Decentralisation in France between Capacity and Constraint

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Based on vigorous cultural and political assimilationist policies (via the army, the education system and the national language), the Jacobin ideal of the “nation state”, according to which the nation is a product of the (democratic) state, has been seriously challenged these last decades (Pasquier 2012). The French state, like other European nation-states, has been confronted for some years by the dual pressure of European integration and the growing desire for autonomy on the part of sub-national political communities. As a result of the decentralisation laws of 1982-83, the evolution of EU policies and, more generally, the increasing globalization of the overall economic context, the central administrative organs of the French state have lost their monopoly on political initiative (Le Galès 1999). The French state is increasingly exposed to new economic, social and cultural logics. The growing power of local and regional authorities in the public policy process is one of the most striking features of the erosion of the Jacobin myth of the unity and indivisibility of the Republic. It provides the main object of analysis for this paper.

The paper provides an overview of some of the salient features of France’s complex pattern of local and regional governance. Investigating local and regional authorities in terms of their structures and functions requires a broad historical overview to make sense of the contemporary controversies that continue to underpin the Sarkozy and Hollande presidencies (section 1). Foreign observers are often baffled by the apparent complexity of the institutional mosaic of local and regional government in France; we thus out to clarify the main institutions and actors and their evolution, especially over the past decade (section 2). Making sense of local and regional governance also involves accompanying the development of local and regional authorities as consumers of public taxes and producers of public policies and public services operating in a multi-level context (section 3). A number of key controversies and debates are addressed in the paper. The central question is formulated in
terms of a conundrum: has the uneven and partially uncoordinated development of local and regional governmental capacity over the past three decades produced a form of sub-optimal institutional competition, or, on the contrary, improved public services as a result of local and regional innovation and investment? The paper will conclude by assessing likely future scenarios under the Hollande administration.

From Territorial Administration to the Decentralised Republic

The French nation-state is the product of centuries of state building and of the gradual development of national consciousness within recognised institutional and spatial boundaries (Rosanvallon 2004). The French system of local administration that was defined by statute following the 1789 Revolution became the model on which local government systems were to be based throughout most of Western Europe. It resembled the Bourbon system that preceded it in its centralization of power and in being based on the same towns and villages. However, the Jacobin governments in 1789-90 codified this centralization process into a uniform structure of 83 départements and 44,000 communes headed by a central government official, the prefect. The prefects not only tended to dominate the proceedings of departmental councils (conseils généraux) but also exercised powers of supervision over decisions by the communes. This system of centralised direction stayed basically unchanged for over 180 years through two imperial, two royal and four republican regimes, though local powers gradually developed towards a form of local democracy. Départements were recognized as local authorities in the 1830s and they obtained full recognition as local authorities (collectivités territoriales) in 1871. In the départements, the prefects remained the chief executives until the law of March 1982. Mayors, at the head of the communes, became popularly elected in 1882 and were vested with budgetary responsibility, as well as a general
competence provision allowing municipal authorities to undertake policies in the interests of the locality.

The uniform politico-administrative structure in practice allowed some local innovation and discretion (Goldsmith and Page, 2011). The structure of incentives was centralised, however, and, as a by-product of centralisation, a class of hybrid local/national politicians known as *notables* developed through the nineteenth and twentieth centuries. The more able and ambitious *notables* could acquire great prestige and authority, often through the accumulation of electoral offices, which gave authority and influence (*le cumul des mandats*). They ‘managed’ relations with representatives of the State, including prefects and sub-prefects and sometimes members of central government, in order to advance their own interests and maintain political support for their localities. The system was described as one of ‘tamed Jacobinism’ by Pierre Grémion (1976), implying that the Lion of Jacobinism had been tamed by local interests. This system established interdependence between local leaders, central politicians and senior government officials. Political leaders pursued their interests by maintaining a deeply ambivalent attitude towards local autonomy.

The model of tamed Jacobinism was based around *notables*, central ministries, the prefects and local or departmental authorities. The main innovation of the post-war period was the development of the regional dimension, in functional, political and finally institutional forms. Functional regionalisation referred to the growing interest of the State in territorial policy. During the post-war ‘thirty glorious years’ (1945-1974), the French State’s territorial policy was expansionist, aimed at promoting growth in the regions and correcting the imbalances between Paris and the rest of France. In 1956, the central administration officially established a regional map of France with 21 regions. The regional map has been modified only once
since 1956 when, in 1971, Corsica was separated from Provences-Alpes-Côtes d’Azur. In 1964, 21 regional prefectures were created to spearhead the activities of the territorial State in coordinating economic planning. This ‘functional regionalism’ was temporarily halted with the failure of the General de Gaulle’s referendum on regionalization in 1969, but it laid the bases for the later creation of the regional councils. France has now 22 metropolitan regions and 4 overseas regions (Guadeloupe, Martinique, Guyane and Réunion).

The second dimension of a developing regionalism was more overtly political. From the 1960s, cultural and political claims were also raised in places such the Basque Country, Brittany, Corsica and Languedoc-Roussillon. Strong cultural, language and territorial defence movements have emerged since the 1970s. New forms of collective mobilisation have raised the status of the Corsican, Breton, Occitan or Basque languages (Harguindéguy and Cole, 2013). There has been a revival of regional cultural traditions, languages and historic identities. There is a (small) electoral clientele for regionalism in Corsica, Alsace, Savoy, Brittany, Normandy, the Basque country and French Catalonia. Regionalist or autonomist parties have occasionally elected representatives to local and regional councils, though they have found it difficult to operate independently of the main French parties (Pasquier 2012). Some of the claims of these regionalist movements were adopted by the French Socialist Party, which implemented the decentralization reform from 1982 in France.

What about the politics of all this? A pro-decentralisation coalition crystallised within the post-1971 Socialist Party, comprised of two core elements. First, the leading representatives of municipal Socialism - such as Interior Minister Gaston Defferre, author of the 1982 Act and mayor of Marseilles, or Pierre Mauroy, Prime Minister and mayor of Lille - sought to strengthen the powers of big city mayors and reduce the regulatory constraints on their
action. Second, the revived Socialist Party in regions such as Brittany incorporated elements of the regionalist and environmental movements. Against this decentralising coalition there was stout resistance from republican minded elements of the Socialist Party (for instance, those around Jean-Pierre Chevènement and the CERES faction) for whom decentralisation was synonymous with a challenge to traditional doctrines of republican equality and a threat to the preeminent role of the State. A similar degree of ideological diversity could be found on the French Right, divided between a girondin liberal conservative and centrist wing, that looked favourably on restoring local liberties, and a republican Gaullist party deeply distrustful of all intermediary forces, including local government that had stubbornly resisted the Gaullist Party until the early 1980s. Though decentralisation has been of vital importance for party politics, the centralisation/decentralisation cleavage cuts across any simple division between left and right, or even positions on a materialist/post-materialist axis.

*Looking back at 30 years of Decentralisation in France*

2012 was the thirty year anniversary of decentralization, providing a logical standpoint to evaluate the longer term significance of this major reform. The French Socialist government’s decentralization reform of 1982 established 22 elected regional councils and greatly enhanced the decision-making powers of the 96 (mainland) départements and of the larger communes. The 1982 reforms transferred executive authority from the prefect to the elected heads of the 96 départements and 36,500 communes. The decision-making responsibilities of a range of local actors were increased, with the extension of their influence into policy sectors within which they had previously been marginal or excluded altogether, such as social affairs, economic development and education (Loughlin, 2007). A second act of decentralisation (2003-2004) then embedded the regions in the Constitution and
transferred many new responsibilities to local, departmental and regional authorities. Reacting against the apparent lack of transparency of local government in France (the so-called mille-feuille territorial, whereby layers of sub-national administration had loosely defined and overlapping competencies) President Sarkozy introduced a new reform in 2010 which claimed to rationalise and make more transparent and efficient the operation of France’s local and regional authorities. Finally, the incoming Hollande administration of 2012 promised a new stage of French decentralisation for 2013; these plans will be referred to where appropriate.

We have argued elsewhere that there is no single interpretation of decentralisation in France that allows an exhaustive understanding of the phenomenon (Cole, 2008; Pasquier, 2012). Understandings of decentralisation have varied since 1982. The earliest interpretations of decentralisation, produced during the 1982-1992 period in particular, emphasised the continuity of practices with the pre-decentralisation era. Organisational sociologists assumed continuity (Rondin’s [1985] Sacre des notables, the continuing practice of cumul des mandats) and underplayed the significance of the 1982 reforms (except in terms of formally recognising existing power structures). Lawyers centred their discussions around the ongoing battle over legal competencies, a constant feature of the period since 1982. Political scientists identified the removal of constraints on existing actors, such as big city mayors or the Presidents of departmental councils, rather than the emergence of new sub national institutions and practices (Mabileau 1993).

The evolution of decentralisation in the 1990s, on the other hand, was accompanied by the development of new conceptual frameworks, especially those of territorial governance (Le Galès, 1995) and capacity building (Pasquier, 2004). These analyses looked beyond formal
competencies and emphasised new forms of public-private service delivery and the role played by non-public actors in local and regional governance. Emphasis was placed on the development of new institutions (especially the elected Regions, far more significant actors than given credit for in early accounts), new spheres of policy intervention (economic development, transport, higher education, training, European networking) and new actors (a much broader community of local stakeholders, composed not only of local authorities, but also of private firms, public and semi-public agencies, state field services, consultancies, research institutes and associations). As well as describing a broad array of local actors, the governance perspective signifies that there is no single model of local power but patterns of variable geometry. The nature of power relationships depends on particular situations; no single actor appears as dominant in all situations. These analyses were most pertinent during what Cole (2011) labels as the period of ‘networked institutionalism’: from 1992 (the Territorial Administration of the Republic [ATR] reform), to 2002 (the return of the Right).

Since 2002, but much more explicitly from 2007, efforts have been made by central government to reframe central-local relations in terms of a state productivity narrative (Cole, 2012). Analysts such as Epstein (2005) have emphasised the development of central government strategies of steering at a distance, whereby the State has engaged in a new interventionism via agencies of territorial management, attempts to control local government expenditure, and the audit of local authorities as part of the broader effort to control the public sector. Such activities have characterised one important dimension of central-local relations during the last decade, particularly during the Sarkozy period (2007-2012). However, analysis of the Sarkozy and Hollande presidencies also demonstrates the weight of local and regional authorities (and their partisan and institutional supporters) as political
actors in their own right. The next section now endeavours to elucidate the complex world of French local and regional governance.

**Actors and institutions of local and regional governance**

The combined effects of the Jacobin heritage and the architecture of decentralisation have created an institutional mosaic, the so-called *mille-feuille territorial*. The main local and regional authorities are presented in Table 1 and in the ensuing section.

**Table 1 Sub-national authorities in France (2011)**

<table>
<thead>
<tr>
<th>Type</th>
<th>Number</th>
<th>Functions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Communes</td>
<td>36,680</td>
<td>Varying services, including local plans, building permits, building and maintainance of primary schools, waste disposal, first port of administrative call, some welfare services</td>
</tr>
<tr>
<td>Intercommunal public corporations (EPCI)*</td>
<td>2599</td>
<td>Permanent organisations in charge of inter-communal services such as fire-fighting, waste disposal, transport, economic development, some housing.</td>
</tr>
<tr>
<td>Departmental Councils</td>
<td>100</td>
<td>Social affairs, some secondary education (collèges), road building and maintenance, minimum income (RSA)</td>
</tr>
<tr>
<td>Regional Councils</td>
<td>26</td>
<td>Economic development, some transport, infrastructure, State-Region plans, some secondary education (lycées), training, some health</td>
</tr>
</tbody>
</table>
The communes and the communal bloc

With 40% of the communes of the whole European Union, France’s model of local government can legitimately be described as an exception. France’s 36,500 or so communes elect 550,000 local councillors, almost 500,000 of whom represent 34,000 rural or small town communes with less than 1,500 inhabitants. The commune is a symbol of civic identification; the next echelon, the canton, is a far more artificial institution, which often regroups communes with diverging interests and different socio-economic compositions. As measured in terms of budgets and staff, the communes remain by far the most important local authorities in France, but their situation varies dramatically and the governance capacity of the smallest communes is very limited.

If the communes deal with matters of immediate proximity (low-level social assistance, administrative port of first call, planning permission, primary education) most municipal services (such as housing) require the creation of inter-communal corporations or task specific agencies. The most important trend over the past two decades (in the Joxe law of 1992, the Chevènement law of 1999 and the Territorial Reform Act of 2010) has been the development of inter-communal corporations (Établissements publics de Coopération intercommunal - EPCI) as more cohesive local government structures. In French public law, the EPCI has the statute of a public corporation. It is not a fully constituted local authority – such as a commune, department or region - but it does have an indirectly elected executive,
drawn from the participating communes which are represented on the council according to their size. EPCIs have some tax-raising powers and a pooled rate of local corporation tax across the participating communes. The 2010 Territorial Reform Act requires all communes to form part of an intercommunal public corporation by 2014, a decision confirmed by the new Hollande administration. As Table 1 illustrates, on 1st January 2010 there were already 2611 EPCI, which regrouped 34,774 communes (95 per cent of the total) and covered 92.2 per cent of the overall population. The EPCI have been criticized from the basic democratic standpoint that these non directly-elected bodies are responsible for the fastest growing part of local expenditure, yet they are subject to no real democratic scrutiny. Proposals for the direct election of the EPCIs were contained in early drafts of the 2010 Territorial Reform Act, but they were abandoned under pressure from the second chamber, the Senate, acting in the name of the interests of rural and small town mayors seeking to preserve their ‘sovereignty’.

Since the failure of de Gaulle’s referendum in 1969, the Senate has generally defended the communal and departmentalist position. Indeed, 95% of the 150,000 electors who designate the 331 senators are councillors of small communes (less than 1,000 inhabitants). A large majority of senators are, at the same time, mayors of small rural municipalities or presidents of general councils (departments). Only two of them are presidents of Regions. The Senate is in France the ‘high council of the communes of France’ and, indirectly, the ‘high council of the departments of France’ as well, preserving the structural basis and biases of French decentralisation in favour of the pro-department coalition.

The départements
Since 1982 the President of the departmental council has been legally recognised as the fount of executive power within the department, replacing the centrally-nominated prefect and the presidency of the departmental council has become one of the coveted positions in French local government. The 96 elected departmental councils (the départements) are best conceived as major service delivery agencies of the French welfare state (in social assistance, some intermediate education, social services, roads, minimal income [RSA], old-age care). Defenders of the departments point out that these basic services rarely occupy the limelight, but involve an extremely sophisticated financial and organisational infrastructure. The cost of social service provision has escalated dramatically, plunging several departmental councils into a severe financial crisis. Departments have also taken over responsibility for services they did not ask for: this is notably the case for the minimum income, created by the Rocard government in 1988; or for the RSA in 2009. Above all, the departments have had financial difficulties in assuming the new service delivery responsibilities (the national road network, along with new responsibilities in social welfare, income support and intermediate education) that were transferred to them in the law of 13th August 2004.

The Regional Councils

When the 22 regional councils were created as collectivités territoriales in 1982, they bore the imprint of the centralising French republican tradition. French regions were imagined as institutions without a link to territory (Balme, 1997). They were created in a standardised form throughout France, including in areas where no regional tradition existed. With the partial exception of Brittany, Alsace and Corsica, France’s historic regions and communities do not enjoy institutional expression. Unlike counterparts in federal systems such as Germany or Belgium, moreover, they have no hierarchical control over other layers of local
government. France remains a unitary State, albeit a ‘decentralised’ unitary state in the terms of the 1958 constitution as amended in 2003. There are no equivalents to the strong regions with fiscal and/or legislative powers, such as Scotland, the Belgian and Italian regions, the Spanish Autonomous Communities, or the German länder. Attempts at introducing new forms of asymmetrical devolution in France have run against serious obstacles, as is illustrated by the case of Corsica. The Matignon process undertaken by the Socialist government in 2001, for example, envisaged transferring regulatory, then legislative powers to the Corsican Assembly, until the Council of State objected and the Constitutional Council ruled the process unconstitutional.

Such a comparative appraisal ought not to lead us to dismiss French regions. By creating directly elected regional councils, the decentralization reforms of the early 1980s added a significant new player. France’s 22 regions have a shared general competency, some tax-varying powers and precise responsibilities in areas such as economic development, training, transport and secondary education (though their competencies are rarely exercised as stand-alone services). In 2004, the regions were further strengthened in matters deemed to be strategic: economic development, education, training, transport and some health. Regional institutions have built their legitimacy over three decades: first through investing in public policy delivery in new areas of service delivery such as education and transport; second, by demonstrating that they were viable partners of the State in the State-Region Plans since 1984; and third as active players in European Union regional policy (Cole and Pasquier, 2012). From the early years of the French regions, empirical studies have uncovered institutionalized forms of interdependent relationships in areas as diverse as education (Dupuy, 2010), higher education (Aust and Crespy, 2009), employment and training (Berthet, 2010), transport (Barone, 2009), regional languages (Harguindéguy and Cole, 2009) and
others. Early indications from the Hollande administration are that the regions are on the verge of discovering new roles; as managing authorities of EU structural funds for the 2014-2020 period, as key partners in the new Public Investment Bank that was announced during the 2012 campaign, or a co-funders of the new programme of subsidised employment contracts (contrats d’avenir) for young people.

**Central Steering and the State**

Whether led by governments under Gaullist, Socialist or UMP control, the central state has been closely involved in local government re-organisation in the name of broader principles of territorial equity and economic efficiency. In the Jacobin tradition, the role of the locality, in Hayward’s term, was to integrate the periphery into a highly centralized system (Hayward, 1983). In the post-decentralisation period, less direct methods of central steering were favoured: State-Region plans from the mid 1980s onwards; State Steering of EU structural funds from the late 1980s; sector-specific contractualised agreements; the creation of single task agencies (in the field of urban renovation, for example); the adoption of new budgetary rules having an indirect impact on local authorities; the limited introduction of performance indicators. It lies beyond the limits of this paper to engage in a full discussion of the varied tools and instruments whereby the French State attempts to control intergovernmental relations. But the Sarkozy period offers a valuable insight into the difficulties of constructing holistic public policies that apply to the French State and its territories.

There was a sustained political enterprise during the Sarkozy period (2007-2012) to ‘join up’ questions of central and territorial state reorganisation and local government reform. A state productivity discourse developed under Sarkozy that claimed to be macro-level and holistic;
it involved public organisations as a whole, and purported to provide sets of coherent responses encompassing State, social security and local government organisations. The ensuing analysis focuses around the one key reform process of the Sarkozy period: namely the reform of the territorial State (RéATE) from 2008-2010, which, along with the 2010 Territorial Reform Act, represented the heart of the territorial policy of the Fillon government (2007-2012).

The RéATE refers to the package of decrees and circulars implemented from 2008-2010 which addressed the complex issues of the reorganization of the regional and departmental levels of the French state, as well as the relationship between the State and other public sector providers (Cole, 2011). The Fillon government (read Sarkozy) sought to accelerate processes of modernising French territorial administration by clearly identifying the regional prefectures as the lead players within the territorial hierarchy of the State, as well as being the main interlocutors for interactions beyond the State (for example with local and regional authorities or the EU). Strengthening the regional state has, indeed, been one of the constant themes of French post-war territorial administration. The regional prefectures, created in 1964, have claimed to provide interministerial leadership of the State, by way of coordinating the ‘decentralised’ services of government departments; and, more recently, by contractualising with local and regional authorities and the European Union (Cole, 2011). For the first time, the decree of 16th February 2010 affirmed that the regional prefect has ‘authority’ over the departmental prefects. Moreover, using the power of revocation (‘evocation’), the regional prefect can exercise responsibilities normally reserved for the departmental prefectures for a limited period of time. The departmental prefecture was confirmed by the 7th July 2008 circular in its traditional missions of law and order (control over police and, since 2007, gendarmerie), and the prefectures gained several new functions.
in terms of immigration and asylum services, and the control of the legality of acts of local authorities. Overall, however, the departmental prefectures complained (in interviews) of losing resources and functions, via the regionalization of back office and support services and the strengthening of the regional level. If more detailed consideration lies beyond the present exercise, we note that the overall logic of the reform of the territorial state was to strengthen the regional dimension (Cole, 2012). And yet, as will be demonstrated below, the regional level was not favoured in the 2010 Local Government reform; the fear of strengthening elected authorities controlled by political adversaries outweighed the logic of creating more cohesive, ‘joined-up’ relations between the State and the Regional Councils.

The incoming Ayrault government, inspired by François Hollande’s campaign commitment to a new phase of decentralisation, also claimed that decentralisation would need to be coupled with the reform of the State. At the time of writing, the Hollande version of the relationship between decentralisation and state reform was unclear in its contours. The call for more joined-up and accountable government was given symbolic weight by the creation of a unified ministry, under Maryse Lebranchu, of the Civil Service, Decentralisation and State Reform. But there are too many questions left unanswered at the time of writing to allow for any sustained judgement of the credibility of the new approach. Who would be in charge of a new decentralisation reform: premier Ayrault, Local Government Minister Lebranchu or Interior minister Valls? In the 2012 Ayrault government, the Local Government Directorate (DGCL) was answerable to three distinct ministers (Interior, Local Government and Housing). In the early months of the Hollande presidency, questions also remained unanswered in relation to the financing of local government, the ongoing debate about competencies and structures and the future consequences of the EU fiscal compact on governing public services in France.
Dimensions and Dilemmas of local and regional governance

Reforming the mille-feuille institutionel

Decentralisation has been the subject of considerable political and institutional struggles for several decades in France[Le Gales, 2006; Le Lidec, 2007]. The main division is between regionalist and departmentalist coalitions, briefly evoked above. The Defferre laws in 1982-83 had already opposed the pro-Mitterrand departmentalists (‘départementalistes mitterandiens’) to pro-Rocard regionalists (‘regionalists rocardiens’) (Rondin 1985, p. 67). But the decentralization reform driven by Jean-Pierre Raffarin, from the end of 2002, most clearly demonstrated the departmentalist veto of the rise of the regions. Prime Minister Raffarin announced in June 2003 that the ‘reform must first strengthen the regions in France.’ The constitutional law of 28 March 2003 recognized the decentralized organization of the Republic and included the regions in the constitution alongside the communes and departments. However, although he was a regionalist, Raffarin had to accommodate the departmentalist coalition, in particular in the Senate. Numerous, influential, taking advantage of gaps between the regions, the departments finally obtained a more significant transfer of competencies than the regions. Of a total of 11 billion euros transferred from the State to the local and regional authorities, the departments obtained 8 billion. They were notably strengthened in their role as the implementers of social policy. Under the pressure of the Senate, several competencies claimed by the regions (for national roads, university buildings, or the recognized leadership in the field of economic development and innovation) were not included in the law. Thus, even if the regionalist coalition seems to have won the battle of ideas at the highest summit of the state, the departmentalist coalition has always succeeded,
in political and parliamentary battles, in preserving the broad contours of the territorial status quo.

The 2010 Local Government reform was intended in part to address the ‘problem’ of the institutional mosaic of overlapping structures. The reform was loosely based on the findings of the Balladur Commission of 2009, which advocated a radical overhaul of the structures, functions, legal principles and public finances of French local and regional government, as well as a more joined up approach to intergovernmental relations. The 2010 Reform fell short of the ambitious recommendations of the Balladur Commission. Even before the Balladur report had been published a number of its key proposals were being challenged by interested stakeholders and potential losers. The ambition to create 15 regions of a ‘European dimension’ raised the objections of those – in Picardy and Poitou-Charentes notably – likely to be abolished under the new plans. The proposals to abolish the canton as an administrative unit provoked opposition from within the Commission itself. The proposed Grand Paris was discretely buried by President Sarkozy on the same day he received the report. Ultimately, the Balladur Commission was more remarkable for its absences than its precise proposals. Early rumours that the departments might be abolished were denied; the bicentennial structure would remain. Attempts to forcibly fuse regions were abandoned. Rather as in 2004, in 2010 the idea of the lead authority (chef de file) was emptied of its substance. Strikingly, the decision not to proceed with a comprehensive overhaul of competencies was justified in interviews in terms of the complexity of the exercise; the government had neither the time nor the capacity to undertake this. The 2010 reform did not fundamentally resolve the problem of overlapping institutions.
The most controversial element of the 2010 Local Government Reform was the new territorial councillor, a locally elected politician who would combine the existing roles of departmental and regional councillor from 2014 onwards. This institutional innovation was presented by the law’s framers as a response to the calls for clarification between the roles of the regions and the departments. The argument in favour was that a single councillor would strengthen the cohesion of the ‘department-region’ couple, with a view to producing a harmonization between these two levels of local authority, hence addressing the problem of duplication. Two readings of this institutional innovation were expressed in interviews. One involved the expectation that the department would eventually wither away, with the regional councils gradually taking over the responsibilities of the departments. A more widespread sentiment took exactly the opposite position, namely that the regions would most likely be captured by departmental interests. As elections for the new councillors were due to take place on the basis of single member geographical constituencies, the territorial interests of the departments would prevail over the larger region. Ultimately, the 2010 Local Government Reform Act added still further to the institutional complexity that provided the *raison d’etre* for the reform itself. One of the first acts of the new Ayrault government was to abolish the Territorial Councillor and push back the date of the regional election to 2015.

Consistent with the anti-Sarkozy tone of Hollande’s campaign, the Socialist candidate’s promises in relation to decentralisation were largely directed against the outgoing President and the Local Government reform of December 2010. In his Dijon speech of 3rd March 2012, Hollande portrayed the vision of a neutral Republic and offered the prospect of a new phase of decentralisation. Still candidate, Hollande promised to amend a number of key elements of the law of 16th December 2010: the suppression of the Territorial Councillor (a formal proposal in the 60 engagements), granting new regulatory powers to France’s 26
Regions and placing local and regional authorities on a firmer financial basis by creating a public-owned Local Authority Bank. The political language was one of change, of a resumption of the 30 year long trend to decentralising competencies and finances to local and regional authorities. On the other hand, premier Ayrault reportedly did not call into question the key feature of the 2010 Act: namely, the commitment to ensure that every French commune formed part of an intercommunal structure by 2014.

The local governance of penury?

Over the past decade, the question of local government finance has been one of double edged pressures, mutual recriminations and central-local tensions. From the perspective of ambitious local and regional authorities, central government transferred new service delivery responsibilities in the 2004 decentralisation Act without adequate compensation in terms of financial transfers. From the perspective of an increasingly economy minded central government, local government expenditure has increased in a disproportionate manner and well beyond its sustainable level. Since 2008, the focus has shifted to the consequences of the euro-debt crisis, the legacy of toxic loans taken out by local authorities and the virtual insolvency of some councils.

In 2010, local public spending represented 20% of the overall total public expenditure and nearly three-quarters of public investment, a proportion that is likely to increase further as the transfers of competencies decided in the 2003-04 decentralization reforms are fully implemented (see table 2). There has also been a significant growth of local government employment over the past decade (see table 3). The communal bloc is by far the main provider of local government employment. However, the transfer of competences in 2004,
especially the transfer of technical employees of secondary and high schools, also largely increased the numbers of employees in the départements and Regions. The Regional Councils have seen a five-fold increase in five years in the numbers of staff they employ, from 12,514 agents in 2002 to 73,843 in 2008.

*Table 2 Local government employment (1996-2008)*

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<tr>
<td>Communes</td>
<td>1,008,675</td>
<td>1,092,833</td>
<td>1,117,284</td>
<td>1,112,603</td>
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<tr>
<td>EPCI</td>
<td>110,820</td>
<td>155,789</td>
<td>225,868</td>
<td>233,245</td>
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<td>Départements</td>
<td>160,514</td>
<td>187,199</td>
<td>245,966</td>
<td>281,717</td>
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<td>Régions</td>
<td>8657</td>
<td>12,514</td>
<td>47,513</td>
<td>73,843</td>
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</table>

*Source*: Observatoire des finances locales 2010

*Table 3 Levels of public spending from 2003 to 2010 (By billions of euros)*

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2005</th>
<th>2007</th>
<th>2010</th>
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<tr>
<td>Local and Regional</td>
<td>164.2</td>
<td>188.2</td>
<td>212.2</td>
<td>228.7</td>
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<tr>
<td>Central Government</td>
<td>413.5</td>
<td>448.8</td>
<td>446.9</td>
<td>473.6</td>
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<tr>
<td>Social security</td>
<td>385.5</td>
<td>423</td>
<td>459.7</td>
<td>513.7</td>
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*Source*: figures calculated from INSEE

The processes of territorial governance and capacity building presuppose that local and regional authorities control sufficient administrative and financial resources to exercise a degree of autonomy. So, how are local and regional authorities financed? State financial
transfers form an important part of the budgets of communal, departmental and regional councils (Loughlin, 2007). In addition to a general central government block grant (dotation globale de fonctionnement - DGF), regional and local authorities receive financial support from the decentralization grant (dotation générale de la décentralization - DGD), a fund specifically designed to compensate for new policy responsibilities under decentralization. The regions and the départements also benefit from specific grants-in-aid in order to fulfil their responsibilities in education and to cover investment items. The remaining resources come from a variety of local taxes, charges and borrowing; as representatives of local government associations repeatedly point out, local authorities are legally bound to present balanced budgets, which is not (yet) the case for the French State. The 2003 constitutional reform and the May 2004 law embedded the principle of the financial autonomy of local authorities. The constitution now affirms that the principle of ‘free administration’ requires local and regional authorities to be responsible for raising the ‘preponderant part’ of their ‘local resources’ in local taxation. There has been considerable controversy about how ‘local resources’ are defined; if we adopt a comparative approach, and if we take into account the structure of public expenditure by type of administration in the world for 2009, France appears as a country where the circuits of public spending remain relatively highly centralized. Indeed, if we add the expenditure of central government to those of Social Security (mainly healthcare and pensions), 79.3% of public expenditure is centralised against 72.3% in the UK, 68.9% in Italy, 63.3% in Germany or 50.6% in Spain.

Controlling local government finance is one central feature of the state’s close involvement in localities. Since 2004, the politicization of central-local relations has spilled over into disputes about local taxation. Largely run by the Left throughout the first decade of the 21st century, local and regional authorities were accused by the UMP government of financial
profligacy. In a move reminiscent of Thatcher in the UK in the 1980s, the Fillon government announced the abolition of the local collection and setting of business rates (taxe professionnelle) in January 2010, and its replacement by a more centralised formula-based method of tax collection, considerably limiting the fiscal autonomy of local authorities, especially the departments and regions. The effects of this radical move were immediate; from 2010 to 2012, the proportion of finances raised by local taxes declined from 50% to 20% for the départements and from 38% to 10% for the regions. Though François Hollande promised to restore the financial autonomy of regions and departments during the 2012 presidential campaign, this looks unlikely in the current economic context.

Since 2008 in particular, a number of local and regional authorities have appeared as damaged collateral of the euro and sovereign debt crisis. In comparison with counterparts elsewhere in Europe, there has been no major calling into question of territorial equilibria as a result of downgrading of local or regional authorities, as has occurred notably in Spain. But the situation has reached crisis point in a number of local authorities: in a departmental council such as Seine St Denis, for example, confronted with severe social problems as a result of the economic crisis. In a number of cases, social challenges have been made worse by the legacy of toxic loans agreed by (rather inexperienced) local and regional authorities earlier on in the 2000-2010 decade. Whether local and regional authorities will manage to renegotiate the terms of these toxic loans will be one of the major challenges for the new Hollande administration. If the announced Public Investment Bank might to provide some vital short-term financial relief, the longer-term perspective is far less certain.

The politicisation of central-local relations?
Though the right won the three presidential elections of 1995, 2002 and 2007, the left has come to dominate the ‘local state’. At the time of writing, after its victories in the 2008 municipal, the 2010 regional and the 2011 cantonal elections, the PS runs a majority of large cities, almost two-thirds of départements, and virtually all (21 out of 22) of France’s regional councils. Building on this electoral success, the left finally conquered the Senate in 2011. Until Hollande’s 2012 election, this asymmetry complicated inter-governmental relations, as central government was extremely wary of transferring more competencies to the local level, or allowing local and regional authorities full exercise over those responsibilities it formally controls. Partisan competition had a clear impact upon the outcomes of the 2004 reform; why strengthen the regions if they were to be controlled by the opposition parties? A similar calculation explained the refusal to engage in a far reaching overhaul of local government competencies in the 2010 Act.

The partisan dimension appears more powerful than ever under the Hollande presidency. Prime Minister Ayrault soon established a dialogue with the various Local Government Associations that are all dominated by the governing Socialist party. President Hollande himself received the Presidents of the 22 regions (21 of them Socialist) at the Elysée in September 2012, the first time ever regional Presidents as a group had been accorded such public attention. From these auspicious beginnings, local government policy under Hollande appears likely to be determined by the distinct territorial interests within the Socialist Party that, in 2012, dominated the elected Regions (21 out of 22), controlled a majority of départements (Hollande himself was previously President of the Correze département) and large cities and had a small working majority in the Senate. The consensual style adopted and quasi-institutional involvement of the Socialist Party made it unlikely that any radical reform
would be produced. The calendar of a new decentralisation act, promised by candidate Hollande, was clarified by the Ayrault government in September 2012, with a new bill to be presented to the Parliament in early 2013. If the content of this new act of decentralisation remains vague, the debates and negotiations were likely to focus on three key dimensions of the French decentralisation: (1) the continuing rationalisation of the communal bloc and the promotion of a new metropolitan statute; (2) the transfer of new competences to the regions with a regulatory power in some fields such as economic development and innovation (and the promise of co-management of the future Public Investments Bank and direct management of the European structural funds) and finally (3) the reform of the local tax system.

The European dimension

European integration presents a challenge for French local and regional authorities at several levels: pressures to limit public finances (see above), complying with restrictive European directives in areas such as public services and accessing the European institutions themselves. To start with the latter, France has traditionally had one of the tightest, most state-centric forms of interaction with Brussels. At an official inter-governmental level, all interactions are supposed to be cleared by the SGAE [Secrétariat général aux affaires européennes], a bureaucratic unit attached to the Prime Minister’s office. Another central state agency dependent upon the Prime Minister, the DATAR [Délégation interministérielle à l’aménagement du territoire et à l’attractivité régionale], co-ordinates local and regional bids for funding, in close liaison with the regional prefectures, the SGAR [Secrétariat général aux affaires régionales]. In practice, French regions are not absent from this process. EU rules for
the attribution of regional development and structural funds insist upon the involvement of local and regional authorities and voluntary associations. The Commission has clashed with the French government over the interpretation of these rules. The regional prefectures have associated the regions with the definition and the implementation of structural and cohesion funds. Since the passage of the 2004 decentralization law, French regions have been allowed to bid to exercise complete control over the management of structural funds on an experimental basis (the first contender being Alsace). The direction of change is clear, even though French administrative and political elites continue to resist as in many other areas of decentralization.

Like their counterparts in other EU countries, French local and regional authorities adopt an ambivalent attitude towards the European Union. On the one hand, the rhetoric of European integration includes references to a ‘Europe of the Regions’. The European level has been engaged as a resource, in spite of some formal opposition from the French state to this sort of activity. Writing on the European strategy of the Brittany region, for example, Pasquier (2009) demonstrates how Breton leaders were able to bring pressure to bear on the European Commission to allow the French government to use European funds to part-finance the high speed rail route (LGV) between Le Mans and Rennes. But in their day to day work, local and regional authorities also face a harsher edge of European integration, especially as structural and cohesion funds have dried up or been diverted to eastern and central European countries. Local authorities have had great difficulties in complying with public services legislation and the prevailing belief in the Commission (in DG Competition, if less in DG Regio) of the importance of competition as the basic principle of public service delivery. Local authorities have had to devise expensive means for tendering out public service delivery and complying with the rules of public procurement. In particular, the specific rules for the provision of
inter-communal services, whereby cross subsidies are considered as state aids, has created great practical difficulties for the smallest communes in providing basic public services. More broadly, the Eurozone crisis has had an impact on the local and regional authorities. Since 2010, central governments across the zone have initiated policies of debt reduction which seriously limit the financial capacities of local and regional authorities. In 2011, for example, the Fillon government decided to freeze the local government block grant (DGF) for three years, a move confirmed by the Ayrault government in June 2012. President Hollande’s pledge to eradicate the deficit by 2017 is likely to limit the magnitude of any new decentralisation act.

**Future Perspectives**

The core question addressed is this paper was presented in the following terms: has the uneven and partially uncoordinated development of French local and regional government over the past three decades produced a form of sub-optimal institutional competition or, on the contrary, improved public services as a result of local and regional innovation and investment? The two aspects of the question are less in opposition than might appear. On a positive reading, three decades of decentralization have reduced the tutelage of the central state, introduced genuine territorial checks and balances within the French political system, produced a degree of policy emulation across local authorities and, in some respects, improved local democracy. In specific sectors such as education, transport, economic development, French localities and regions have become the locomotives of public investment. A less positive interpretation might point to costly administration, a confusion of service delivery responsibilities, and an absence of genuine political accountability. Local authorities are not blameless. The expansion of local government staff and expenditure over
the past decade has been remarkable, involving, for instance, a 9% spending increase in 2009 on the eve of the introduction of the 2010 territorial reform bill. But neither is central government blameless. Notwithstanding Sarkozy’s rhetoric in favour of more joined-up government, the reform of the territorial state (RéATE) and the 2010 local government reform might have been implemented in ignorance of each other. The Balladur report (2009) proposed that, where state responsibilities had been transferred to local and regional authorities, the state field services ought to be suppressed, a cost cutting and potentially far-reaching measure. But there was no further reference to this in the bill.

If central-local relations have been more sanguine since Hollande’s election, France’s model of local and regional government faces new threats. The ratification of the Fiscal Compact Treaty, and the ‘constitutional austerity’ that some on the left fear is likely to ensue, might endanger some of the achievements of decentralisation. Or, from a different perspective, the fiscal compact might act as a useful external constraint to enforce a much closer supervision of local and regional government activities than ever before, either by the French government or by the European authorities. The core challenge for local and regional authorities and their professional associations will be to negotiate a new compromise in a less favourable policy environment, one where performance indicators are likely to be determined by central government, where European Union regulations will constrain what local authorities can do in service delivery terms, and where central government and the EU will continue to devise new policy instruments to steer policy in areas that affect local or regional government. Local and regional democracy thus appears caught between the rather contradictory pressures of ‘institutional layering’, as a result of three decades of decentralization reforms, and attempts by central governors to rein in local authority spending. Whatever the future holds, the incremental effects of years of reform and bottom-up innovation has been to increase the
importance of local and regional authorities as major players in the French institutional landscape. It would take a radical change to challenge this state of affairs.

References


