone, because it is strengthening their central position.

5.2.2.4 Final image of the territory

The European territory is poorly integrated. Strong connections and exchanges exist between the capital cities, particularly in the European Pentagon, while at the local level co-operation between small and medium sized municipalities has had some success in tackling difficult sectoral issues. Nevertheless, in terms of these networks, an obvious lack of integration to the closest regional FUAs remains an issue to be tackled. Moreover, disparities between the development of the capital cities and the more peripheral areas are increasing, while the emphasis remains on significant infrastructural investment, threatening the environmental equilibrium of the regions crossed by the transport corridors. Finally, a major concern in this final image is the inconsistencies and discrepancies that are resulting from the lack of coordination of the different sectoral policies, as for instance, the lack of synergies, the sub-optimal allocation of resources as well as the negative impacts caused by the counteracting public sectoral policies. This general lack of coordination greatly contributes to a weakened territorial cohesion of Europe.