

SERVICES OF GENERAL INTEREST: POLICY CHALLENGES AND POLICY OPTIONS¹

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Abstract: Services of general interest (SGI) are a key element in European society and their role is critical as drivers of the economy, and in securing societal cohesion, thereby delivering quality of life for all citizens. The prime focus of this paper is upon the means by which policies to support the appropriate provision of SGI throughout Europe are devised. A framework of policy design principles is presented in which the dynamic of policy formulation is explored in relation to questions concerning multi-scalar governance, and the nature of top-down and bottom-up engagement between levels of governance in the policy formation process. Further analysis is provided in discussion concerning the substantive issues to which policy design must respond, including the challenges of global and regional drivers of change, such as the economic crisis and climate change; as well as the appropriate nature of collaboration between levels of governance; the necessary compromise to be sought between rebalancing the European territory at the macro level and essential investment in economic recovery; and finally the challenges arising in relation to sectoral policy integration in a territorial place-based context.

Keywords: services of general interest, policy design principles, multi-scalar governance, top-down and bottom-up engagement, place-based policy making.

INTRODUCTION

The prime objective of this paper is to consider some of the issues and challenges surrounding the specification and construction of policies supporting the delivery of services of general interest (SGI) throughout Europe. Prime consideration is given to the conceptual framework of policy design, in which a rich mix of policy principle and ideological conviction is articulated in the framework

¹ This paper is part of the applied research project *Indicators and Perspectives for Services of General Interest in Territorial Cohesion and Development* (SeGI), led by the Royal Institute of Technology (KTH), Sweden. It has been financed by the ESPON 2013 Programme and this financial support is gratefully acknowledged. Texts, maps and conclusions stemming from research projects under the ESPON programme presented in this report do not necessarily reflect the opinion of the ESPON Monitoring Committee. © ESPON, 2013.

of multi-scalar governance to support policy formulation. The work of Servillo (Servillo 2010) in defining a conceptual framework shaping cohesion policy provides both the reference framework and point of departure for the analysis in this paper of the experience of the SeGI project (ESPO Applied Research 2011-13) in addressing the development of policy options for SGI. In this context, the internal dynamic of top-down and bottom-up processes of policy formation is examined in relation to various challenges, including complexities of collaboration, compromise and coordination, played out against a headwind of evolving socio-economic dynamic. The following questions are posed in order to frame the analysis and highlight some key concerns:

- How can different levels of governance from a top-down and bottom-up perspective effectively collaborate to secure policy integration in defining SGI policy and supporting practical policy implementation?
- What is the appropriate balance to be struck between rebalancing the European territory at the macro level, compared with essential investment in economic recovery? What is the impact on SGI?
- To what extent does the ideologically defined spatial concept of polycentricity support or subdue effective policy provisions for SGI and their implementation?

Before all of this, however, consideration is given to certain key dimensions of SGI, including the various definitions of SGI, as well mechanisms for their provision and maintenance, as an introduction to the specification of policy options supporting the provision of SGI.

KEY DIMENSIONS OF SGI – DEFINITIONS

The concept of SGI itself is not defined in the Lisbon Treaty but is commonly derived from the term “Service of general economic interest” (SGEI). The Commission Green Paper on Services of General Interest identifies the difference between SGEI and SGI, as SGI covers also non-economic sectors that are services classed by the authorities as subject to public service obligations. (CEC, 2003). Services of general economic interest can be found in Articles 16 and 86 (2) of the Lisbon Treaty. A distinction can also be made between investment-based services, like the physical infrastructure for transport and water etc, as well as network services like telecommunications and postal services, and on the other hand consumption based services, including labour market services, education and health care, etc.

The Green Paper identifies three categories of SGI (including SGEI) according to “the need and intensity of Community action and the role of the Member States” (CEC, 2003) as follows:

- *Services of general economic interest (SGEI) provided by large network industries*, e.g. telecommunications/ICT, postal services, electricity, gas, transport;
- *Other services of general economic interest*, e.g. waste management, water supply, public service broadcasting;
- *Non-economic services and services without effect on trade*, a very heterogeneous range of services, not or to a lesser degree subject to specific Community rules, competition and State aid rules, etc.

Although Social Services of General Interest (SSGI) are not included in this categorisation, consideration is given to such services in a later Commission Communication (CEC2007). Overall, two main practical groups of SGI can be identified: SGEI and SSGI (Bjørnsen et al. 2013)

KEY DIMENSIONS OF SGI –PROVISION

As is evident from the above, SGI are a key element in European society and their role is important for the quality of life for all citizens. They are drivers of the economy and they influence the production of goods and services, but in a market driven economy, questions of general supply in all geographical locations become an important issue, as profitability, essential to ensure supply, may be low or insufficient in unfavourable and/or sparsely populated areas. Answers to these and associated questions are critical as they influence the efficiency and quality of the services provided, and are essential for Europe's competitiveness and social cohesion.

In the Treaty of Amsterdam, the importance of SGI is acknowledged and the Treaty assigns the responsibility for their functioning to the Community and the Member States - "each within their respective powers". (CEC2003).

In Article 16 of the Treaty, the responsibility is divided between the EU and the Member States to ensure the creation of appropriate policies to secure the provision of SGI. *"Without prejudice to Articles 73, 86 and 87, and given the place occupied by services of general economic interest in the shared values of the Union as well as their role in promoting social and territorial cohesion, the Community and the Member States, each within their respective powers and within the scope of application of this Treaty, shall take care that such services operate on the basis of principles and conditions which enable them to fulfill their missions."* (Article 16, Treaty of Lisbon).

Nonetheless, it is primarily for the competent national, regional and local authorities to define, organise, finance and monitor SGI. Within this framework for action, public authorities in each Member State have principal responsibility to define and enforce public service obligations and to organise the provision of SGI (Rauhut & Ludlow, 2013). This allows Member States to develop and implement policies that take into account specific national, regional or local circumstances. For example, as discussed further below, remote or sparsely populated areas may have to be treated differently from metropolitan or densely populated areas, in order to ensure appropriate efficiency and quality of service. From this perspective, SGI are seen as an important driver of regional development (Littke et al., 2013).

Beyond the issue of respective governance responsibilities, the extent of public engagement in the provision of SGI is also at question, touching on the central question of the role played by the public authorities in a market economy, in ensuring the smooth functioning of the market as well as provision where the market will not provide or fails to provide. At the heart of this debate is the concern to safeguard the general interest, in particular to satisfy citizens' essential needs and preserve public goods where the market fails (Cf. Littke & Rauhut, 2013). In the market economy, supply and demand are the main instruments for providing goods and services at a fair market price. However, some SGI cannot be fully provided by market forces alone due to e.g. economic, geographical and social circumstances (Humer et al., 2013). In such circumstances the market price may become too high. Yet, as the White Paper on Services of General Interest outlines, the Treaty states clearly that SGI should be offered to all citizens without distinction. If the market cannot satisfy the need for services, the public authorities are responsible (CEC, 2004).

In this respect, for example, the EU can assist by co-financing specific projects, e.g. through the structural funds or the TEN programs. (CEC, 2003). Depending on the service, Member States can use different financing mechanism such as:

- Subsidies or tax reductions
- Rights through regulation, for instance a legal monopoly

- Contributions by market participants
- Tariffs
- Contributions from social security. (CEC, 2003)

Overall, there is an ongoing trend, evident in the EU, which consists in shifting the SGI provision from public authorities to public-private partnerships or fully private providers. The EU has generally promoted ‘controlled’ liberalisation, i.e. the gradual opening-up of the market, accompanied by measures to protect general interest, in particular through the concept of universal service for all, whatever their economic, social or geographic situation, to provide a service of a specified quality at an affordable price. This has placed a particular focus on ensuring adequate standards for cross-border services that cannot be adequately regulated at the national level alone.

In support of controlled liberalisation, for example, Article 86(2) gives Member States the opportunity to transfer the responsibility for SGI provision to private enterprises. As for all producers and providers, the laws of competition must be obeyed, but the Treaty acknowledges the necessity for service provision, which remains in a conflict with competition rules but is more important than the application of EU regulation (CEC, 2003). *“Undertakings entrusted with the operation of services of general economic interest shall be subject to the rules contained in this Treaty, in particular to the rules on competition, insofar as the application of such rules does not obstruct the performance, in law or in fact, of the particular tasks assigned to them. The development of trade must not be affected to such an extent as would be contrary to the interests of the Community.”* (Article 86 (2))

As regards network industries, the EU has specific legislation for SGI provision, although Member States may decide on the operation and provision of a service as long as the EU rules on open markets and competition are obeyed. In cases where there is no sector specific legislation, a Member State provision should meet universal service obligations, territorial coverage requirements, quality and safety standards, user and consumer rights, and environmental requirements (CEC, 2003).

Clearly, a central issue in regard to both public and private provision of SGI is the promotion of universal access, as well as the right of individuals and businesses to access certain services, that are viewed as essential. In this context, public authorities may need to impose a minimum set of rights and obligations on service providers to ensure that they offer defined services in accordance with specified conditions, including complete territorial coverage, at an affordable price (Milbert et al., 2013; Komornicki & Swiatek, 2013).

Indeed, the universal provision of potential “services”, that encompasses arrangements, schemes, functions, organisations, and industries, covers a wide and heterogeneous field, including infrastructural, technical and network facilities, albeit organised, financed and provided in different ways. It also encompasses the very broad and diverse range of social and other arrangements and schemes in other fields, usually associated with the welfare state. These are still most frequently provided by the public sector or with public subsidies involving national, regional and local political and administrative level responsibility as well as business and voluntary/non-profit organisations.

Closely aligned to the concept of universal access is the notion of minimum level of provision of SGI that may refer to the type of service as well as to what should be regarded as a minimum acceptable level of supply and accessibility for each type of service, in order to satisfy the defined requirements of universal access. However, what may be regarded as a basic (minimum) level of service will differ among regions, according to qualities, including rural/urban, centre/periphery, population density and others, between types of users/beneficiaries (individuals/households, business, local communities), and between social groups (according to age, health, disabilities, etc). There is also a strong ideological bias as to the ‘minimum provision’ (Littke & Rauhut, 2013).

In addition, many services are not only of importance to the immediate beneficiary, but their presence and operation may be important in a wider societal context. In certain local communities and regions, in addition to population thresholds for the supply of certain services, thresholds concerning their sustainability in a wider societal context also exist. In this regard Article 36 of the Charter of Fundamental Rights of the European Union states that the access to services of general economic interest is crucial for the development and strengthening of social and territorial cohesion (Green Paper on Services of General Interest). *“The Union recognises and respects access to services of general economic interest as provided for in national law and practices, in accordance with the Treaty establishing the European Community, in order to promote the social and territorial cohesion of the Union.”* (Article 36 of the Charters).

In conclusion, beyond the varied definitions of SGI, provision of SGI by both public and private bodies raises a further complexity of issues. This complexity is acknowledged by the Green Paper on SGI which states that the division between EU policies and national responsibility and governance systems can lead to problems and misunderstandings. (CEC, 2003). The need to manage this complexity and to minimise problems arising in the relations between governance agencies and systems is a core objective of policy design, as described in the following section.

SGI POLICY DESIGN PRINCIPLES

The point of departure for SGI policy design is the conceptual framework by Servillo (Servillo, 2010) (Table 1 below) which aims to provide a set of policy design principles for specifying and targeting policy options, that define specific objectives for SGI provision as well as the basis for implementation. The overall goal is to ensure that robust policy options are generated that can address the inherent complexities surrounding SGI, including the various modes of production and delivery of SGI provision, as well as the variety of political and administrative governance systems that impinge on how, where and whether SGI are delivered.

Table 1. Conceptual Framework of SGI Policy Design

Map 1		Map 2	
Map 3	Policy Principles	Map 4	The territorial cohesion objective, in relation with other principles, contributes to the definition of a range of institutional aims
Map 5	Territorial Dimensions	Map 6	Territorial cohesion is a spatially relational concept that can be applied to several spatial scales and geographical features
Map 7	Territorial Governance	Map 8	EU approach to territorial cohesion also includes procedural orientations and governance processes
Map 9	Strategic Policy Options	Map 10	Territorial cohesion planning is articulated via several options and guidelines defining core strategic objectives

Source: After Servillo (2010).

1 - POLICY PRINCIPLES – 4 ORIENTATIONS

The above schema adapted from Servillo defines the key elements of EU policy that have a role in shaping the European spatial policy framework. Servillo identifies three main considerations that characterise the definition of territorial cohesion as a policy objective, to which a fourth, concerning future orientations, has been added:

- rebalance inequalities
- support growth and development
- orientate to the territory
- anticipate the future

Rebalance Inequalities - the first consideration concerns the application of strategies promoting equity and fairness with the assumption that territorial cohesion has a key rebalancing objective. The prime aim is to rebalance the strength and the competitiveness of certain regions by creating a wider access for citizens and enterprises to economic development related SGI, e.g. energy and communications. In this regard, there are two aspects to territorial cohesion worth highlighting. On the one hand, attention is focused on the differentiation created by local specificities, whilst on the other hand, the impact of this diversity is reduced by promoting equal access to services.

Support Growth and Development - the second consideration concerns territorial cohesion as a principle that supports the increased competitive capacity of territories, via the adoption of sustainable development strategies. Both the 2004 accession of Eastern European Member States, and the post-2007 economic crisis have led to a stronger focus on growth and development. The key argument here concerns the extent to which the EU objective to enhance regions and cities, pursued through the development of synergies, and through improvement of regional and urban competitive capacities, creates a more cohesive EU territory, and facilitates the realisation of the goal of more competitive regions in the context of the world economy.

Orientate to the Territory - the third consideration stresses the importance of focusing on territory, since this is what drives the necessary integration of different policy approaches at different spatial scales, most clearly presented in a place-based approach to meeting European Union challenges and expectations (Barca, 2009). Territorial orientation is neither an alternative to, nor a reframing of the rebalancing or the growth and development principles. Instead, pursuing territorial cohesiveness means that the territory is at the same time both the objective and the means of integration of policies and the achievement of their intentions.

Anticipate the Future - the final consideration refers to action, included as an adaptation of the Servillo framework, and it highlights the concerns of cohesion policy to address the future perspectives of European territory. In this regard, the policy recognises and anticipates the importance of the global and pan-European drivers of change that impact differentially the European territory, and shape and influence the future provision of SGI. Drivers of change include both external shock, such as climate change, demographic change and economic crisis, as well as internally defined dynamics, such as the influence of ideological positions of Member State on the production and distribution of SGI. The challenge for cohesion policy is to anticipate and respond to the potential impacts of drivers of change that undermine SGI provision as well as economic development and competitiveness.

2 - TERRITORIAL DIMENSIONS

Territorial cohesion is a spatial relational concept, applicable at several spatial scales and according to differentiated spatial typologies, in which three dimensions can be distinguished:

- Spatial

- Typological
- Connective

Spatial - the first dimension of territorial cohesiveness concerns its physical and spatial nature that is relevant to a range of spatial components, including the relationship between centre and periphery, between various EU regions, and between different neighbourhoods of the same urban region. Territorial cohesion is, therefore, viewed as a multi-scalar concept, with the requirement for cohesiveness identified at different spatial scales, from urban locality to macro regions.

Typological - the second dimension concerns the typological condition of the EU territory in which the distinctive regional character of different areas is highlighted, for example, urban, rural, cross-border, island or mountain, etc. To the extent that regional variation in economic competitiveness is associated with a specific typology, this analysis provides the foundation for the definition of compensatory policy measures to reduce or eliminate disadvantage, in this case concerning primarily the accessibility to SGI, with emphasis upon territorial specificities.

Connective - the third dimension concerns the connective aspects of territory, stressing the inter-regional and cross-border interactions between regions and between urban areas. Such interactions form a prime focus of policies seeking territorial cohesion, whereas the requirement for a system of interconnected urban areas aligned with the concept of polycentricity is recognised as one of the crucial challenges for the achievement of EU integration, in order to secure an effective framework of transnational infrastructure.

3 – TERRITORIAL GOVERNANCE

The framework for territorial governance emerges from consideration of territorial cohesion and associated procedural implications as well as from political management of spatial processes. The Territorial Agenda and Action Programme promote a number of spatial concepts that are specifically aligned with operative governance tasks for their realisation. Naturally, concerns for institutional differentiation at both national and regional levels, according to the subsidiarity principle, imply a rich diversity of governance methodologies, operative at different territorial scales. In this regard a number of key procedural concepts are highlighted, including the attainment of horizontal and vertical governance coordination, full engagement of stakeholders, and the pursuit of multi-scalar approaches.

Multi-scalar and multi-level governance forms a key framework to address the cross-sectoral complexity of sustainable development management, and in particular the fundamental interconnectedness of drivers of change. Multi-level governance is essential to manage the different functional territories as well as the responsibilities of local, regional, national and European actors, in compliance with the principles of subsidiarity (European Union, 2011), see Figure 1 below.

Figure 1 illustrates in a vertical dimension (green boxes) the interconnectedness between levels of governance - from the EU to local level, including both national and regional levels, that collectively define, according to differing responsibilities, the policy options (purple box) forming the basis for the specification of policy objectives and for policy implementation. The blue boxes to left and right of the governance dimension indicate the issues that influence the various levels of governance, in this case in the scope of the provision of SGI. For example, fundamental principles concerning redistribution and/or competitiveness objectives are factored into policy formulation at the EU level, whereas issues concerning territorial assets are a prime consideration at the local/municipal level. However, such considerations are not exclusive to these levels of governance, or indeed other levels of

governance, as concerns for redistribution versus competitiveness and universal access versus local needs may also be influential at all levels of governance.

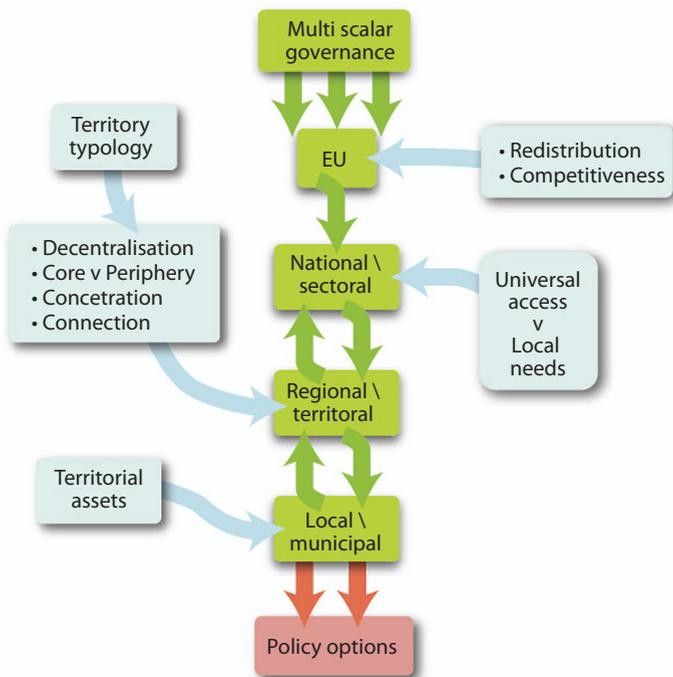


Figure 1. Multi-level Governance and Policy Formation

The key principles in the delivery of multi-level governance include:

- Coordination
- Integration
- Co-operation

All connected via crosscutting policy instruments.

Coordination - Territorial cohesion requires an effective coordination of policies and the creation and sharing of territorial knowledge (European Union, 2011). The means of implementation lie in the EU institutions and in Member States as well as in regional and local authorities and private actors, and are facilitated by horizontal coordination at each level and vertical coordination between levels.

The policy options are related to:

- Territorial dimension in the implementation of the EU 2020 Strategy
- Improved alignment and coordination of funds; Common EU Strategic Framework
- Territorial and urban monitoring within the strategic follow-up
- Integrated methodological framework to analyse territorial impacts

Integration - Strengthening territorial programming and fostering SGI provision in both urban and rural communities at every stage of the programme cycle, through increased support for integrated local development initiatives in diverse contexts (urban, rural, and urban-rural) at the appropriate geographical level, preferably in functional areas, for example travel to work areas.

The policy options are related to:

- Integrated urban actions
- Providing greater flexibility in designing programmes (multi-regional)
- Improving the partnership approach: greater involvement of local authorities

Co-operation - Integrated strategies between territories in cross-border regions and macro-regions.

The policy options are related to:

- Cooperation in developing strategic policy documents
- Reinforced link between transnational co-operation and macro regional strategies
- Better coordination across borders - legislation, strategies and funding within multi-level level governance
- Interregional cooperation – enhancing networking on territorial and urban issues

4 - STRATEGIC POLICY OPTIONS

Strategic policy options are critical components in the delivery of territorial cohesion strategy, permitting the operationalisation of the strategy in terms of translating sectoral policy objectives, defined in collaboration with higher levels of governance, into territorially specific policy targets. Typically, policy options emerging from this process transform sectoral policy objectives into spatially defined political priorities, embodying elements of the following three considerations, as indicated above:

- reduction of territorial disparities
- increased territorial competitiveness
- development of spatial planning strategies

Policy options are specified at the urban and sub-regional levels, depending on the nature of a given challenge and on the specificity and variety of local territorial assets that must be assessed in a local political context. Policy options are also defined at higher scales of governance, including macro-regions, and are interrelated with those of lower levels of governance in the cooperation, integration and coordination processes. Coherent and coordinated policy options, developed at various levels of governance, are essential to ensure good governance, articulated in accordance with the principles and practices of sustainable development.

CHALLENGES FOR SGI POLICY DESIGN

Amongst many fundamental challenges for SGI policy design attributed to the conceptual framework specified above, and concerning both policy development and implementation, is the need to articulate and reconcile policy priorities at different levels of governance, and to transform sectoral policy priorities into territorial and place-based policy specifications, primarily at the regional and local levels. These challenges are evident in view of the need for policy integration between sectoral components, which is critical to the effective delivery of any given sectoral policy, and for the realisation of sustainable development and territorial cohesion. Territorially specific place-based policies provide a framework in which this integration takes place and is realised. From a policy perspective, therefore, SGI can be considered in terms of two fundamental poles of policy specification:

- Sectoral policy – service specific policy targeting users/beneficiaries; and
- Territorial policy – community/city/region policy integrating sectoral policy objectives.

These challenges are confronted in relation to the need for the definition and delivery of policy within the frameworks of multi-scalar governance, in which typically sectoral policies, defined at

higher levels of governance, are transformed into place-based territorial policies at lower levels, specified in relation to a substantial range of territorial specifics or regional typologies. Territorially specific, place-based policies provide a framework in which this integration takes place and is realised.

The multi-level implementation framework prioritised by Europe 2020 is an essential conceptual foundation for coordinated and integrated territorial planning and management of the city region. However, it is clear that additional issues concerning the procedural, and the structural basis for policy specification and implementation, as well as the form of the plan and nature of the relationship with the market economy, for example, can also have major impacts on the delivery of policy options at the city-region level. These issues thereby not only create regional variation in respect of the definition and implementation of policy options, but also influence significantly the effectiveness of the identified policy options.

For example, in relation to economic policy challenges that are central to the debate on redistribution versus competitiveness, the long-term and on-going trends in the economic transformation of Europe, with resulting industrial restructuring and offshore relocations, over the past 30 years have undermined the economic base of many older industrial areas. These underlying transformations of the economy continue to challenge the economic prosperity of Europe's city regions, and directly affect the demands for, and the provision of SGI. The prime concern is with loss of employment and economic decline, prompting population out-migration, shrinking cities, and a declining support base for commercial activities as well as SGI.

These problems have been exacerbated more recently by the global economic crisis, which directly and deeply affects the economic growth potential of Europe's city-regions, further reducing employment. In addition, the crisis has limited foreign direct investment, it has reduced municipal funding, and has constrained expenditure for state-initiated urban and infrastructural projects. The major impact of the economic and financial crisis factored into public expenditure cuts, clearly adversely influences the quality and accessibility of existing SGI, and equally the future provision and maintenance of SGI.

As regards policy options, the post-2007 economic crisis has led to a stronger focus on competitiveness in the EU policy objectives, including those defined in the Europe 2020 objectives for smart, sustainable and inclusive growth, aiming to enhance regional and urban competitive capacities in the context of the world economy.

Europe 2020 objectives define and promote general economic development strategies, stressing, i.e., competitiveness based on the knowledge economy, spatial development models, e.g., polycentrism, priority territorial elements and actions, e.g., cities as engines of growth, and also the importance of brownfield site rehabilitation and of specific performance, for example the accessibility to SGI.

Policies fostering regional economic competitiveness at the level of macro-territorial planning, focused on the growth of metropolitan areas and associated hinterland, are mostly defined at regional and national levels. In general terms, policy issues are focused on territorial balance and polycentric development of a territory, whilst maintaining competitive sustainable development.

Regional economic competitiveness can be advanced by a number of policy levers at the local level, including the enhancement of local and regional connectivity, integration with the hinterland, and improvement of human capital via education, although this not always lies within the competence of the local level, and more generally via housing provision. The capability and capacity of a city to mobilise policy options in support of regional economic competitiveness, is also influenced by local vision and governance capability.

Clearly, economic and financial stringency creates additional pressure to maximise the efficiency of SGI provision. Beyond local vision and governance capability, therefore, specific decision-making support and assessment framework guiding the definition of policy options for the provision of SGI are vital. The ESPON SeGI applied research project (ESPON 2013a), while providing a pan-European assessment of the provision of SGI, has also created the stimulus for developing SGI decision support tools, including the decision structure (Milbert et al., 2013). The decision structure prioritises areas of intervention for the provision of SGI based on accessibility and population, potentially assisting in countering pressures to centralise facilities due to financial constraints. Further quantitative inputs to this decision support tool are provided by the matrix of SGI indicators (ESPONb) that aims to capture indicators relevant for the four dimensions of SGI provision, namely availability, accessibility, affordability and quality.

DISCUSSION

Territorial governance aims to combine policy principles and territorial dimensions which define strategic policy options. However, the combination of normative and spatial dimensions means that the translation of territorial cohesion into policy and practice in a context of multi-scalar governance is a complex matter. In order to assist in the management of this complexity and in developing territorially defined policy options supporting the delivery of SGI, a range of various principles and conceptual frameworks may be deployed, including the principles of sustainable development and notions of functional and polycentric urban areas that transcend existing administrative boundaries. Nonetheless, policy formulation, as well as implementation and assessment, remains a substantial challenge for policy making.

These challenges are set in the context of public expenditure cuts triggered by the economic crisis, which impact on the quality and accessibility of existing SGI, as well as on the future provision and maintenance of SGI. As a consequence, the economic crisis in itself poses challenges of an entirely new order, and therefore innovative policy options must be applied to secure recovery. The crisis impacts the provision of remaining SGI, and the level of service provision is a vital factor for city-regions as drivers of economic growth, and for maintaining them as a part of an integrated urban-rural strategy. In this regard, a territorial planning strategy, delivering the objectives of territorial cohesion, aims to support the effective public service provision as a mainstay of the local economy, and to define public services that create economic opportunity.

The political framework identified in this paper provides a set of policy design principles for the specification and targeting of policy options. The aim is to develop robust and innovative policy options that can address the inherent complexities surrounding the production and delivery of SGI, especially in the context of economic crisis. A key issue in this regard is to identify, at the point of decision making, such policy options that would support the production of SGI, as well as the relevant agencies responsible for such decisions, in the context of the variety of political and administrative governance systems that impinge on how, where and whether SGI are delivered. Such focus point permits the assessment of relevant determinants of decision-making, supporting the specification of robust and innovative policy options; and also to determine where failure in this process is evident. Furthermore, robust and innovative policy options fully recognise, anticipate and respond to global and pan-European drivers of change that impact differentially on the European territory, and shape and influence the provision of SGI. These drivers of change, as described above, include both exogenous shocks, such as climate change, demographic transformation and economic crisis, as well

as endogenous dynamics, such as the influence of ideology on the production and distribution of SGI, for example market liberalisation.

Policy development and implementation is driven by both top-down and bottom-up initiatives, whereby the top level governance sets general goals, whilst the lower levels have degrees of freedom and responsibility to reflect local priorities, exemplified in the Barca place-based approach. Consequently, the EU policy influences national and regional targets, but policy implementation is always specified and delivered at the Member State level.

The provision of SGI is the prime responsibility of the EU Member States and, consequently, it is up to individual Member States, from a bottom-up perspective, to set thresholds for the minimum provision of SGI, their accessibility, quality etc, as well as to decide what constitutes the appropriate balance of economic and social development in a regional context. Therefore, actions taken to mitigate and/or counterbalance any such regional imbalances are decisions of individual Member States. This means that a full understanding of the national and regional policy systems and modes of governance is also essential for effective policy design. Furthermore, territorial differences and the spatial division of governance areas affect the provision of services, and this makes territorial cohesion an essential element in policy formulation.

Nonetheless, the sectoral macro-policies of certain Member States are strongly dependent upon EU structural policies in providing support to less developed regions via co-financing of major infrastructures, etc., which must be co-ordinated between the EU and Member State levels. Similarly, Europe 2020 (CEC, 2010) and the Territorial Agenda (European Union, 2011) provide a public policy framework from the top-down perspective, defining general objectives for SGI to be implemented at lower levels, seeking emphasis on green, smart and flexible strategies.

On this basis, planning for the provision of SGI's at the regional scale cannot operate in isolation from planning at the national and supra-national scales. Critically, therefore, governance needs to be coordinated between levels, seeking coherence in relation to policy objectives, specified at different levels and according to the responsibilities of particular agencies. Management of the city region, in relation to its socio-economic potential, and the need to provide SGI, seeks coordinated and integrated territorial planning and management involving all levels of governance. Bottom-up political priorities to secure implementation of SGI are informed by regional and local territorial priorities and territorial assets, articulated in a place-based approach to urban and regional governance, into which top-down operational concepts of polycentricity are interwoven.

In particular, policy priorities are fully differentiated at different levels of governance, reflecting the interplay of socio-economic and environmental challenges specified in a given territorial context. This heterogeneous policy mix at regional and local levels poses fundamental challenges for coordination, integration, and effective policy design. This heterogeneity of policy specification is evident in the provision of SGI in Europe today. Generally, policy options supporting cohesion policy objectives to secure a proper provision of SGI have promoted growth and development, as well as rebalancing and concerns for territorial specifics. Indeed, these three principles of policy design are unified by territorial cohesion via the territorial orientation or place-based approach. This ensures that territorial cohesiveness is not only the objective, but also the means for the necessary integration of sectoral policy and the achievement of its policy goals, and also it is an essential element in policy formulation.

Furthermore, territorial planning strategies combine strategic recommendations and substantive policies, e.g., the focus on competitiveness based on a knowledge economy, implemented by spatial models, e.g., polycentricism, and thereby support urban-rural relations as well as accessibility of SGI.

In parallel, rebalancing strategies to enhance social cohesion and to reduce inequalities may be translated into the need to provide and enhance development capacity in regions and cities lagging behind, focused on territorial capital, specified according to territory. Clearly, the territorial dimension provides a uniting framework for development and rebalancing policy options, and indeed ESPON (ESPON 2006) demonstrates that both rebalancing and development strategies are likely to perform more effectively if they are delivered through tailor-made territorial development strategies.

CONCLUSIONS

The conceptual framework for policy design elaborated here aims to provide a set of principles for the specification and targeting of policy options. The overall goal is to ensure that robust policy options are generated that can address the inherent complexities surrounding SGI, including the various modes of production and delivery of SGI, as well as the variety of political and administrative governance systems that impinge the delivery of SGI.

Multi-level governance of a territory is used as the principal means of addressing the cross-sectoral complexity of sustainable development management, and the fundamental interconnectedness of the drivers of change that influence the delivery of SGI. Multi-level governance is essential to manage the different functional territories and the responsibilities of local, regional, national and European actors in compliance with the principles of subsidiarity. Policy development and implementation is driven by both, top-down and bottom-up initiatives. Management of the city region, in relation to its economic potential, and the need for balanced sustainable development, requires coordinated and integrated territorial planning and management involving all levels of governance.

This is a fundamental challenge for policy design, development and implementation, which lies in the need to articulate and reconcile policy priorities at different levels of governance, and to transform sectoral policy priorities into place-based territorial policy specifications. In particular, challenges arise in relation to the need for policy integration between sectoral components, which is critical to both the effective delivery of any given sectoral policy and the realisation of sustainable development and territorial cohesion. Territorial specific, place-based policies provide a framework in which this integration takes place and is realised.

The definition and delivery of policy options within the framework of multi-level governance typically transforms sectoral policies, defined at high levels of governance, into place-based territorial policies at lower levels, and into a definition of policy accounting for a substantial range of territorial specifics. Governance needs to be coordinated between levels, coherent in relation to policy objectives, and also specified at different levels, according to the responsibilities of specific agencies. Bottom-up political priorities to secure the implementation of SGI are informed by regional and local territorial priorities and territorial assets, articulated in a place-based approach to urban and regional governance.

Substantive policy objectives, defined at the European level, provide the essential framework conditions for the specification of policy options in support of the development and delivery of SGI throughout Europe. These policy objectives incorporated into policy strategies at the European level, including the Europe 2020 strategy, and policies promoting territorial cohesion. Polycentricity is seen as the spatial conceptualisation of territorial cohesion policy goals, and thereby also requires elaboration in the context of associated conceptualisations of urban and rural spatial development, also promoted by the EU, including the development of the compact city, and the management of functional urban areas.

Specification of policy options raises a number of challenges reflecting the relationship between the EU and Member States, as well as differing political frameworks and modes of governance in Member States. In many ways the EU can influence and even determine citizens' rights for access to SGI, and the White Paper on Services of General Interest specifies the concept of universal access which allows common principles to be defined at the EU level. At the same time, territorial cohesion as one of the goals of the Lisbon Treaty is an important notion for SGI policy options. Territorial and spatial aspects have major impact on SGI services, through levels of governance (national/regional/local), impacts of demographic changes, population distribution and technical development. The inclusion of territorial cohesion in the policy option design clearly strengthens the regional perspective.

In this regard, in line with the principles of subsidiarity, the definitions, organisation, financing, and implementation of policies supporting the delivery of SGI is primarily a decision for collective agreement at the Member State level, involving national, regional and local authorities. Consequently, the impact of EU policies on local decision-making and implementation at the operational level is relatively weak. In particular, because at the Member State level there is a heterogeneous reality in the provision of SGI. For example, in respect of telecommunications, education and waste management, the relevant levels of governance and policy making differ widely between Member States, such that a national responsibility in one country can be a regional or local responsibility in another. In all sectors, private actors are involved in one way or another, including private schools, waste collection operators, mobile operators etc. This further complicates the order of responsibility and actual decision taking.

Finally, even though the definition of SGI may facilitate the division of responsibility and specifications of policy options, yet definitional challenges remain. The concepts of SGI can be divided and categorized in many ways, in economic and non-economic interest, from network services to social services, and on territorial scales. Services are also highly influenced by changes in society and culture, and they evolve over time. For example, decentralisation and liberalisation are ongoing trends in many of sectors providing SGI. According to the ESPON project 1.4.2. Social aspects of EU territorial development, this complex situation is a challenge for the cohesion goals for policy implementation, particularly in relation to the provision of SGI.

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