

Chapter 3

Multilevel Governance Geared to Co-operation

3.1. Introduction

The shift in French regional policy toward focussing more squarely on strengthening territorial competitiveness while maintaining national cohesion poses some major challenges of governance. Do policymakers involved with territorial development have coherent and effective powers, financial resources and experience? In particular, can they support the urban dynamics that are apparent not only in Ile-de-France but in many provincial territories? Can they help better-endowed rural territories to undertake competitive development projects? These are the questions facing public officials who, since the early 1980s, have seen profound changes in terms of decentralisation and in the relations between levels of government.

In order to understand the particular features of the system and to analyse the advantages and difficulties inherent in it, this chapter looks first at the changes brought about by successive waves of decentralisation, in institutional and financial terms. The issue of vertical relationships is then examined, on the basis of a device that is well known but appears to be undergoing change: the so-called “State-region planning contracts” (*contrats de plan État-région*). Finally, the third section analyses the instruments introduced to address the institutional fragmentation of territories, and in particular the consequences of the very high number of communes.

3.2. The main thrusts of decentralisation

Levels of administration and their shifting responsibilities

At the beginning of the 1980s, policy was still essentially in thrall to a centralised approach. Awareness of this situation led to the reforms of 1982. The decentralisation then undertaken was designed to bring public administration closer to the people and to reinforce local democracy, while at the same time rationalising the administration itself. Thus, the central government transferred responsibility in “blocks”, seeking to allocate homogeneous blocks of responsibilities at the appropriate level. In addition, in 1986, the regional councils were elected by direct universal suffrage. It may also be noted that the regional audit courts were created in 1982. There is now one for each region and they are empowered to audit all subnational governments (*collectivités territoriales*) within their geographic zone. They are indeed symbolic of the evolution in local autonomy, where *a priori* control has been replaced by a *posteriori* review.

Although this first stage, or “Act I”, of the decentralisation process does not seem to have achieved all its objectives, it brought a profound change to the French political and administrative system and gave a further boost to subnational government. In practice, however, the transfer of responsibilities has not been complete: quite apart from the basic functions of the central government (justice, currency, etc.), none of the territorial responsibilities can be considered exclusive. Moreover, these trends have not yet called into question the existing structures of subnational governance. In effect there seems to have been a compromise between a strong tendency to maintain traditional governance structures (central government, department and commune) and the desire for a new model where the region’s role would be reinforced (at the expense of the departments) and where the number of communes would be drastically reduced (through highly structured inter-communalities, *intercommunalités*).

This initial stage was followed more recently by what is generally called “Act II” of the decentralisation process, with the new legislation of 2003 and 2004.¹ Those laws not only reinforced the transfer of powers and responsibilities (to the departments, the regions and very marginally to the communes)² but also entailed a constitutional reform. The region is now recognised in the Constitution. Moreover, the financial autonomy that subnational governments already enjoyed (in the form of freely disposable resources) seems to have been reinforced. The law now provides that taxes and other own-revenue sources must represent “a determined portion of all resources”. Finally, the transfer of responsibilities from the central government must be accompanied by the allocation of equivalent resources (just as for the creation or expansion of responsibilities that entail increased spending). The blocks of responsibilities are now allocated in the following manner (according to a schedule covering the period 2005 to 2008):

- economic development and vocational training are essentially assigned to the regions, as is territorial planning;
- major infrastructure projects (ports, airports) are assigned to the departments (*départements*) or the regions, as appropriate;
- roads are assigned to the *départements*;
- social services, including health and services to the elderly, fall essentially to the *departments*;
- education and culture are shared among the different levels.

Local economic players are also associated with these provisions. On one hand, the chambers of commerce and industry may be consulted in the preparation of large-scale projects. On the other hand, the regions can count on the CESR (Regional Economic and Social Council), representing businesses, labour organisations, associations and individuals involved in regional development, for advice.

In fact most of the responsibilities are shared (except for vocational training which is a regional competence) according to an allocation that may be very clear, but is sometimes less so (see Annex 3.A1, regional and departmental responsibilities). Education represents a case where this sharing is very specific: the central government retains responsibility for teaching, recruitment, management and remuneration of school personnel and university, while subnational governments assume investment and maintenance responsibilities for the primary schools (communes), the colleges (departments), and the high schools or lycées (regions), with transfer of technical personnel in the two last cases. However, the pattern is not as clear for other shared responsibilities, and even if there is an assigned co-ordination role, such as the region has in the case of economic development, this can conflict with the freedom of action at each level (see Annex 3.A2 on economic development initiatives taken in 2002 by the various types of subnational government). This situation is the consequence of the constitutional principle of absence of hierarchy among subnational authorities (*non-tutelle d'une collectivité territoriale sur l'autre*).

Compared to recent decentralisation moves in Italy and Spain, the French reforms have not resulted in any institutional primacy for the region (Jégouzo, 2005). In Italy, for example, regional powers were greatly expanded between 1995 and 2002.³ The Constitutional Act of 2001 enshrines the principle of subsidiarity that now governs the sharing of responsibilities between central government and subnational government, where the central State retains only those powers strictly spelled out by law. The sharing of responsibilities thus seems to be much more clear-cut than in France. As to the financing of activities, in Spain the devolution of responsibilities to the regions went hand-in-hand with a substantial boost to their budgets: the autonomous communities (equivalent to regions) saw their budgets rise from € 56 billion in 2001 to € 88 billion in 2002, a jump of more than 50% (Dexia, 2004). By way of illustration, the current revenues of French subnational governments were supposed to rise from € 137.5 billion in 2003 to € 156.5 billion in 2005 (for an increase of 13% during a time when there was a significant transfer of responsibilities, Dexia 2005).

The central government maintains an important role

At the regional and departmental levels, central government services coexist with those of subnational governments. At the communal level, the mayor is both the chief executive of the commune and an agent of the central government, with respect to certain powers (civil registry, elections organisation, etc.). The central State maintains a local presence not only through the prefects (region and department) but also through the deconcentrated territorial offices of the various Ministries placed under the

authority of the prefects, and which form the highly developed network of administrative offices at the regional, interdepartmental and sub-departmental level. The prefects' authority is confined to the deconcentrated services of central government administrations, excluding education, administration of justice, and tax collection.

This structure is more nearly comparable to that of other unitary countries with a centralised tradition than to federal or quasi-federal countries (see Box 3.1). For example, equivalents to the prefectures are to be found in the United Kingdom, in Japan and in Sweden, but they do not fulfil a "dual representation" role as do the French prefectures, which represent the central government alongside sub-national government. The Japanese prefects have significant powers (although they do not co-ordinate the activities of all the ministries), but there is no regional structure; the powers of Swedish governors (prefects) are closely circumscribed by the municipalities, and those of the elected regional authorities are still limited; in England, representation of the central government at the regional level, where different ministries are housed in the regional "Government Offices", is not reflected in any elected regional structure (and moreover there is only limited inter-ministerial co-ordination at subnational level, since this task is in the hands of the Office of the Deputy Prime Minister rather than of regional governors or prefects).

The prefects are appointed by the President of the Republic and represent the State within the departments and regions.⁴ The regional prefects play a crucial role. Recent legislation on decentralisation, while granting constitutional recognition and greater powers to the elected regional councils, has sought at the same time to make the regionally deconcentrated State administrative apparatus more efficient. The services provided by the various ministries at the regional level are currently grouped in eight categories, and the regional prefect is responsible for co-ordinating policies for these categories (education and training, public management and economic development, infrastructure-transportation-housing, public health and social cohesion, agriculture and the rural economy, environment and sustainable development, employment and vocational opportunities, culture). In addition to the teams placed under their authority, there is now a new determination on the part of the State to give the regional prefects a role in guiding and co-ordinating the departmental prefects, although French law does not provide for any formal hierarchy among prefects. The duties of the prefects are not limited to co-ordinating the implementation of centrally decided government policies: they are also responsible for defining State strategies at the regional level (see Table 3.1). This new stage of decentralisation therefore also seems to have reinforced the role of the regional prefects, in terms of greater deconcentration.

Box 3.1. Features of decentralisation in the United Kingdom

Government in the United Kingdom is centralised but not uniformly so. Institutions differ from one region to the next, and the number of administrative levels is not the same in urban and rural areas.

Thus, the “Nations” under the responsibility of the government at Westminster have elected regional structures: Scotland, Wales (no legislative powers) and Northern Ireland (where devolution is currently on hold). This level of government is not elected in the regions of England itself, however, where there seems little demand for greater local democracy: in a recent referendum, a proposal to introduce an elected regional assembly for the North East (Newcastle region) was overwhelmingly defeated.

To this variety of regional status must be added the variety of local situations. The process of merging the communes has left only one decision-making level for urban areas, where the Council is the “Unitary Authority”. Rural areas have “County Councils” under which fall the more numerous “District Councils”. Finally, there are still some “parishes” in different places, with limited powers.

These different levels betray overlapping powers and the central government’s presence is so strong as to suggest a tendency towards “prefectoralisation” (via the “Government Offices”), driven essentially by the weakness of subnational government. In fact, the Government Offices are to prepare “Regional Emphasis Documents” addressed to the Treasury and identifying priority areas for government spending in the regions. Their chief task however is to implement central government policies and the responsible ministry maintains control over each set of expenditures. The question of reducing the central government role in the delivery of local public services appears to focus essentially on using private operators rather than deconcentrated public units. This same tendency is apparent in the debate over the definition of regional strategies. The Regional Development Agencies (RDA) are councils made up of local business representatives and members of public commissions, are appointed by the central government. Their task is to prepare a document, the “Regional Economic Strategy” (RES), heavily focused on economic development and competitiveness issues (financing for these bodies comes from the Department of Trade and Industry). There are a number of agencies that oversee the work of this structure and other “QUANGOS” (“Quasi-Autonomous Non-Governmental Organisations” that deliver public services and whose members, although often from the private sector, are appointed by the State) and in particular the Government Offices that have sectoral responsibility.

Regionalisation thus seems more the product of iterative processes than of any co-ordinated plan. The system is characterised both by a high degree of centralisation and by the fragmented intervention of many players. The absence of an elected regional level contributes to this complexity, and regional governance thus relies on a great variety of organisations ranging from government agencies (appointed) to “quangos” (also appointed) and a wide assortment of arrangements between local and regional authorities and private players.

Table 3.1. Deconcentration and decentralisation: schematic presentation of deconcentrated services of State administrations and subnational governments

	Deconcentrated services of central government administrations	Subnational governments
Regions (26)	Regional prefect Secretary-General for regional affairs Deconcentrated services (Regional directorates for infrastructure, housing, agriculture, education, etc.)	President of the Regional Council General directorate of services Directorates (education, economic development, communications, etc.) Economic and Social Council (representatives of businesses, unions, associations and qualified individuals)
Departments (100)	Departmental prefect Secretary-general of the prefecture Sub-prefects "d'Arrondissement" Deconcentrated services (departmental directorates: Infrastructure, housing, etc.)	President of the General Council General directorate of services Directorates (roads, communication, environment, social assistance, agriculture, culture and tourism, education, etc.)
Municipalities (36 560)		Mayors

Deconcentration: The State transfers certain powers exercised centrally by the central administrations (implementation of public policies, administrative decisions) to the subnational level, regional prefectures, departmental prefectures, deconcentrated services.

Decentralisation: The State transfers the exercise of certain powers to elected subnational governments (regions, departments, communes).

The process of decentralisation seeks to achieve greater efficiency in public expenditure. Consequently, any transfer of responsibility must be accompanied by a transfer of the necessary personnel to accomplish the tasks devolved. The new powers assigned to subnational governments are accompanied by transfers of personnel from central government agencies. Will those personnel transfers be sufficient? Many such transfers are now underway: technical, operating and service staff (TOS) of local education establishments, to the regions and departments; and technical staff of the departmental infrastructure directorates (deconcentrated services of the Ministry of Infrastructure) to the departments confirm the new distribution of responsibilities in these fields (see Box 3.2). This has not led, however, to the elimination of certain delegations (deconcentrated services of the central government).

This picture of the shifting role played by the central government in the regions has to be supplemented by a presentation of DIACT (Délégation Interministérielle à l'Aménagement et à la Compétitivité des Territoires)

Box 3.2. **Employment trends in the subnational public service (fonction publique territoriale)**

According to the report from the Public Employment Observatory (*Observatoire de l'emploi public*), the subnational public service employed 1.02 million persons in 1980, and slightly more than 1.4 million in 2001, for an increase of 30% over that period. By way of comparison, the national public service (central State civil servants, 2.409 million employees in 2001) grew by only 23% over that time. This tendency is likely to be accentuated with the creation of new subnational government jobs as responsibilities are transferred, essentially to the regions and departments. The situation report of November 2004 from the National Centre for the Territorial Public Service (CNFTP) shows a staffing increase of 2 to 3% in 2004 for all levels of subnational government.

It is important to note that, while the management category (A) accounted for more than 49% of civil servants in the central government in 2001, the great majority (nearly 78%, according to the Public Employment Observatory) of civil servants at the subnational level are in the non-management category (C).

Moreover, there are obstacles to moving between the national and subnational civil services.

For these reasons, the regions and departments seem to be recruiting most of their managers externally, thereby creating new jobs.

Source: Dexia February 2005.

(ex-DATAR, Office for Territorial Development and Regional Action), an inter-ministerial agency reporting to the Prime Minister and responsible for regional policy co-ordination (see Box 3.3). However current reforms seem to lessen the co-ordination function of DIACT. In fact, strategic proposals put forward by the prefects for their regions are currently reviewed by a national committee co-chaired by the Ministry responsible for State Reform (the Budget Ministry) and the Ministry of the Interior and Territorial Planning. The secretary-general of government organises interministerial meetings where the various ministries agree on central government strategy in each region.

Measures to counter territorial fragmentation

France has a huge number of communes (more than 36 000, representing 40% of all the communes of the 25 European Union members); at the same time those communes have on average fewer inhabitants than do those of any country in Europe except the Czech Republic (1 600). While the first

Box 3.3. **DIACT (ex-DATAR) organisation and activities**

DIACT provides secretariat services and prepares documents for the Interministerial Committee on Territorial Planning and Competitiveness (CIACT), chaired by the Prime Minister. This committee decides territorial planning policy guidelines and measures.

DIACT is also the prime partner of the regions. These partnerships were recently extended to the European level, and will be strengthened by the decentralisation process now underway in France. They involve:

- Preparation, implementation and monitoring of the State-Region Planning Contracts (CPER), in which the central government and the regions agree on strategic priorities. For each contract, an action plan is adopted and the respective financial commitments are set. For the fourth generation of contracts (2000/2006) central government expenditure will amount to € 18.3 billion. An equivalent amount will be provided by the regional authorities.
- The interface with Europe: DIACT serves as liaison between the European Commission, the French government (at the central and regional levels), subnational governments and other bodies concerned with European regional policy. France was allocated more than €16 billion for the period 2000/2006 within this framework.
- Implementation of territorial development policies. Along with the National Fund for Territorial Planning and Development (FNADT), which finances measures that serve broad objectives, the DIACT supports its activities with a specific assistance mechanism for enterprise development: the Territorial Planning Bonus (PAT). It is also involved in promoting clusters and the so-called “competitiveness hubs” (*pôles de compétitivité*).

DIACT also conduct studies and performs monitoring and forward planning activities within its fields of competence.

Organisation of DIACT

DIACT consists of five teams responsible for specific areas: regional development; local development (although urban policy is entrusted to the *Délégation Interministérielle de la Ville*, which is part of the Ministry of Employment, Social Cohesion and Housing) and rural policy; economic development and attractiveness; the central government’s territorial policies and sustainable development; and European affairs and international relations, to which may be added the monitoring and forward planning units, and a General Secretariat.

Box 3.3. DIACT (ex-DATAR) organisation and activities (cont.)

Specific trained personnel for industrialisation and development in some areas and in mountain regions assist DIACT. In addition, DIACT contributed to the creation of the French Agency for Foreign Investments (AFII) and its abroad offices (New York, Boston, Chicago, Los Angeles...) aiming at identifying possible investors. DIACT is still responsible of this agency jointly with the Ministry of Finance, Economy and Industry.

The National Territorial Planning and Development Fund

The instrument for financing CIACT decisions is the FNADT. This fund supports projects to encourage employment and attract industry to territories, as well as to promote their natural and cultural heritage. FNADT also provides funding for projects that use information and communication technologies. It consists of three units, handling:

- implementation of CIACT decisions;
- financing of planning contracts and interregional activities;
- contributing to the establishment of public services and local efforts at inter-municipal co-operation level.

decentralisation laws of 1982 addressed responsibilities, resources and oversight for subnational governments, they did not deal with the issues posed by the consecutive subdivision of local government. Yet the small size of the communes poses some major disadvantages in terms of efficiency (in particular the narrowness of the tax base and the inadequacy of financial resources for carrying out their responsibilities). The device of “inter-communality” (*intercommunalité*) was selected as the most effective way of gradually reforming French territorial institutions, through a series of laws adopted during the 1990s (and in particular the law of 12 July 1999). There were inter-communal structures of long-standing, but the French authorities were determined to redraw the map and the manner in which municipalities relate to each other. This policy was very successful in terms of the spread of inter-communal structures and today the local administrative organisation is being completely overhauled under the impact of the inter-communality reform (see Section 3).

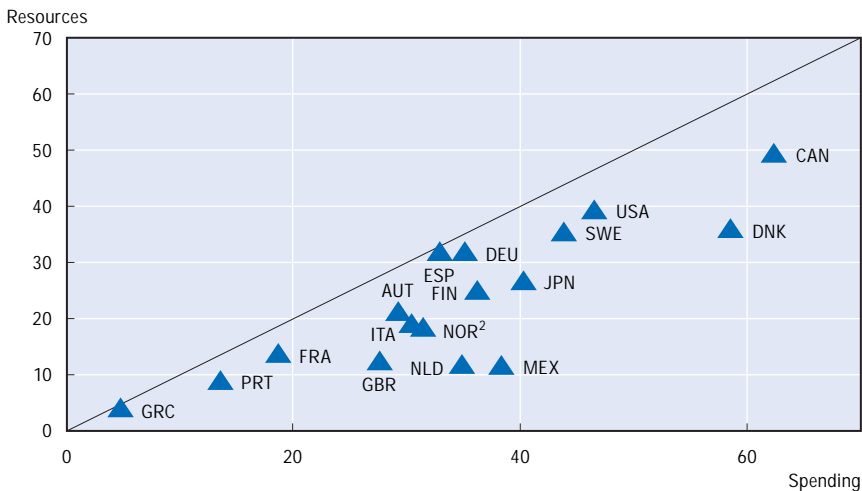
Subnational government finances and fiscal relations with the State

By bringing public decision-making closer to the people, decentralisation is intended to improve the efficiency of public spending by giving subnational government more room for manoeuvre. This is being achieved not only by reforming institutional mandates, the allocation of responsibilities, and

relationships between the different levels of government, but also by strengthening the financial position of subnational governments and changing their budgetary and fiscal relations with the central government. The following paragraphs examine the current situation of subnational governments in France.

In 2003, subnational governments were responsible for 20% of public spending nationwide (nearly 10% of GDP), while they raised 15% of revenues (see Figure 3.1). Despite 20 years of decentralisation, they carried much less financial weight than their equivalents in most other OECD countries. In some countries, indeed, subnational levels of government have much greater spending autonomy, with responsibility for important sectors such as health and unemployment benefits, balanced by greater revenue autonomy through their ability to impose local income taxes. Yet in all countries examined, transfers from the central government exceed local revenues in importance, or are equivalent to them, as in Canada. The figures for France, however, are changing as a result of the second wave of decentralisation, with the increased devolution of spending.

Figure 3.1. **Subnational government share in total public revenues and spending**
Per cent, 2003¹



Note: Revenues consist of direct and indirect taxes and levies that flow to local and regional governments. Expenditures are measured as a percentage of general public spending. Transfers are shown at net value.

1. Or last available year: 2000 for Japan, 2002 for Denmark and Mexico.

2. Mainland only; data do not cover revenue from oil production.

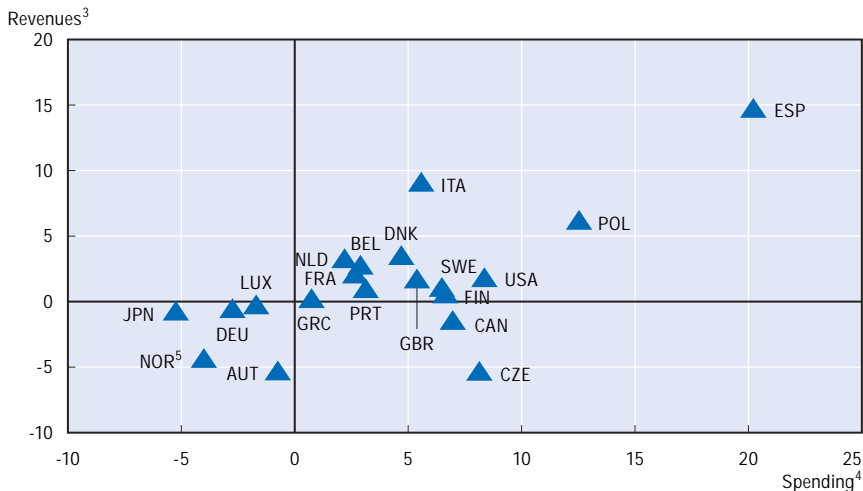
Source: OECD, National Accounts; Statistics Norway; Statistics Canada; US Bureau of Economic Analysis.

The impact of decentralisation can be seen in the changes in the subnational government share of total public revenues and expenditures (see Figure 3.2). Since data are available only to 2003, this shift is very small in the case of France, while in two neighbouring countries that had made radical changes by that date, Spain and Italy, subnational fiscal autonomy has risen sharply. In Spain, in particular, the subnational levels of government have seen their spending budgets jumped by more than 20%.

Own resources, transfers, and reform of the equalisation system

The resources of subnational governments consist of tax revenues, State financial assistance, transfers from the European Union and other governments, and service charges and levies. This list is supplemented by the proceeds of loans for financing investments. In 2002, the last year for which definitive data from subnational government accounts (communes, departments and regions) are available, the budget amounted to € 137 billion (see Table 3.2).

Figure 3.2. Decentralisation in OECD countries: change expressed in percentage points, 1985¹-2003²



Note: Decentralisation is measured by the changes in the share of subnational governments in total public revenues and spending.

1. Or earliest year available: 1987 for the United Kingdom, 1989 for Canada, 1990 for Japan, Luxembourg and the Netherlands, 1991 for Germany, 1993 for Sweden, 1994 for Finland, 1995 for Austria, Belgium, the Czech Republic, Denmark, Greece, Poland, Portugal and Spain.

2. Or latest year available: 2000 for Japan and 2002 for Denmark.

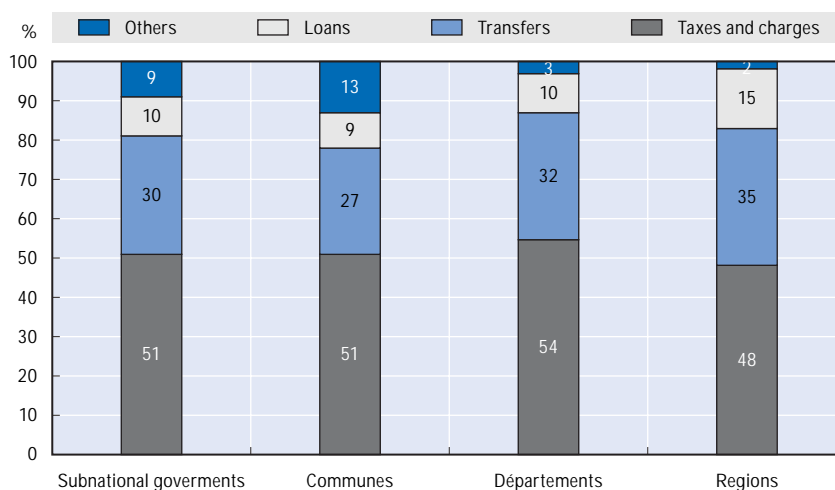
3. Excluding transfers received from other levels of government.

4. Excluding transfers paid to other levels of government.

5. The share of subnational revenues is expressed in per cent of total government mainland revenues.

Source: OECD, National Accounts; Statistics Norway; Statistics Canada; US Bureau of Economic Analysis.

Table 3.2. Subnational government revenues, 2002



Source: Direction Générale des Collectivités Locales, Ministère de l'Intérieur, 2005.

There are four direct local taxes: the occupancy tax, the developed property tax, the undeveloped property tax, and the business tax (*taxe professionnelle*). Each commune, department and region fixes the rates it will apply to the tax base for these for taxes (CNFTP, 2002). The business tax is the most important one, accounting for nearly half of subnational revenues.⁵ In fact, the yields from these four taxes vary greatly, from less than € 1 billion for the undeveloped property tax to more than € 23 billion (in 2004) for the business tax (Ministère de l'Intérieur, DGCL, 2005). The levying of these local taxes is distributed in different ways among the various levels of government: occupancy tax (communes, inter-communalities, and departments), developed and undeveloped property taxes (communes, inter-communalities, departments and regions) and the business tax (communes, inter-communalities, departments and regions).

There are thus multiple layers of rate-setting (most frequently, each level will add an additional margin to the common tax), in addition to the central government, which establishes the rules. There are ceilings in effect (e.g. the communes' property and occupancy taxes may not be more than 2.5 times the national average for 2004) and a specific principle that of the "linkage of rates" intended to control rate increases. These rules are numerous and technical. One solution to the complexity of the local tax system might be to move towards "fiscal specialisation" where one single level of government would be assigned the power to set each tax (avoiding wherever possible any intervention by the central government). Some recent reforms have pointed in this direction, by removing the occupancy tax from the regions and the

business tax from those communes that are members of inter-communalities that have opted for a single business tax. However, adopting a strict rule of “one local tax for one level of subnational government” poses the risk of dependency on a single tax source. This move deserves to be carefully analysed. Comparing this option with the one adopted in neighbouring countries sharing similar basic conditions (initially unitary system, three-level structure of subnational government, heavy waves of decentralisation), it will be seen that in Spain taxes are specialised (with exception), while in Italy they are shared (in particular, income tax surcharges).

Local taxes have been the subject of constant adjustments since the late 1960s, in an attempt to steer the burden away from salaries and wages. Reforms have focused on selective relief (e.g. exemption of the salary base from the business tax, capping the occupancy tax as a function of income), compensated by the State (rather than any substantial reform, see Guengant, 2005). In 2004, the State financed half of the business tax and around a third of the occupancy tax and the undeveloped property tax. In effect, the State pays these offsets at a fixed rate (that for the fiscal year or the year of relief): this is something that the budget office insists on. The developed property tax is the only local tax that is paid almost in its entirety by local taxpayers. These offsets are however a burden on the central government budget and the rules for compensation and for indexing subnational government revenues do not seem consistent with the current drive for productivity and economy in public spending.

With these findings in hand, and especially in light of the constitutional reform of 2003, there should be no further resort to the old compensation methods. Indeed, during preparation of the 2006 budget, it has been decided to transfer a portion of central government tax revenues, rather than a budgetary subsidy, to cover the new local responsibilities. The domestic consumption tax on petroleum products (TIPP) for the regions and the special tax on motor vehicle insurance policies for the departments (totalling € 547 million in 2005 and € 1.2 billion in 2006) are allocated in this way. Consideration is being given to letting subnational governments modify the rate for these taxes, at least for the TIPP. It would seem, then, that there is a shift away from the tendency to transfer budgetary resources to subnational governments, in favour of a tax transfer. In Spain, the share of tax transfers in subnational revenues rose with the granting of tax revenue transfers to the autonomous communities in 2002 and to the major cities in 2004. In return, overall subsidies to the autonomous communities have declined and those to the major cities have been eliminated. France seems to be moving in this direction at the present time, although the Constitution still requires that the transfer or creation of new responsibilities must be fully offset by the State (in particular through the allocation of budgetary resources).

Central government grants, on the other hand, have a further economic objective, which is fiscal equalisation. In 2005, the budget law raised to more than € 62 billion the financial transfers to subnational governments, of which € 39.2 billion went to operating transfers (essentially the global operating grant, *dotation globale de fonctionnement* or DGF, of € 37.9 billion), € 6.4 billion went to capital grants, € 4 billion to finance the transfer of responsibilities, and € 12.5 billion to offset tax exemptions and relief. The DGF can be broken into two major parts: a lump sum to finance local public services (calculated as a certain amount per head based on demographic factors, and a small amount per hectare, based on the surface area of the communes) and to offset certain tax revenues; and an “equalisation” portion that includes the “urban solidarity grant” (DSU), the “rural solidarity grant” (DSR), and the “national equalisation grant” (DNP).

The great bulk of central government transfers to the subnational levels are non-earmarked, leaving the subnational authorities great freedom of action in spending them. However, this freedom is constrained by constitutional responsibilities for providing local public services (see the analysis of subnational government expenditure below). Among the most important grants is the DGF, the “global operating grant”, which was recently overhauled to “globalise” it by rolling into it a number of previously separate grants and offsets. While this move is consistent with the desire for simplification, it nevertheless tends to obscure the purposes of the transfer (financing, compensation and equalisation) and to ratify the disconnection between the local tax effort and local revenues (since the transfer includes a portion to compensate for local tax relief, awarded for equalisation purposes).

A recent assessment of the equalisation impacts of these provisions, commissioned by the *Commissariat général du plan*, found that the lump-sum portion of the DGF has a greater overall equalising impact, because of the volume committed, than the specific provisions to this end, even if the latter are more effective (Gilbert and Guengant, 2004) (see Box 3.4). On the whole, the equalisation system is having a positive and growing impact. But at the same time there are still great disparities in that impact between communes, although the differentials between departments and especially between regions are less pronounced. An important lesson from that study is that the marked progress in reducing interregional disparities is due essentially to the elimination of taxes, with the resulting reduction in inequalities and sharp growth in compensatory grants. Thus it is not so much the success of the equalisation provisions but rather the removal of the regions’ fiscal autonomy that seems to be promoting convergence in their resources.

Box 3.4. Evaluation and evolution of the French equalisation system

There are great disparities in terms of fiscal potential and local charges between different local governments at the same level, and in particular between communes.* Thus, the fiscal wealth of the richest 1% of communes is 44 times higher, per capita, than that of the poorest 1% of communes. The policy challenge is to offset differences in local governments' purchasing power in terms of local public services. The French equalisation system is based on three principles: the aim is to achieve equality of purchasing power, and hence of fiscal wealth corrected by local charges; equalisation does not seek absolute equality but rather progressively greater equality through national transfers; and finally, the financing of equalisation is based on recycling financial compensation paid by the central government to offset local taxes eliminated or reduced and expenses incurred through the devolution of responsibilities. A recent study (and one that had a strong impact) showed that the overall correction rate after payment of subsidies amounted to 40% of wealth gaps. One-third of this can certainly be attributed to explicit equalisation transfers, but, more importantly, two-thirds is due to other grants, where redistribution is not the primary objective: compensation for taxes abolished or for burdens transferred.

The constitutional act of 28 March 2003 makes equalisation a constitutional obligation. The DGF, the "global operating grant", which is the pivotal point in the financial relations between the central government and local governments, has been doubled following the reforms contained in the 2004 finance law, and now amounts to € 36.7 billion after the inclusion of grants and fiscal offsets that were separate from that fund. The "globalisation" of the DGF (which essentially means the inclusion of previous separate offsets) and the increase in its volume has also been accompanied by resort to some innovative devices. The first was the move, in 1991, to supplement the vertical forms of equalisation with horizontal forms (from the wealthier collectivities to the poor ones): between departments, and then through the regional solidarity fund (FSRIF) between the communes of Ile of France. The introduction of the TPU ("single business tax") at the inter-communality level may be said to have contributed to this enhanced equalisation by smoothing out business tax rates and revenues across all partner communes. Moreover, within the inter-communality grant, the "equalisation fraction" represents 85% of the volume, distributed according to the wealth criteria of the intercommunalities. Yet even this is not regarded as sufficient. A major reform was made through the 2005 finance law, with its shift from the notion of "fiscal potential" to that of "financial potential".

Box 3.4. Evaluation and evolution of the French equalisation system (cont.)

The idea is to expand the base for calculating the resources of the various communes or the various departments before equalisation by adding the amount received through permanent and predictable transfers, as if these grants (the bulk of which originated in the offset of former local taxes) were generated locally. This change is viewed as a way to take better account of wealth disparities between communes, because it modifies the eligibility criteria for the equalisation portion of the transfers.

* Fiscal potential: the yield per capita of the four direct taxes that a local government would obtain if it imposed average national rates instead of its own rates.

Local charges index: an indicator of the cost to the user for the supply of local public services. It is evaluated indirectly using various criteria (demographic, social, economic and geographic) that are deemed to exert an influence on local government spending and that in this way tend to generate inequalities.

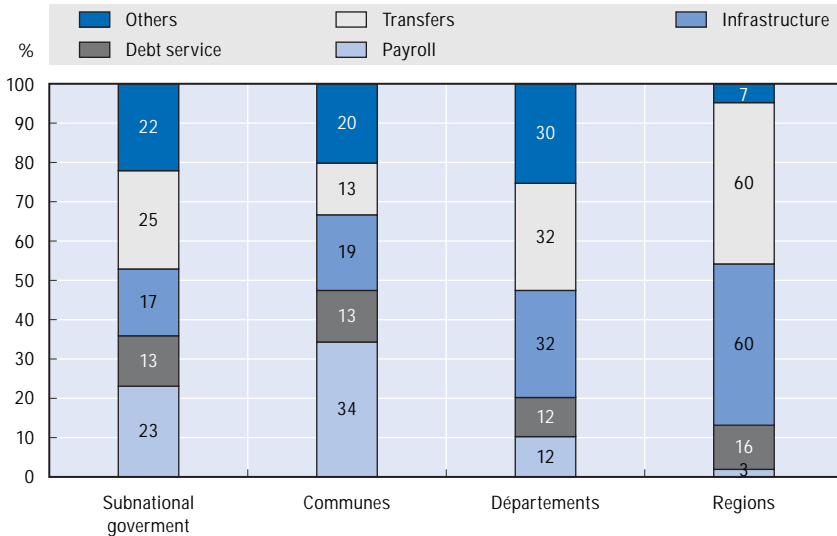
Source: Gilbert et Guengant, 2004 and Philot, 2005

Subnational government spending

While resources are structured in much the same way at the different levels of subnational government, the spending structure varies considerably (see Table 3.3). The departments are increasingly responsible for delivering social assistance: this accounted for 15% of their spending in 2002 and is expected to reach 45% in 2004, with decentralisation of the minimum income guarantee (*revenu minimum d'insertion*, RMI: 10%), and the personal independence benefit (*allocation personnalisée d'autonomie*, APA: 8%). To this responsibility must be added roads (14%), "economic services" (10%) and the colleges (8%). The regions finance the high schools or lycées (22% of their spending in 2002), vocational training (15%), passenger rail transport (14%), transport and telecommunications (12%) and "economic action" (6%). It is clear, moreover, that the regions transfer a significant portion of their budget to subregional governments, and that their payroll expenditures were still very modest in 2002.

The expenditure items of subnational governments can be identified under two broad headings: mandatory spending and optional spending. Subnational governments are required to budget for the spending required of them by law (which may be imposed by the prefect). Mandatory spending covers a broad field and results from decisions over which they have no control (payroll hikes imposed by civil-service wage accords, environmental and safety standards, etc.). These burdens limit the manoeuvring room of local officials when it comes to discretionary spending. It should be noted however that, according to INSEE, subnational governments were responsible in 2002 for 71% of non defense public capital investments.

Table 3.3. Subnational government spending, 2002



Source: Direction Générale des Collectivités Locales, Ministère de l'Intérieur, 2005

3.3. Co-ordination between levels of government

Co-ordination among the different levels of government is a key question for regional policy, in light of such factors as institutional autonomy, the multiplicity of players, financial dependence, and shared responsibilities. To address this need, the French authorities have instituted “public action contracts” (*contrats d'action publique*) and have promoted a partnership approach in defining regional policy strategies.

Public action contracts

For more than 20 years, in fact since the decentralisation process began in 1980, France has been developing and experimenting with “public action contracts” as a means of putting public policies on a contractual basis, promoting co-operation, and breaking down barriers between the many players – central and subnational, private and public (Gaudin, 2005). The initial rationale for this approach included the emergence of new areas of activity beyond the conventional public policy fields (for example the environment), and the increasingly crosscutting nature of many issues (for example, the linkages between social and urban policies, economic action, and cultural policies and their impact on local development). This called for new forms of co-operation and partnership, which were distilled in the public action contracts. The implementation of the “blocks of responsibilities” was thus often associated

with contracts such as the State-region planning contracts designed to decentralise economic planning, to regionalise the financing of major public works, and to encourage negotiation as a new tool for public intervention.

“Putting public policies on a contractual basis was thus seen as a means of ‘re-stitching’ the fragments of public intervention that were scattered by decentralisation in the 1980s, or more precisely of articulating them among the policy sectors and the diversified levels of responsibility, ranging from the commune to the central government, without resorting again to centralisation and the classic hierarchical relationships” (Gaudin, *op. cit.*, p. 217, our translation). As early as the 1970s there were experiments with “city contracts” (*contrats de ville*) between the State and mid-sized urban communes for the renovation of city centres. This period also saw the negotiation of the first *chartes de pays* (“charters” for the “pays”) and contracts for upgrading the housing stock. The overall objective of these initiatives was to empower subnational governments by enlisting them in projects jointly defined and financed under a contractual relationship with the State.

The notion of “contract” is itself controversial. Public action contracts are in fact multi-faceted procedures that were used first by the central government and then by subnational governments and by the European Union in a great variety of public policy sectors, sometimes combining public and private players, sometimes only public players, and designed to overcome administrative segregation, to broaden the field of cofinancing, or to delegate responsibilities. The all-embracing nature of the term “contract” is probably excessive. It boils down to a minimum procedural form that is often unclear in its implementation. What is specific about this procedure in the end is that it gives form (often more political than legal) to partnership commitments: a form that from the legal viewpoint stands midway between the conventional institution (public co-operation establishment or *établissement public de coopération*, public interest grouping or *groupement d'intérêt public* for example) and a contract under private law.

The preparation of regional policy strategies

The involvement of all players (in particular the ministries concerned) in preparing central government strategies for the regions is based on the following principles: the process must reflect the viewpoints of many stakeholders, it must proceed by negotiation (rather than by fiat or by consensus), and it must preserve the central government’s decision-making power. There are two regional strategy documents that represent two different viewpoints.

- *The strategy document of the regional prefect.* Following in-depth discussion organised by the regional prefect, medium-term programmes are adopted at the regional level. Their preparation involves the heads of the

deconcentrated ministerial services and the departmental prefects. External advice (from subnational governments, universities, consultants, regional economic and social councils, etc.) is generally solicited in assessing the territory's strengths and weaknesses. The prefect, acting under his own responsibility, submits a document that has been known since 2004 as the *Projet d'action stratégique de l'État en région* (PASER) or "Project for State regional strategy", with a three-year time horizon, laying out strategic considerations and priorities for territorial action. A "National PASER Monitoring Committee" (*Comité national de suivi des PASER*), co-chaired by the minister responsible for State reform and the Ministry of the Interior, which is today also responsible for territorial planning, serves as the framework in which the central ministries define State strategy in each region, in collaboration with the regional prefect. This tool, which has a quasi-contractual status committing the central ministries, is particularly useful for preparing future contractual arrangements with subnational governments, or simply for developing partnerships. With its objectives and performance indicators, the PASER is also a tool for conducting and evaluating the State's main territorial policies (in the spirit of the new budget law, the LOLF).⁶

- The strategy document of the Regional Council. At the same time, the regional council draws up its own medium-term planning document, the "regional territorial planning master plan" (*Schéma régional d'aménagement du territoire*, or SRADT). It is assisted in this task by the Economic and Social Council, comprised of business and labour representatives and academics. The document contains a forward-looking analysis and a "regional charter", together with a series of maps, and serves as a reference for other subnational governments and public agencies.
- Moreover, by virtue of the law of 13 August 2004 on local responsibilities and freedoms, the regions are entitled to draw up a *Regional Economic Development Master Plan* (*Schéma régional de développement économique* or SRDE), on an experimental basis for five years (to 31 December 2009), in collaboration with other local governments, inter-communal structures and local economic players such as the chambers of commerce and industry. According to the law, when an exploratory SRDE (regional economic development plan) is adopted by a region, the region has the power, by derogation from the state, to allocate the resources that the plan provides for enterprises. A convention is agreed between the state, the region and, where relevant, other local authorities in which the objectives of the plan are defined as well as the financial resources contributed by each of the parties.⁷

The two regional strategy documents prepared by the regional prefect and the regional council are fundamental steps that, despite their differences (three-year versus medium-term horizon) make it possible to identify the main

areas of common interest. They establish the needed basis for negotiation of the planning contracts between the State and the regions. Moreover, European financing can only be incorporated into these contracts upon presentation of the strategy documents (see the following section on the State-region planning contracts). French planning thus relies today almost exclusively on the regional level, given the responsibilities of the elected regional councils and the role assigned to the regional prefects. It is these two players that negotiate the planning contracts between the State and the region. Over the last 20 years, French planning has thus evolved from “fully central” to “fully regional”.

Reforming the State-region planning contracts (CPER)

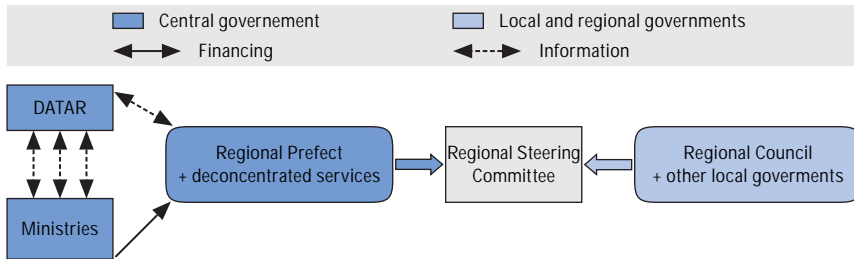
Background and features of the current mechanism

The CPER became the strategic instrument for regional development policy in 1984, only two years after it was created by the law of 29 July 1982 on planning reform. These contracts have been negotiated with all regions since 1984, for periods of five to seven years (the current contract runs from 2000 to 2006). These are detailed documents that present all the programmes and measures that will be carried out over a given period. The central government and the region co-finance projects defined in them: the most recent contracts may call for contributions from other local governments and from the European structural funds as well. They include a financial appendix specifying each party's financial commitment for the period involved. The CPERs do not necessarily imply budgetary transfers between central and subnational governments; rather, they generally focus on the responsibilities and commitments of each party, while providing a detailed description of the purposes of each measure.

While the first contracts were essentially devoted to infrastructure projects and industrial modernisation, those of the three subsequent generations have addressed a much broader range of questions, including grants for regional innovation and economic development and incentives for territorial initiatives. Since the 1990s, the budget allocated to these contracts has jumped spectacularly by more than 45% for each new generation of contracts. Thus, the amount for the 2000/2006 CPER is triple that allocated in 1984/1989 (see Annex 3.A3). The central government has also attempted to give the more disadvantaged regions the ability to compete on an equal footing by providing a larger share of funding through the contracts (which it has seen as an equalisation tool) as a function of their unemployment rates, their employment prospects, and their budgetary capacity indicators. The idea has been to promote local development by using the contracts as a supplement to other more conventional programmes based on redistribution transfers.

Implementation of the contracts requires participation by different agents: the central, regional and local authorities, their representatives, and some intermediation bodies:

Figure 3.3. **Contracts of plan outstanding**



The planning contract is the culmination of a long process based on the mutual commitment of two groups of stakeholders: 1) the elected local and regional authorities, and the “development agents” in the region (businesses, associations, etc.), under the co-ordination of the regional authorities, and 2) the regional prefect, who serves as the “intermediation agent”, and liaison with the regional offices of the central ministries. These two groups together implement and monitor the planning contracts through a regional steering committee (*comité régional de pilotage*). The State’s commitments are carried out by the Regional Administration Committee (CAR), which is responsible, inside the regional steering committee, for programming State investments in the region. The draft contracts, negotiated at the regional level, are co-ordinated by DIACT, which serves as liaison between the ministries and the regional prefects and prepares the final submission to the Prime Minister prior to approval of the contracts. It is important to note that, under the current contracts, when it comes to “territorial development” it is the inter-municipal bodies that prepare the horizontal territorial projects that require approval at the regional level.

For the current contracts, the regional prefectures worked out a preliminary draft in 1998/99 in the form of a “summary action plan” (*plan d’action synthétique*), highlighting the strategic priorities emerging from the consultations conducted by the regional prefects and the regional councils. An initial decision was then taken at the national level to allocate a financing envelope to each regional prefect covering national governmental priorities, to be supplemented later by a second envelope to take account of regional priorities. Based on this initial State mandate, negotiations then took place between the regional prefecture and the regional council (accompanied by the departments and major municipalities, depending on the region). The outcome of these negotiations was referred back to the central government,

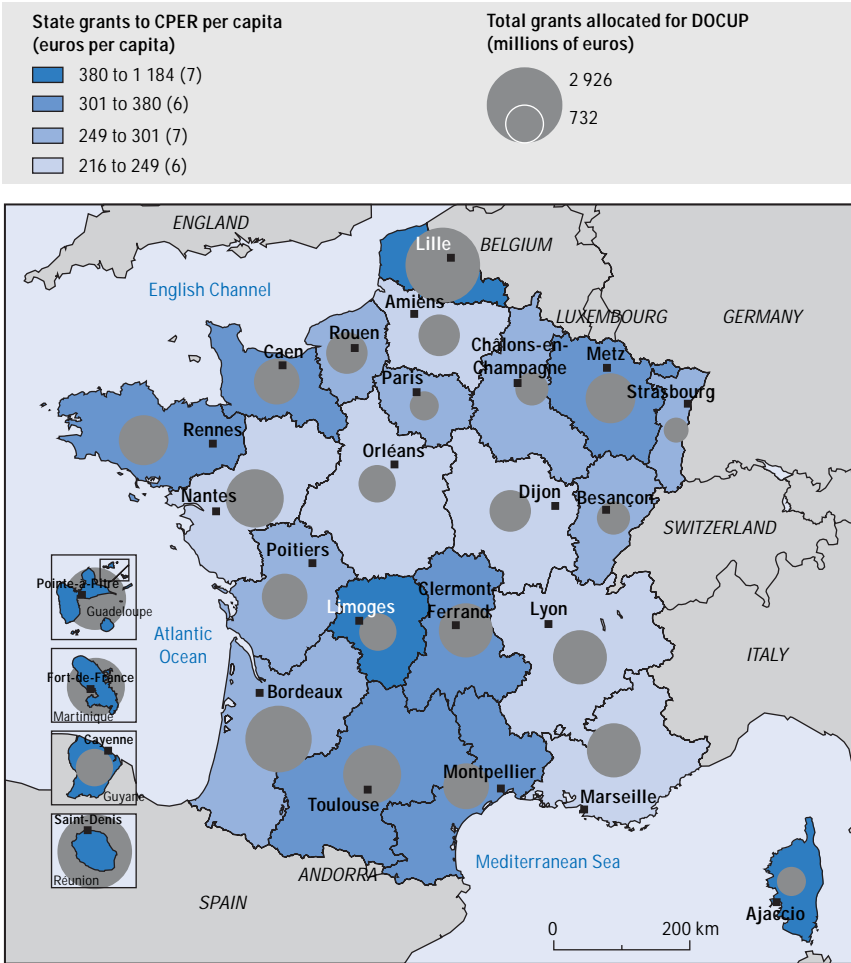
which then establish the amount of the second envelope. Thus, in principle the State can block certain programmes but, except for the large-scale projects that are generally identified during the negotiations stage, it is rarely involved in the projects identified in these programmes themselves. These result from the selection of projects at the regional level, which is often a matter of intense competition. This rivalry effectively ensures that the hard-won funds will be actually committed at the local level. Yet the process is not written in stone, and if types or lists of projects (sometimes exceeding possible commitments) appear on each budgetary line it is for the purpose of giving the partners some flexibility in reaching agreement.

Current status

The current contract (2000/2006) continues the trend to higher and more varied budgets. Today, the budget is bigger and the regional share slightly exceeds that of the central government. Public investment under these contracts represents about 15% of the central government's civil investment budget and 30% of the regional councils' capital budgets. The State contribution varies from 39% (Ile-de-France) to more than 63% (Limousin), reflecting its efforts to help the poorer and less competitive regions in catching up (see Map 3.1). The ministries that contribute most to the regional programmes under these contracts are the Ministry of Infrastructure, Transport and Housing (40%) followed by the Ministry of Education (17%) and the Ministry of Agriculture (9%) (see Annex 3.A4). In fact, however, there are nearly 20 ministries participating today in the State-region planning contracts. The trend toward contracts covering ever more fields and involving ever more financial resources also reflects the demands of the regions, eager to build infrastructure (roads, university campuses, etc.) and to pursue policies to promote regional development. By contributing financially to these tasks, the regions are able to speed up implementation and to have a say in decisions that were formerly beyond their purview.

The planning contracts now in effect, which are to run for seven years in order to coincide with European programmes and thereby improve their co-ordination, are structured in different ways according to the region, but reflect the three broad horizontal priorities set by the government: employment creation, sustainable development, and reduction of social and territorial inequalities. Priority is also given to "soft" functions (education, research and development, ICTs, etc.) as well as infrastructure other than roads (the share going to rail infrastructure has risen significantly). These State-region contracts contain a regional component consisting of actions of interest to the entire regional territory, as well as a territorial component intended to finance sub-regional actions defined in contracts with the *pays* or with urban areas through the "agglomeration" contracts (*contrats d'agglomération*). In principle, at least 25%

Map 3.1. State region planning contracts and European structural funds



Source: DATAR.

of the regional budget contract is supposed to be earmarked for this territorial component (see following section). These planning contracts also contain an interregional component for projects and programs of interest to several regions (for example, contracts covering a specific mountain range, the *contrats de massifs montagneux*). These raise € 830 million from the central government, supplementing the € 17.5 billion earmarked for the regional contracts.

The distribution of contract funds by area reflects the differentiated nature of the tool. The CPERs are primarily instruments for supporting or, depending on the point of view, for transferring to subnational governments

the responsibility for large-scale investments that the State can no longer afford in light of its budget difficulties. Thus the central government is contracting out nearly all of its road transport operations, while the budget item devoted to employment, for example in Rhône-Alpes, represents only 1% of what the prefecture spends on employment in this region.

Financing of the CPER and co-ordination with European structural funds

The funds allocated to the CPER are appropriations under “ordinary law”: there is no reserve fund or any supplementary appropriations. However, they may involve the creation of their own budget lines, rather than simply earmarking a portion of existing budgets. For example, earmarking led the Rhône-Alpes region, in the context of the last CPER, to devote its budget of € 1.4 billion essentially to three objectives: transport and communication infrastructure, urban policies, and higher education (primarily for physical facilities). This absence of allocable budget room at the central level prevents inclusion of support for the territorial aspect in ministerial envelopes. The pays are therefore primarily supported by the (fungible) funds available to DIACT (FNADT). This also poses a problem: when a Ministry’s budget line is heavily contractualised (as was the case until now for roads) there is no further room for manoeuvre at the central level: an economic shock that cuts the budget will have a direct impact on the CPER and thus on the activities planned.

CPER allocations from the State in the regions have risen from € 10.7 billion (CPER 1984/88) to € 33.6 billion (CPER 2000/2006). Overall, this amount is today shared equally by the State and the regions. The overall amount is supplemented by a minimum of € 5.8 billion paid by other local governments (a figure derived from some CPERs specifying the expected contribution of other governments: departments, communes, inter-communalities). The State devotes € 2.4 billion on average each year to the latest planning contracts, versus € 4.8 billion per year to the regional DGF (the main transfer) and, most importantly, € 56 billion for all State transfers to all subnational governments. The low level of financing for the planning contracts, compared with total State expenditures on subnational government, needs to be qualified: as noted above in the discussion of investment, the share represented by the planning contracts constitutes in effect nearly 15% of the central government’s civil investment budget, and some of the items in that budget are devoted almost entirely to the planning contracts. When it comes to equalisation, the State’s determination to use the CPER as an instrument for reducing disparities is clear in the distribution of the envelopes by region (see Annex 3.A5.). This subject however deserves further discussion (see below).

Co-financing provided by the State for the planning contracts provides incentives for the development of partnership projects, in particular with other local public players. The contribution goes to projects that are deemed

strategic in this regard. Yet this *ex ante* incentive is not paired with any *ex post* incentive. There are no penalties for late implementation of the contracts, nor is there any bonus for particularly effective performance. The central government is itself remiss in paying its commitments. This at least is the opinion of the Finance Committee of the National Assembly (Parliament), based on the fact that as of 30 December 2004 the State had delegated less than 55% of appropriations instead of more than 70%, as it was supposed to have done by that date, meaning that it was running a year and a half late.

This absence of any control device stands in sharp contrast to the measures that apply to the European structural funds: the “sunset clause” allows the Commission to “claw back” the funds it has committed if the member State does not spend them on the target programme within two years following the commitment. Actual misuse of the funds can be referred to the supervisory institutions (inspections by the Commission, European Court of Auditors). Finally, the European Union has the device of the performance reserve, whereby 4% of the initial envelope is withheld for distribution to projects that effectively meet their established objectives. The basic impact of this device is to instil a culture of monitoring and evaluation in local partner institutions. It has induced the Italian authorities to add a supplementary reserve of 6% for their contribution to projects co-financed by the European Union: 10% of the initial envelope for projects supported by the European Commission in Italy is thus held in reserve and is released only if performance at midterm is satisfactory (according to indicators that are identified at the outset but that may differ between Rome and Brussels). While there are some shortcomings to these mechanisms (in particular the problem of identifying neutral performance criteria), they are worth exploring as incentive tools.

The link with the European funds is real enough. In fact, the CPER time frames have been brought into conformity with those of European regional policy. This has allowed the two instruments to be prepared simultaneously, meaning that strategies should be in principle convergent (see Map 3.1 above). Yet the two operate separately thereafter, inasmuch as eligible operations will not necessarily be the same. There is very little co-financing by FEDER and CPER, and little in the way of national contributions to European financing can be found in the CPER. On this point, it should be recalled that transport infrastructure is not eligible under Objective 2. Thus, it is estimated that only a sixth of financing serves objectives that are common to the European programmes and to the CPER (comparison of Objective 2/CPER mainland France). A significant reform is now underway for the next European programmes, and this could well have an impact on future CPERs. The Commission expects member States to prepare a national strategic frame of reference that will underscore the link between community priorities and national and regional priorities. This document could provide support for both instruments.

Evaluation

There has been no overall evaluation of the planning contracts procedure: budgets and objectives may have been listed and one element or another of contractualised policies may have been evaluated *ad hoc*, region by region, but the performance of the contractual device itself has not been addressed in any study with figures attached to it. Evaluation has been deliberately left to the regional level, using a procedure established by the government, while the central level is limited to a role of co-ordination, training, encouragement and financing of regional evaluations. Thus it is at the regional level that matters for evaluation are decided, in partnership between the State and each region.

At the same time, financial data for monitoring performance under the planning contracts are consolidated at the national level by DIACT, but they are based on a compulsory reporting approach and the only comparable information they contain is on the degree of central government spending committed versus planned. The paradox here is that, in fact, there are many evaluations but they are all *ad hoc*, focusing only on segments of public policy that vary from region to region. Thus, the regional prefectures and the regional councils have their own in-house evaluation teams, but it is virtually impossible to synthesise the results, except perhaps when different projects are undertaken in different regions with the same objective.

On 1 January 2005 DATAR took over the task of evaluating the CPER from the *Commissariat général du plan* (another agency that falls under the Prime Minister, responsible for forward planning, recently broken up). In fact, since 2000 there have been some 300 separate regional evaluations (50 *ex ante* and mid-term DOCUP European evaluations and 230 regional evaluations relating to different aspects of the CPER), which betray a variety of themes and methods. The objective of DIACT is to draw up an overall balance sheet from these evaluations and from those dealing with the DOCUP and other regional policy funds. It also seeks to formalise what might become the evaluation component to be built into future CPERs. The procedures for evaluating the DOCUP, which are strictly time- and content-bound, have led DIACT to introduce real tools for evaluation training and activities among the regional management authorities. With this tool, *ex ante* evaluation is a condition for obtaining European approval; the interim evaluation is a condition for accessing the performance reserve and for any midterm revisions; and the final evaluation is often considered as an important tool for determining the strategy for the next European contracts. DIACT's supporting mission is thus focused largely on this final evaluation, while evaluation procedures are regarded as tools for enhancing local competence. The Community evaluations have thus played a key role in instilling a more rigorous culture of evaluation, something that it is particularly important to build into the next CPER arrangements (see also Box 3.5).

Box 3.5. Advantages and disadvantages of contractual arrangements between levels of government

From the standpoint of multi-level governance, contractual arrangements have the following advantages:

- Link regional and local policies to national priorities. As such, contractual arrangements are measures accompanying further decentralisation while maintaining consistency in public policy making and implementation;
- Contribute to building local capacity. In contractual arrangements, the “sub” level of government is not being looked upon as the mere recipient of a mandate granted to it. On the contrary, it is made responsible by virtue of its participation in decision-making and in the learning process. Therefore, these arrangements require a high level of participation, knowledge and competence on the part of local representatives.
- Although less explicitly, perform a legitimatisation function. Whereas government by command is no longer practised, contractual arrangements offer an opportunity for governments to submit their policies to the agreement of other authorities, which will have to comply with them, and to re-legitimise their authority through negotiation. This legitimisation effect is both relevant for the central and the regional level.
- Help handling institutional fragmentation. Contractual arrangements are meant to constitute a useful tool for improving co-ordination between different ministries acting at local level. As such, they are more developed in more fragmented systems (France, Italy, Spain), where they tend to turn into an all-purpose instrument, than in more integrated systems (Germany, the Netherlands), where they tend to focus on specific purposes and have a more limited scope.
- Stabilisation of relationships. Since the contract sets out long - term commitments, it allows each party to anticipate the decisions of its counterparts with more certainty. Even if this is not a guarantee, it reduces opportunistic behaviour and political risk to a minimum. Since most contractual arrangements involve financial commitments over several years they help overcome the drawbacks of the annual budgetary principle.
- Contracts allow the burden of big projects and complex programmes to be shared, making possible the kind of operation which could not have been undertaken by an isolated government level.
- The contract is one of the procedures possible to get partners involved. Sharing the burden is also sharing the risks. This means not only the financial ones, but also the political risks in case of difficulties: political criticism will not be possible from all those involved jointly. Therefore, contractual arrangements work as a kind of reassurance. However this impact is limited to the implementation contracts because decision making still belongs to the central levels.

Box 3.5. Advantages and disadvantages of contractual arrangements between levels of government (cont.)

Contracts nevertheless have many drawbacks:

- They involve a high cost in terms of negotiation and execution (transaction costs), and they risk being based on imperfect information. To avoid “moral hazard risks”, long periods of consultation, preparation and negotiation are necessary before a contract can be drawn up. In France, the “upstream” phase took two years for the preparation of the present round of planning contracts between the State and the regions (*Contrats de plan État-régions*) (from 1998 to 2000 for 7-year contracts from 2000 to 2006). In Italy, contractual procedures involve stringent selection between projects in order to secure funding.
- User countries say that they tend to proliferate (France, Italy, and Spain). In France, for example, the last generation of contracts involved 170 action categories, 200 budget chapters and nearly 20 ministries.
- The ministries in charge in the different countries seem reluctant to give up their prerogatives.
- While these negotiated mechanisms are supposed to allow a greater degree of flexibility than a hierarchical distribution of obligations, they may prove unresponsive to change where the parties are rigidly committed to fixed long-term programmes.
- Another problem concerns the question of whether grants from the higher level of government should supply capital formation and/or current expenditure. The support of capital formation without the support of current expenditures linked to capital formation neglects the dynamic relationship between capital and current expenditures. Receiving regions may not be in a position to pay the current expenditure after they have invested in fixed capital, or they may neglect maintenance in order to obtain more capital grants in the future. Moreover, many development programmes aim at “soft” infrastructure but are technically or financially not considered capital formation, and thus receive no grants. In such a case, a bias towards capital grants neglects the formation of soft capital like capacity building or construction of regional knowledge systems.

Source: Taken from *Building Competitive Regions*, OECD 2005, pages 83-84.

To date, the evaluation of the CPER has sparked feverish activity in response to a number of regional questions. Yet the regional studies that have been conducted, interesting though they may be from the regional viewpoint, are of limited use at the central level because of the great variety of issues and methodologies. Fresh from the experience of evaluating European regional programmes, DIACT is now working with its counterparts responsible for evaluating planning contracts (the secretariats of the regional prefectures and

the regional councils) to organise the pooling of experience with evaluation and to co-ordinate the next set of specifications. For example, work has begun on evaluating all the innovation promotion activities of the various CPERs. A summary assessment of the evaluations conducted since 2002 was made available in the autumn of 2005. Yet while the prefectures and the regions have reinforced their human resources for purposes of these evaluations, it seems that few such resources are available at the central level.

Outstanding issues

The CPERs are facing a number of problems relating to:

- *Commitment at the central level:* a “freely” negotiated contract does not necessarily guarantee financing, as demonstrated by the problems in getting the central level to respect its commitments.
- *The risk of scattering appropriations too thinly:* since 1998 the *Cour des comptes* (Audit Office) has been complaining of the lack of focus in CPER objectives, and the frequently too long and too varied catalogues of activities.
- *Incentives:* it is very rare for one of the parties to bring administrative action for default, and except for one case the plaintiff has always been a third-party. It is true that neither the central government nor the region has any interest in turning to the courts over a dispute, if only because such proceedings are so time-consuming. Essentially, they are forced to co-operate by virtue of their legal competences. Thus they have nothing to gain by going to court over a given issue, at the expense of their ongoing relationship.
- *The transparency of the programmes and their implementation:* as programmes are implemented, the shifting nature of actual activities *vis-à-vis* initial commitments, which are often designed for their public relations impact, can give the impression of inconsistency. The legal and financial complexity of contractual policies is growing, and this can generate a sense of obfuscation in decisions and in their consequences.
- *The lack of any real evaluation:* without a pooling of experience and know-how, it will be impossible to identify best practices and disseminate them to other territories. Moreover, it will be difficult under the circumstances to prepare the kinds of evaluations that will meet concerns of national and not just regional interest.

One question deserves special attention: it has to do with reconciling the drive for equalisation with a device such as the planning contract. How can these contracts be made to play a role in equalisation? They are, on one hand, negotiated (which is inconsistent with maintaining neutrality in the compensation offered by the central government), while on the other hand they affect the productive potential itself (*i.e.* the basic local conditions), whereas in principle equalisation is intended to offset differences of outcomes and not of means.

Coming reforms

A number of criticisms have been levelled at the planning contracts, relating to cumbersome procedures, lack of transparency, complexity, the scattering of appropriations, and non-performance of commitments. The French authorities are well aware of these problems and have been engaged since 2004 in broad consultations with various representative bodies: National Assembly and Senate, Economic and Social Council, and the major representative associations. The outcomes of those consultations were distilled in a March 2005 report that sets out the following proposals:

- The planning contracts should be drawn up only after a national framework elaboration.
- The planning contracts should be more selective and should focus on a few themes, national and regional at the same time.
- Partners must respect their commitments more rigorously.
- The region should remain a prime partner but it should not be an exclusive partner.
- The planning contracts should have a sufficiently long implementation period, from five to seven years.
- The planning contracts should retain a “territorial component” but this should relate only to the weaker territories and only to issues dealt with in the planning contracts.
- Finally, management and evaluation of the planning contracts should be improved.

There is broad consensus that, with these improvements, the planning contracts will remain an essential device for ensuring the coherence of public projects and decentralisation support measures. A decision on their reform is planned for 2006.

3.4. Bringing the communes together and developing a territorial project approach to address institutional fragmentation

There are two contrasting approaches to government action in the territories: one is to bring government services closer to the user public, which involves notions of equity, efficiency and economies of scale, and the other is a regional development approach that relies on notions of strategy, participation and competitiveness (and implies some differentiation in policies and outcomes among territories). In France the various mechanisms – those of decentralisation discussed in the first section and those designed to regroup the communes, covered in this section – represent different institutional responses to each of these expectations.

The technical objective, which is to help the smaller communes afford their citizens better access to public services (which they cannot provide on their own) was selected during implementation of the first formulas for inter-communal co-operation. Since 1992, the direction of the political and economic debate has shifted with the introduction of inter-communality as the best solution to territorial organisation. The communities of communes (*communautés de communes*) and the communities of cities (*communautés de villes*) were created to respond to clearly defined objectives of economic development and territorial planning. In these “management-oriented” inter-communal structures (“*de gestion*”), the communes delegate certain powers, which they are then no longer authorised to exercise. They are also encouraged to pool their resources (single business tax, TPU) in order to provide the inter-communal structure with sufficient and permanent financing for exercising the powers deconcentrated to it.

The planning or “project-oriented” inter-communality (“*de projet*”) reflects a different approach. While the communes are again united within an inter-communal structure (*pays, agglomération*), the objective is not to run communal affairs but to prepare a common territorial plan covering all component communes and involving all local stakeholders, in order better to address economic and social realities. This plan is then converted into action, often within the framework of the territorial component of the State-region planning contracts. However, the articulation of these “project-oriented” inter-communalities with the “management” ones is still inadequate to guarantee the effectiveness or coherence of this new level of subregional territorial planning.

The “management-oriented inter-communality”

A brief background

With more than 36 000 communes, France is in a unique position, standing in sharp contrast with other OECD member States that have pursued a policy of deliberately merging municipalities. Thus, the former West Germany reduced the number of its municipalities from 240 386 to 8 501 between 1965 and 1975; the United Kingdom reduced 1 549 districts to 454 municipalities in 1972; the number of communes in Belgium shrank from 2 359 to 589 (in two stages, 1970 and 1977, a process that is now to be pursued further in the Walloon region); Sweden cut the number from 2 500 to 279, in 1952 and then in 1973. Italy has only 8 104 communes, Spain 8 089, Greece 133 and Portugal 308. Japan has adopted an active policy of merging municipalities, the number of which fell from some 10 000 in 1945 to 3 472 in 1961. Denmark is currently implementing a new policy for reinforcing mergers by targeting 100 communes in 2007. Yet the “French exception” is

most visible in rural areas: in some other countries there has been a trend to the subdivision of urban municipalities equivalent to that in France.

Inter-communality has long been adopted as a way of responding to the obvious need to work together in creating services, facilities and infrastructure, a need that reflects both the great number of sparsely populated rural communes and the emergence of the urban “agglomerations” (strings of adjacent or neighbouring municipalities). Within mainland France (excluding the overseas departments) there are around 32 000 communes with fewer than 2 000 inhabitants, which means that 89% of the communes hold only slightly more than a quarter of the population. Moreover, there are some 25 000 communes with fewer than 700 inhabitants (71% of communes with only 13.5% of the population). By contrast, there are 103 urban communes with more than 50 000 people, 36 communes with more than 100 000, five communes with more than 300 000 (Paris, Lyon, Marseille, Toulouse and Nice), while only Paris (2 147 857) and Marseille (807 071) have more than 800 000 people (Bernard-Gélabert, 2003). The problem lays not so much in the number of communes as in their size, and more specifically in their capacity to carry out their responsibilities.

Inter-communality is a long-standing tradition in France. Initially it sought to overcome the drawbacks of communal proliferation by creating associations to fulfil technical functions: it was for this purpose that the *syndicats intercommunaux à vocation unique* (“single-purpose inter-communal associations” or “syndicates”, SIVU) were created in 1890. Multi-purpose syndicates (SIVOM) became possible in 1959. Both types of association still exist today. It was only in 1966 that the “urban community” was created to address the problems associated with the large metropolitan areas. The urban community is a highly integrated form of co-operation to which a dozen different responsibilities must be transferred. Four urban communities have thus been created without consultation, which constitutes an exception, in the large metropolitan areas of Bordeaux, Lille, Strasbourg and Marseille.

Inter-communality in France has been historically characterised by a voluntary linking of communes (with the virtual absence of merger policies) and by a distinction between urban and rural territories in the responsibilities that must be shared. Thus, the city communities (*communautés de ville*) appeared in 1992 as the first inter-communal structure with their own taxing power, which they exercise through an additional levy on top of the taxes imposed by the various partner communes. That same year saw the institution of the “communities of communes”, for rural territories. The law of 12 July 1999 attempted to systematise those structures with fiscal powers. There are now three types of such structures: communities of communes (*communautés de communes*, groupings of small rural communes), “agglomeration” communities (*communautés d’agglomération*, which must cover at least 50 000 people centred on

a commune or municipality of at least 15 000 and are obliged to impose the single business tax, and which replace the “city communities”), and finally the urban communities (*communautés urbaines*, which must have 500 000 people, and which are being added to the existing urban communities).

When it comes to the allocation of responsibilities:

- The urban communities have six blocks of responsibilities transferred by the communes: economic, social and cultural development, housing and urban planning, city government policy and public services, and environmental protection and improvement.
- The agglomeration communities are required to exercise four blocks of responsibilities relating to economic development, land-use planning, social balance and housing, and city government policies.
- The communities of communes are not subject to such a strict allocation of responsibilities.

The 1992 law also instituted within each department a departmental commission for inter-communal co-operation (CDCI). The CDCI consists of elected municipal officials (60%), representatives of the EPCI (*établissement public de coopération intercommunale*, 20%), members of the general council (department level – 15%), and members of the regional council (5%). The CDCI can make proposals for strengthening inter-communality, and the prefect must consult it on any initiative to create an EPCI. The CDCI, the main role of which was to determine the best scope for inter-communal structures, has today a less important role, because so much of French territory is now covered by inter-communal arrangements. These commissions have not disappeared, however, and some of the provisions of the latest decentralisation law could lead to their revival.

Administration and transfer of responsibilities

A group of communes constitutes a “public establishment for inter-communal co-operation” (EPCI), distinct from the levels of subnational government, i.e. the commune, the department and the region. A grouping of communes, whatever its degree of institutional and fiscal integration, will not however replace the communes that comprise it. The fundamental principles that differentiate the EPCI from the subnational authorities are: the specialisation principle (in contrast to the communes, which have general responsibilities, the groupings have limited, specialised and, initially, exclusive powers), indirect representation (the EPCI are administered by delegates of the municipal councils of member communes) and compulsory State involvement in their creation (while EPCIs are nearly always created at the behest of the communes, they can only obtain legal recognition once the prefect has signed the decree creating them).

The transfer of responsibilities typically flows upstream from the communes to the inter-communal structure, and may be increased depending on the type of commune. The formula proposed in 1999 was based on the exclusive nature of responsibilities between member communes and the inter-communal structure. The 2004 law, the second decentralisation act, softened the initial principles. Henceforth, within any mandated responsibility, the notion of “community interest” must specify what falls to the community and what remains in the hands of the communes. Moreover, the allocation of responsibilities can now flow from the inter-communality to certain communes that thereby specialise in certain services. Finally, the law provides a temporary window (to 1 January 2005) for communes to withdraw from their inter-communality (in fact, the prefects have authorised only four withdrawals out of 16 applications).

At the beginning of January 2005, there were 2 525 EPCIs covering 32 311 communes (88% of French communes) or 52 million people (84%) (see Table 3.4 and Map 3.2). Some regions have seen a burgeoning of intercommunal structures (Bretagne, Nord-Pas-de-Calais, Limousin, Basse-Normandie, Haute-Normandie, Pays-de-la-Loire, and Poitou-Charentes: see Annex 3.A7). Since 2 000, with the changes introduced by the 1999 law, the number of groupings has exploded (see Annex 3.A8). The impact of the incentives from the central government is thus very clear, even if the introduction of the EPCI is far from eliminating resort to “syndicates”: the number of SIVOM fell from 2 472 in 1992 to 1 500 in 2005, and the number of SIVU from 14 885 in 1999 to 13 500 in 2005.

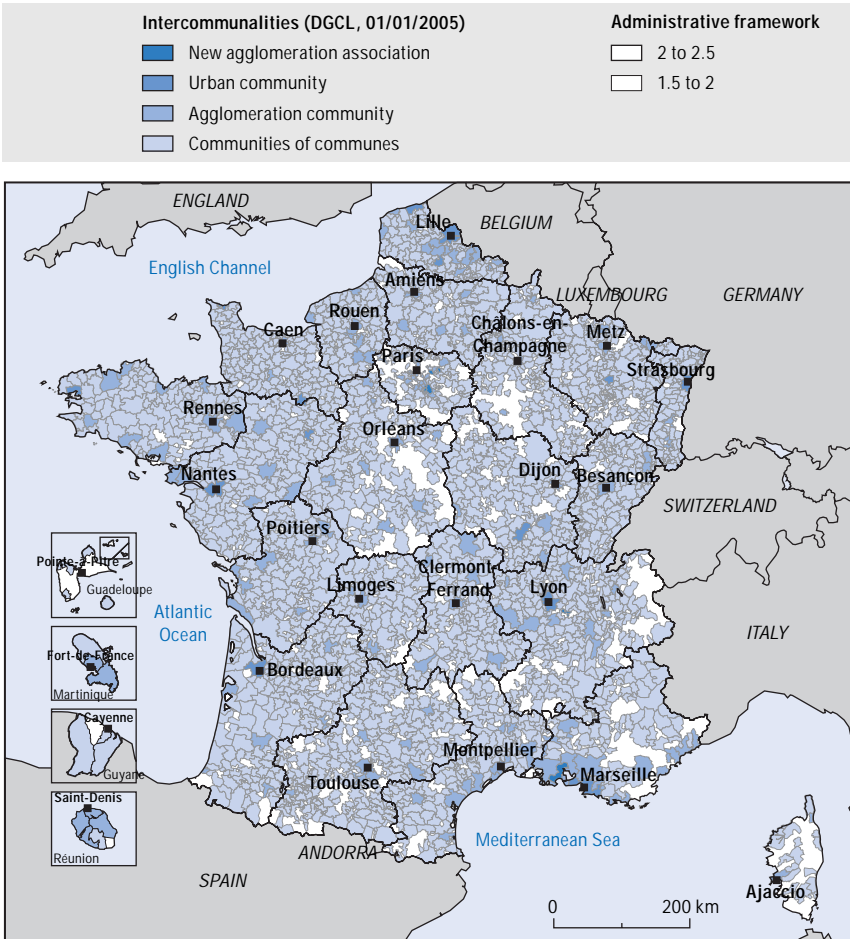
Funding and financial incentives from the central government

The fiscal resources of the EPCI consist either of budgetary contributions from the communes (for the syndicates) or their own taxation powers (for the EPCI). These taxation powers are either additional (consisting of a supplementary levy on top of local taxes) or exclusive, in which case the business tax, the most important local tax, is attributed no longer to the member communes but to the inter-communality alone, which establishes the rate and collects the tax. This system of imposing a single business tax on

Table 3.4. Inter-communal establishments (EPCI) in France at 1 January 2005

	Number of EPCI	Number of communes	Population
Communities of communes	2 343	29 172	25 297 156
Agglomeration communities	162	2 750	20 391 934
Urban communities	14	355	6 210 939
New agglomeration association	6	34	352 573
Total	2 525	32 311	52 252 602

Map 3.2. **EPCIs with fiscal powers as of 1 January 2005**



Source: Ministère de l'Intérieur, Direction générale des collectivités locales.

the entire community is now the dominant system for urban intercommunality.⁸ The 1999 law gives the member communes of an EPCI with fiscal powers 10 years to harmonise their business tax rates. Each member commune receives compensation, commensurate with the proceeds of the business tax that it was receiving, in an amount that is decided in the first year and cannot be changed thereafter. In 2003, such compensation accounted for nearly half of the groupings' tax revenues. The TPU is therefore sometimes regarded as an equalisation mechanism at the local level.

To encourage the communes to team up, the State decided in 1999 to increase the basic grant, the DGF, to local authorities forming an EPCI, with an

“inter-communality grant” (*dotation d’intercommunalité*). Awarding the grant to communes that accepted the principle of the Single Business Tax (TPU) served two central government objectives: that of promoting inter-communality, as well as that of harmonising the business tax rates in order to avoid counterproductive competition among communes in attracting businesses. The incentives for communes to team up can also take other forms than additional State transfers: in Japan, for example, the approach has been exactly the reverse: new responsibilities have been deconcentrated without equivalent accompanying budget transfer, and this has encouraged the municipalities to group together to support them (see OECD, 2005, *Territorial Review of Japan*). Yet in these cases as well, they enjoy favourable financial treatment by the central government.

Results

The quantitative efficiency of the incentives in the 1999 law is undeniable. That law in fact produced an outcome that is very rare in France: it eliminated some obsolete decision-making levels when the new mechanisms were introduced (thus the “city communities” and the “district communities” disappeared with the creation of the “agglomeration” communities). However (see the report of the Economic and Social Council, 2005), this has produced great discrepancies in the resources and the forms that the communes have accorded the inter-communal level, ranging from a “hollow shell” to a fully integrated community.

In terms of the primary field of intervention, it seems that the inter-communal structure bears the bulk of public environment spending (under the expenditure headings of water, garbage and urban environment), reflecting the drive for economies of scale. This is particularly noteworthy because, except for the urban communities, this responsibility is not legally binding. In fact, “need makes law”: the negative externalities of pollution and the cost of treatment facilities (the cost of purification plants and waste treatment facilities has doubled in 10 years under the impact of new standards) are such that the scale at which these services are offered has had to be expanded through regrouping.

The purpose of an inter-communal structure is to make major investments and to run large-scale facilities. Formerly, every commune created its own industrial and craft zones, its own office parks and shopping centres, and competed with neighbouring communes for the business tax. Firms could easily take advantage of this competition to extract temporary exemptions. In the cultural area as well, there was no co-ordination when it came to creating or maintaining a theatre or conservatory. The advent of inter-communality has strengthened the impact of the efforts made by these groupings. Yet in France as elsewhere (Switzerland, Finland, etc., see OECD 2005), the cost savings from grouping municipalities are as yet unproven. This reflects the difficulty in reducing payrolls as well as the initial

costs that inter-communality generates by allowing the partner communes to make collective investments that could not be envisaged earlier. An evaluation of inter-communality performance thus runs up against the fact that by combining, municipalities no longer do the same things, which indeed can be very salutary in terms of the quality of public services.

A recent report by the National Assembly's committee of inquiry on local fiscal trends (the "Mariton" Report, 2005), while noting that the growth in inter-communal spending could be due both to service improvements and to the inefficient overlapping of structures, highlighted the following problems: the transfer of responsibilities to the inter-communal structures has not been accompanied by any reduction in spending by the communes; two-level management (communal and inter-communal) often results in overlaps and additional administrative costs; the pursuit of inter-communality has often led to the creation of new positions meaning that, despite the transfer of personnel, payroll costs have risen; and as they have grown, inter-communal structures have tended to raise local taxes across-the-board. Hence the inter-communal landscape remains extremely complicated. A recent report of the *Cour des comptes* also underlined the problems of inter-communality in France in achieving its main aims (*Cour des comptes*, 2005).

Outstanding issues

Transparency and democratic representation. Arguments are constantly heard in favour of instituting direct election of members of the inter-communal council. Because some EPCIs now have taxing powers, it would seem natural that their leaders should be accountable to the citizenry. Moreover, while political power remains in City Hall, the financial leadership is now in the hands of the communities. For example, the budget for the City of Lille in 2000 stood at slightly less than € 300 million, compared to € 1.3 billion for the Urban Community of Lille (CUDL). Yet various public opinion surveys measuring perceptions of local government show that a great majority of French people remain loyal to the commune, which for them is a symbol of local democracy. People's attachment to their commune is indeed a phenomenon that is not specifically French, as various European examples attest (Rotterdam, Finnish municipalities, etc., see OECD 2005 *op. cit.*).

There are also some shortcomings in the process for appointing communal representatives to the community council. Because of threshold effects, no one member commune may hold more than half of the seats, which leads to situations where the larger communes (and in particular the central city) are underrepresented in favour of the less populous peripheral communes. Yet on this point it is interesting to look at the origin of the presidents of the inter-communal councils: for the agglomeration communities and the urban communities, the profile of the president is that of a male, most often the mayor

of the central city (57%) or at least an elected councillor of the central city (76.5%), who also carries national mandates or functions but who chairs an inter-communal assembly where his own commune is underrepresented. In fact, the central cities in these communities hold on average only 31% of seats on the community council, although they represent 49% of the total population. Representation falls well short of 50% even for those central cities whose population exceeds 50% by a wide margin (Heumel, 2005). Thus, negotiations to establish inter-communality have often involved a trade-off where the central city sacrificed its demographic weight against assurance of the presidency.

Co-operation versus negotiation. Commune groupings are regularly criticised from two quarters: from the richer communes that do not want to share their wealth (these are not necessarily centre-city communes but may also include peripheral ones that have been able to attract large shopping centres paying hefty business taxes), and from the peripheral communes that fear loss of their power. Yet while the current revenues of the agglomeration communities derive 77% from the business tax, more than two-thirds of that tax flows back to the communes so they can continue to cover their current expenses. This “refund” is accomplished through compensation payments (for 57% of the business tax) and the “solidarity grant”, an internal equalisation device that the inter-communality pays the member communes, prorated to their wealth. The financial interaction between the communes and the inter-communal structure thus works in favour of the communes rather than of the inter-communal vision of territorial development.

The capital region is lagging behind. Inter-communality is much weaker in the Paris region than elsewhere. Only the most “rural” department of this region, Seine et Marne, shows a high degree of inter-communality. 46% of the 1281 municipalities of Ile-de-France have more than 2000 residents, compared to 15% nationwide. The specific features of the socioeconomic and institutional fabric of this region leave little room for conventional inter-communality. In fact, the Ile-de-France betrays sharp economic and social disparities that constitute a real brake on the development of inter-communality (Economic and Social Council, 2005). Its territories are highly specialised: investment and high value-added activities are concentrated in some, while social and economic problems are concentrated in others.

The “Project-oriented inter-communality” and the contractualisation of territories

The pays

It was DATAR that, in the late 1970s, proposed the pays as a response to the quest for territorial development projects designed at the scale of an economically and socially significant zone. Yet it was their recognition by

the 1995 and 1999 laws that gave them a real boost. The *pays* is neither an administrative entity nor a subnational government, but rather a territory that exhibits geographic, cultural, economic and social cohesion, and where the component communes prepare a joint vision or “project” for their future, relating particularly to economic development and local services.

A *pays* may be constituted at the initiative of communes or groups of communes, which must then adopt a charter (*charte de pays*). That charter takes into account existing local dynamics and supports development plans, focused on reinforcing reciprocal solidarity between the city and the countryside. A sustainable development council, composed of economic, social, cultural and association representatives, must be created and involved in preparing the charter. The charter contains three elements: a diagnosis, strategic themes, and cartographic documents. It must contain a presentation of the territory’s geography and its prospects, and must propose options and priorities. Even if the *pays* is not really a subnational authority, this hybrid structure helps to deepen inter-communality and the borders of the *pays* must moreover respect those of the local inter-communalities, constituting thereby a kind of “inter-inter-communality”. These features make the *pays* akin to the notion of the “micro-region” that has been adopted in some member countries, such as the Czech Republic and Mexico (OECD, 2005) in response to different needs: sparking synergy among local public and private stakeholders, preparing development strategies at a pertinent territorial scale, and improving the delivery of public services.

The latest national survey by *Entreprises, Territoires and Développement* (ETD) listed 343 *pays* initiatives in France as of 1 May 2005 (278 *pays* recognised and 65 *pays* planned) compared with 158 at 1 September 2004. This record growth rate reflects the deadline for the signature of territorial contracts under the territorial component of the State-region planning contracts, which was initially set at 31 December 2004 (and was extended to 30 June 2005: see below). Thus there are 237 *pays* contracts signed in 20 regions. Among these *pays* are 15 interregional *pays*. Annex 3.A9 demonstrates the great variety of regional approaches with respect to *pays* (see the case of Brittany in Box 3.6). There are in fact three types of *pays*: those corresponding to historical territories of co-operation (such as Brittany), those initiated by local economic agents seeking a project support base, and those resulting from political initiatives of subnational governments (not only the member communes but also the departments and the regions) in order to encourage participation by various local players in long-term undertakings (see for example the Box 3.7 on the *pays* of Nivernais Morvan).

Box 3.6. Brittany, the “region of the pays”

Inter-communal co-operation, partnership between local governments and civil society, and participatory practices have long been rooted in the history, sociology and mindset of certain regions or micro-regions. In the West of France, self-help traditions, co-operative farming networks, voluntary associations, and the reciprocal familiarity of local players have constituted fertile ground for the development of territorial visions and policies (DATAR, 2002). Today the entire population of Brittany belongs to one *pays* or another (there are 21 of them in the region, each with contractual arrangements under the territorial component of the planning contracts, see below), a situation that is unique among French regions (although the Limousin is close, at 99%). This region is also characterised by a high propensity to develop mixed contracts (*de pays* and *d’agglomération*) and even to establish “articulation conventions” between urban (agglomeration) contracts and rural (*pays*) contracts. Brittany has thereby derived a dynamic institutional image as a “land of co-operation” that has been able to grasp opportunities for governance in order to support its development. How can this peculiar feature be explained? (See CESR de Bretagne, February 2005). It would seem that the attachment to institutional forms of co-operation is of long standing in Brittany. As early as the 1950s a joint public-private lobby group, the *Comité d’études et de liaison des intérêts bretons* (CELIB), set out to mobilise the region’s stakeholders around projects to promote Brittany’s development and to defend its interests *vis-à-vis* the national authorities. A determined defender of the regional identity, CELIB quickly sought as well to identify home-grown means for developing the region. The institutional proposals of various associations were grafted onto existing co-operation arrangements. “*Pays*” arrangements are thus often seen in Brittany as official recognition of partnerships that are already in place. This culture of co-operation is reinforced by two elements that explain the strength of the territorial outlook in Brittany: the fact that there are no very small communes, and the existence of regional council policies that support inter-communality. The region in fact is deeply involved in ensuring planning consistency among them.

The regional nature parks (PNR)

These were created by a decree of 1 March 1967 as a means to promote rural revival. A park will be organised around a development plan based on preserving the natural, cultural and human heritage (popular traditions, techniques and know-how). This plan will be set forth in a charter that establishes objectives, guidelines and implementation measures. The park’s boundaries will be negotiated among all partners and will coincide with those

of the communes that voluntarily subscribe to the charter. In 2005 there are 44 PNRs covering more than 7 million hectares (12% of the territory), 3 690 communes and more than 3 000 000 people. Forest covers 37% of the total surface area, and nearly 40% is farmland. Some of these parks have long served as inter-communal structures in practice, with a tradition of co-operation among the communes located within its borders. They may also be partners of the State or of the region within the territorial component of the planning contracts.

Territorial contracts: *contrats de pays* and *contrats d'agglomération*

A *pays* can be formalised in a contract with the State and the region (and sometimes the department). The circular of 18 December 2002 dealing with the State-region planning contracts stipulates that the territorial component, targeted at *pays*, agglomerations, regional nature parks, city networks and city contracts, “is intended to represent an indicative amount of 25% of State appropriations for the CPER”, which, applied to a State commitment of € 17.607 billion over 2000/2006 represents some € 4.4 billion. Yet it is difficult at this stage to assess how this instruction has been translated into practice, for neither the planning contracts nor the territorial contracts, for the most part, explicitly identify contractual appropriations devoted to these policies. This territorial aspect concerns essentially the *pays* and the agglomerations. The contract thus constitutes a source of financing for both the *pays* and the agglomerations. Moreover, in regions eligible for European programmes, the “structural funds” can be used to support territorial strategies developed by the *pays* (objective 1, Leader + programme) (DATAR, 2002). But for the *pays*, the contract implies more specifically a kind of institutional validation since the *pays*, by becoming a “partner” of the State, is thereby legitimised. The contract allows the territory to claim a strategic vision and constitutes the means for making the *charte de pays* operational.

These flexible rules for shared financial resources can spark a “subsidy race”. In practice, it seems that most of the subsidies come from the national fund for territorial planning and development (FNADT, a kind of “DATAR budget”) that in principle allows leverage for innovative or crosscutting projects as well as for consolidating the territorial management mechanism (promotion, engineering). The regions have funds of equivalent kinds. Such financing is required essentially to build and make available to the *pays* the skills needed for creating synergy and developing social capital among territorial mission leaders, with a profile of project managers and of promoters (see Box 3.7).

What does the *agglomeration contract* add to the existing inter-communal structure? Beyond supplementary sources of financing, the contract also serves as a means for conveying legitimacy on the inter-communal level in

Box 3.7. **The variety of activities and dynamics in a rural pays. The example of Nivernais Morvan**

The Nivernais Morvan pays embraces eight communities of communes (22 communes). It has adopted a *charte de pays*, and it signed a *contrat de pays* in January 2003 with the State, the Burgundy region, and the General Council of the Nièvre department. This pays illustrates the boost that such a structure can give a territory. Rather than a catalogue of activities, all the projects fall within a comprehensive development programme designed to help the territory cope with a recent demographic reversal whereby, after having gradually lost population like many other rural territories, it has recently seen an influx of new arrivals. These are members of the management class and their families, teleworkers, liberal professionals, promoters of tourism projects and of agricultural diversification, and people of foreign origin (particularly Dutch). In order to perpetuate this trend, living conditions and local amenities will have to be improved. This involves not only organising to make public services available but also encouraging the creation of businesses and jobs, as well as a process of collective learning. Activities are thus focused both on increasing the territory's competitiveness and on maintaining the delivery of local public services (in particular one-stop service centres with ICT connections to departmental offices and national agencies). There are 7 broad areas of activity:

- Economic development, employment and housing.
- Tourism development.
- The development of agriculture that is diversified and appropriate to local resources.
- Local health-care services.
- Education and recreation for the young.
- Development of a cultural policy.
- Access to and instruction in ICTs.

The pays is seen as a structure for promoting and evaluating projects, for intermediation with financing partners, and for communication. It has an extremely slim structure, with very few employees and small budgets. In this context, projects can only be undertaken through partnerships. For each of them, specific solutions must be found, starting with a systematic search for financial arrangements, mobilisation of skills, etc. The way these structures operate often challenges the practices of established institutions (inter-municipal councils, general councils, regional councils and prefectures). The "pays" team enjoys strong support, however, from the public and from elected officials (especially those of the department and the region), as well as the deconcentrated ministry offices. The inter-communalities play a key role here because of their possibility for being organised, for providing engineering, and for serving as a financial lever. Moreover, close links have been established with the Morvan Regional Park, which for long was the only "inter-communal" entity in the region (covering several communal and departmental territories), but is today focused on environmental, cultural and territorial labelling issues.

**Box 3.7. The variety of activities and dynamics in a rural pays.
The example of Nivernais Morvan (cont.)**

The creation of this device was a cumbersome affair. Hundreds of local stakeholders met for more than a year in thematic workshops in order to come up with a common charter and a universally agreed perimeter for the pays. Several more months were then needed to negotiate each of the “action files” in four-part commissions that involved the municipalities, the department, the region and the central government (through the deconcentrated ministry offices within the prefecture secretariat). The time needed for these negotiations, typical of any co-operative initiative, does not seem to be the main limitation to the device. The Nivernais Morvan pays, like many other pays, faces budgetary uncertainties, exacerbated by uncertainty over the reform to the State-region planning contracts, and the difficulty in putting together financing (the pays rarely have a fungible envelope, project management is often subject to direct interference by individual contributors, the ministry offices, the prefecture, the general council and the regional council). In addition to these financial and technical engineering resources, there is also a need for promotion and training skills. Because the pays serves as a funding catalyst, the partner communes are often viewed as a possible additional budget source (in fact, 99% of the Nivernais Morvan pays budget comes from external subsidies and only 1% from the partner communes). The members of the different councils (inter-communality, the Park, the pays, etc.) often turn out to be the same people.

territorial governance, not only *vis-à-vis* the higher levels of government (State, region, department) but also *vis-à-vis* the communes located within the territory (Fouchier, 2003). Moreover, the development council entails the active involvement of economic, cultural, social and association representatives who work together with elected officials to define and implement development projects. Box 3.8 illustrates the main activities covered by the agglomeration contracts with respect to economic development.

The boundaries of pays and urban-rural linkages

The idea is to make the pays a framework for overall development within a territory that is pertinent but that cannot be created by fiat (Brochereux, 2004). Articulation between geographic, economic, cultural and administrative territory is often complicated. Those who think in terms of pays define them as an area of solidarity between cities and the countryside. Overall, the territories so designated are less urban than France as a whole, for only 39% of the population of the pays lives in an urban area of more than

Box 3.8. Economic development activities in the agglomeration contracts (ETD, 2003)

- *Attracting businesses* (planning and establishment of activity zones, plants, business chambers, industrial parks, etc.). Measures of this kind, aimed primarily at exogenous development, are the most common.
- *Higher education, research, training and employment.* This field of action is represented in most contracts by varying but important resources. Bordeaux and Rennes have given it priority, allocating nearly a quarter of total funding to higher education, research and the scientific culture. Nancy, Belfort, Creusot-Montceau and Dijon have also earmarked a major portion of their economic envelope to this field.
- *Local economic diversification* (clusters, centres of excellence, business creation, nurseries, incubators). These activities, directed more towards endogenous development, receive large amounts of funding in only a few contracts. One example is Lyon, where nearly half of total contract funds go to the three sectors of fashion, video games and environment, plus the Cancéropôle (cancer centre).
- *Transportation infrastructure and digital networks.* Major investments in transportation, whether for goods or passengers, are concentrated in a few contracts. Examples are Bordeaux and Rennes, which have made accessibility a priority for their economic development.

Source: ETD, *L'approche économique des projets de territoire*, December 2003.

50 000 inhabitants, a proportion that is however still significant. There are frequent complaints about the compartmentalisation of contractual provisions, where *pays* are confined to rural areas and agglomerations to urban ones. Annex 3.A10 illustrates the fact that there are significant numbers of *pays* in urban zones and that such initiatives are far from exclusive to rural areas. As with any other EPCI, the agglomeration can be included in the charter and in the *contrat de pays*. The documents may also be associated with the SCOT (*Schéma de cohérence territoriale*), a land-use planning tool prepared by elected representatives and reviewed at least every 10 years.⁹

The *charte de pays* and the SCOT may have convergent purposes, as policy tools for planning and development designed to give a strategic vision to a strengthened inter-communality. Indeed, they may be exactly congruent, and the issues they address sometimes converge in numerous areas (settling new arrivals, peri-urban agriculture, landscape protection, etc.). The *charte de pays* is supposed to lead to a contractual relationship with other partners for the financing of development projects. The SCOT makes it possible to organise

land-use planning within a territory, to frame communal urban development documents, and to consolidate sectoral policies (local housing programme, urban mobility plan, commercial development plan). The SCOT and the *pays* charter are thus frequently supplementary. When the territories overlap, the land-use planning and sustainable development provisions of the SCOT are reinforced by the territorial planning already in place, with reciprocal adaptation and updating. At the end of 2004, 124 SCOTs covered all or part of 126 *pays*; 18 of them coincided precisely with the boundaries of the *pays*. At the same time, 40% of *pays* are covered by a SCOT.

If the agglomeration has already negotiated a contract with the State and wishes to join a *pays*, the problems of articulation are settled case-by-case. A new concept has emerged in practice for reconciling the agglomeration with its periphery, the “urban *pays*”. In an “urban *pays*”, the agglomeration and the *pays* support each other and the *pays* charter is prepared at the same time as the agglomeration contract. The future trend may well be towards a single territory for rural and urban areas, one that goes beyond the *pays* and the agglomeration. For example, in the recent contracts with Brest, Morlaix and Rennes the agglomeration and *pays* scales are closely combined, with “inter-linking” contracts. This approach has received strong support from Brittany and has been accepted by the State in a convention for application of the territorial component of the planning contracts. The concept of “urban *pays*” however begs the question of the respective contents in the *charte de pays* and the agglomeration contracts.

The co-operation issue

The interest of the *pays* is essentially to support partnership between local stakeholders, public and private, for achieving shared objectives. This makes it possible to mobilise the skills and funds of various partners and thus to overcome the problems encountered by local governments which on their own would not have the means to take on such projects. Yet these co-operative initiatives are time-consuming and have high transaction costs (OECD, 2005). Cumbersome procedures are an obstacle that crops up frequently in local debate because they make the process of preparing the *charte de pays* so complex. The overriding concern to involve all parties, however democratic its inspiration, means that it takes about two years on average to prepare a charter. While multiple consultations may be a measure of democracy and transparency, and may help to disseminate a shared vision of the territory, the role of the development council has been modest in the first contracts signed (DATAR, 2004), because of the lengthy discussions demanded by the negotiation process and the mutual learning curve involved.

Relations between “management-oriented” and “project-oriented” inter-communalities

The *pays* seems to be the *ad hoc* territory for spatial organisation and management because it stands at the junction of numerous governmental options and local expectations. Within those territories where inter-communality is weak, the *pays* approach often leads to the creation of an EPCI (Brochereux, 2004). It has also been found that the *pays* can transcend departmental and regional boundaries to represent true “functional areas” generated by economic activities and communication hubs. This is less true for the administrative boundaries which, while seemingly intangible, were already established two centuries ago. The *pays* thus constitutes a venue for strategic and co-operative consideration about the organisation of services, because its vision is more attuned to local realities. The division of France into a growing number of *pays* is however running up against the historic subnational unit of the French nation, the *département*. Moreover, the fact that French subnational governments are increasingly dependent on central government transfers makes it difficult for the Ministry of the Interior, which distributes these funds, to recognise the legitimacy of these hybrid territories, the boundaries of which are established not from above but solely through local initiatives.

Contractual recognition and support of metropolitan areas

As an extension to the preceding issues, the emergence of the metropolitan area points to two new directions in French urban policy: 1) a refocusing on the metropolitan areas, which were passed over by Act II of decentralisation; and 2) reaffirmed support for the economic competitiveness of fast-growing urban hubs (see Box 3.9). The issue goes well beyond the objectives and the confines of urban policy and involves encouraging the economic development of large metropolitan areas, an approach already begun in the agglomeration contracts. Basically, the government approach foresees the emergence of horizontal forms of co-operation that resemble inter-communal arrangements but at a broader scale.

The metropolitan approach has already proven its worth by kick-starting metropolitan co-operation (see Map 3.3). The cities of the *Sillon lorrain*, for example, have adopted a common vision of the future that is helping to diminish rivalry between Metz and Nancy. Accelerated co-operation can also be seen in the Marseilles-Aix metropolitan area, and among the cities of the Côte d’Azur.

Some important issues remain in abeyance, in particular the articulation between the different generations of contracts, and more especially between the State-region planning contracts, their territorial component, and the

Box 3.9. **Recognising metropolitan areas: the first step towards the next generation of contracts**

The creation of metropolitan contracts is supposed to unfold in three phases: i) a government call for proposals for engineering stronger metropolitan co-operation; ii) a metropolitan plan, prepared by governments (2005/2006); iii) introduction of a metropolitan contract as of 2007, based on very specific activities.

A panel chaired by DATAR (now known as DIACT) and consisting of experts and central directors of the ministries concerned undertook the selection of metropolitan projects between January and June 2005. Fifteen metropolitan areas were selected to compete for State financing in order to prepare a metropolitan plan. These are:

- the *Sillon lorrain* (agglomerations of Nancy, Metz, Épinal and Thionville);
- the *métropole normande* (agglomerations of Caen, Rouen and Le Havre);
- the *métropole Loire-Bretagne* (agglomerations of Nantes, Rennes, Saint-Nazaire, Angers and Brest);
- the *métropole* covering Marseilles and Aix-en-Provence;
- the *métropole Côte d'Azur* (agglomerations of Nice, Antibes, Menton, Grasse and Cannes);
- the French-German border agglomeration, formed by Strasbourg and the Ortenaukreis which are combined in a planned European district;
- the Toulouse metropolitan area;
- the Little metropolitan area;
- the *conférence des villes-centres et agglomérations de Rhône-Alpes*;
- the Lyon urban region and the Alpine trench;
- the French-Valais-Geneva *métropole*;
- the Clermont-Auvergne *métropole*;
- Sarrebrück – Moselle Est;
- the Côte d'Opale – Flanders – Western Belgium metropolitan area;
- the Rhine-Rhone metropolitan network.

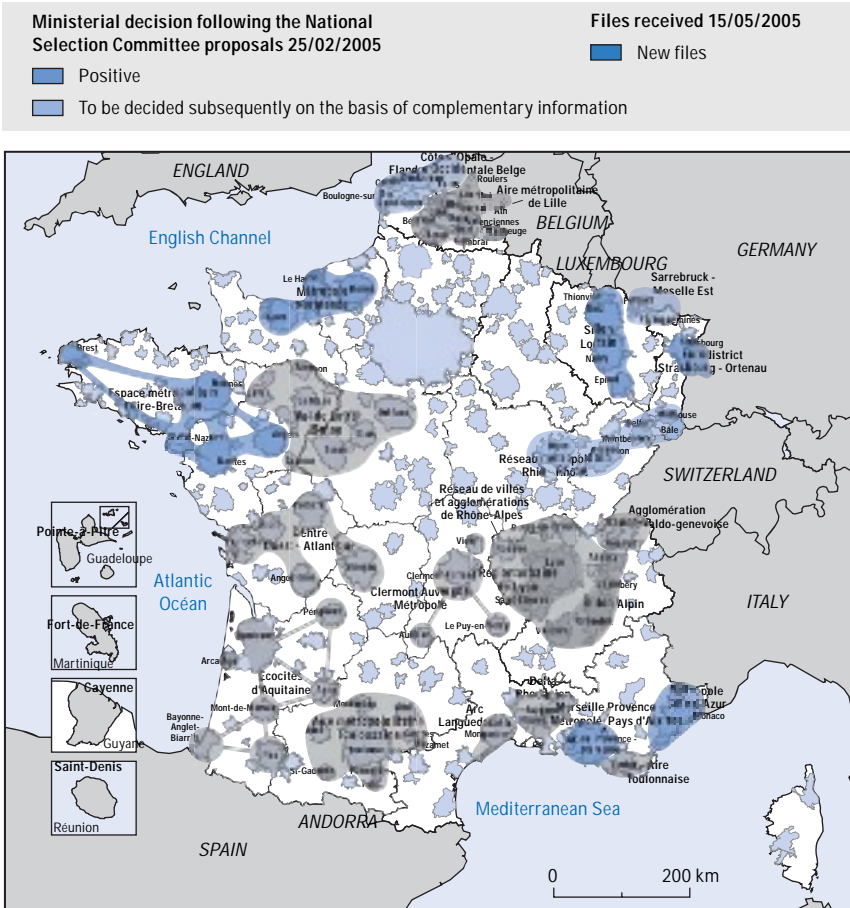
Six of these 15 metropolitan areas have the distinction of constituting cross-border territories (Aire métropolitaine de Lille, Région métropolitaine Côte d'Opale-Flandre occidentale, Sarrebrück-Moselle Est, Eurodistrict Strasbourg-Ortenau, Réseau Métropolitain Rhin-Rhône, Métropole franco-genevoise) and two of them have been invited to build this dimension into their metropolitan proposal now being prepared (the *Sillon lorrain* with Luxembourg, the Côte d'Azur with Italy and Monaco).

Box 3.9. Recognising metropolitan areas: the first step towards the next generation of contracts (cont.)

DIACT and the regional prefects will work with the selected metropolitan areas in preparing their projects, mobilising financial support and enlisting the central government ministries. The 15 metropolitan areas selected will receive an overall budget of € 3.5 million covering 2005 and 2006. That time will be primarily devoted to preparing the metropolitan projects. The deconcentrated State ministry offices placed under the authority of the regional prefects will also contribute. DIACT expects to introduce a national support mechanism in partnership with the ministries, associations of elected officials, and the national technical agencies concerned in order to help the chosen metropolitan areas exchange good practices during the project preparation phase.

metropolitan contracts. Whether or not the CPER should be made comprehensive has not yet been decided. Articulation between the agglomeration contracts also poses a problem: these contracts contain a component for “support to the development of metropolitan areas”, which is supposed to disappear in favour of the metropolitan contracts, but here again nothing has been officially decided. The addition of a new layer of contracts will require great care to avoid overlapping and to preserve the transparency of urban policy in France, the complexity of which has been frequently criticised, notably by the *Cour des comptes* in its 2002 report on urban policy. These institutional hesitations should not however diminish interest in recognising the metropolitan areas as key players in territorial competitiveness.

Map 3.3. Results of the call for metropolitan proposals: winning metropolitan areas (June 2005)



Source: DATAR.

Notes

1. The Constitutional Law of 28 March 2003 and the Law on local freedoms and responsibilities of 13 August 2004.
2. The communes have general responsibilities within their territory, in addition to their specific responsibilities for providing local services (assistance to individuals, communal roads, police, environment – waste management, water treatment. etc.).
3. Health care, agriculture, spatial planning, environment, roads, vocational training, economic development, and regional railways.
4. See Decree 2004-374 of 29 April 2004 on the powers of the prefects.

5. There has been much debate recently about the business tax, because of its alleged inequity and its impact on business location. No clear decision has yet emerged from that debate.
6. The PASSED, the equivalent at the departmental level of the PASER, must be consistent with the PASER and is not examined by the central ministries.
7. See the Law dated 13 August 2004 and Annex 2 of the circular dated 25th March 2005.
8. Since the 1999 law, all the EPCIs with TPU can opt for a supplementary household tax, known as the "*fiscalité mixte*", which allows the grouping to collect the occupancy and property taxes in addition to the business tax. However this choice remains very rare.
9. The SCOT was introduced by the Solidarity and Urban Renewal Law (SRU) of 13 December 2000.

ANNEX 3.A1

Responsibilities of regions and departments

Responsibilities of the regions

Economic development	<ul style="list-style-type: none"> Co-ordination role in economic development Full responsibility for vocational training Registration of apprenticeship contracts Management of in-house training and of individual and collective employment training programmes Co-ordination of information and settlement programmes for new arrivals Co-ordination of tourism policies and assistance
Roads and large-scale infrastructure	<ul style="list-style-type: none"> Development and maintenance of fishing ports Preparation of a master plan for infrastructure and transportation Responsibility for school transportation in Ile-de-France Management of European Union programmes (on an experimental basis)
Social services, solidarity and housing	<ul style="list-style-type: none"> Participation in the financing of health facilities Responsibility for social and paramedical trainings Definition of a regional health programme
Education and culture	<ul style="list-style-type: none"> High school buildings and facilities Technical, operating and service staff (TOS) of high schools Ownership of historic monuments, heritage inventory

Responsibilities of the départements

Economic development	May provide subsidies (alone or jointly) for SMEs, commerce and crafts
Roads and large-scale infrastructure	Creation, management and maintenance of airfields (on-demand) Creation, management and maintenance of fishing ports Establishment of non-urban transportation services Ownership and management of 20,000 km of national highways; use of highway tolls for financing and construction of express highways
Social services, Solidarity and housing	Assistance in the construction of rural social housing Departmental plans for low-income housing Solidarity Fund for Housing (FSL) Departmental master plan for social and medical services Co-ordination of assistance to indigents Assistance fund for at-risk youth (FAJ) Social and medical assistance for the elderly, definition of a master plan to increase human and material resources for care for the elderly Responsibility for local information and co-ordination centres (CLIC) Education assistance measures (on an experimental basis) Management of minimum income programmes (RMI/RMA) beginning 2004
Education and culture	Buildings and facilities of the <i>collèges</i> Technical, operating and service staff (TOS) of the <i>collèges</i> Definition of areas for the <i>collèges</i> School health programmes Ownership of historical monuments (on-demand) Management of works and restoration subsidies for historic monuments Departmental master plan for art education

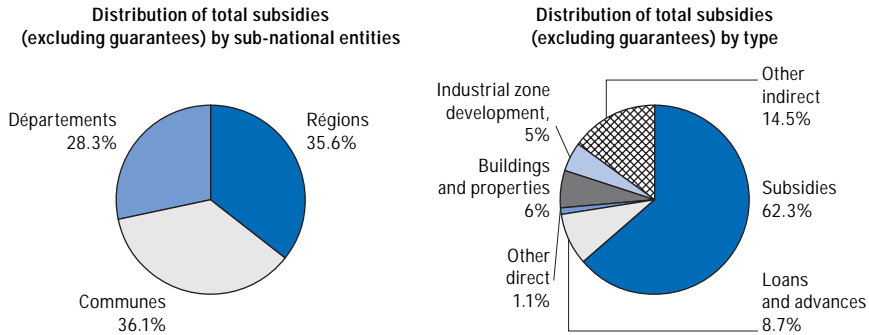
ANNEX 3.A2

The specific case of economic development

	Regions	Departments	Communes and Groupings
Economic development	<p>Co-ordination role in economic development</p> <p>Full responsibility for adult vocational training, in particular grants from the Adult Vocational Training Association (AFPA)</p> <p>Registration of apprenticeship contracts and for the declaration prior to hiring under an apprenticeship contract</p> <p>Management, by delegation from the State, of in-house training (SAE) and of individual and collective employment training (SIFE) programmes</p> <p>Co-ordination of information and settlement policies for new arrivals</p> <p>Co-ordination of tourism policies</p> <p>Licensing and classification of tourism facilities and organisations</p>	<p>May provide subsidies (alone or jointly) for SMEs, commerce and crafts</p>	<p>May provide subsidies (alone or jointly) for SMEs, commerce and crafts</p> <p>May create tourism offices as public industrial and commercial establishments</p>

Source: Fonrojet, S. (2004) " Territoires et nouvelles compétences, L'Organisation territoriale: quelle répartition des compétences ? " *Cahiers français* No. 318, p. 27.

Figure 3.A2.1. **Type of subsidies to business (2002)**
 (Source Ministère de l'Intérieur, DGCL)



Types of subsidies to businesses: assistance to SMEs, training firms, certain agricultural businesses. These subsidies fall under the European Community's "de minimis" rule: subsidies not exceeding a ceiling of € 100 000 over a period of three years do not affect trade between member States nor do they distort or threaten to distort competition. They also concern, of course, the "competitiveness programme" for granting aid to businesses, admitted under the general code of subnational governments. This refers, in particular, to supporting SME investments in productive apparatus up to a maximum of 25% and assisting with innovation and "soft" investment up to a maximum of 50%. Finally, some regional support measures for ICT development may fall within this framework.

ANNEX 3.A3

*Commitments of the State and the regional
councils to each generation of CPER
(in millions of EUR)*

Region	CPER 1984-1988		CPER 1989-1993		CPER 1994-1999		CPER 2000-2006	
	State	Regional Council	State	Regional Council	State	Regional Council	State	Regional Council
Alsace	170.29	109.61	257.44	317.89	343.57	228.95	453.840	426.055
Aquitaine	325.94	203.21	328.02	233.02	464.6	389.28	722.760	719.161
Auvergne	149.4	81.41	206.72	106.87	374.26	164.04	407.038	268.798
Bourgogne	144.06	97.57	236.31	152.89	315.48	238.63	376.167	331.861
Bretagne	297.12	149.1	554.58	285.63	792.64	458.49	907.071	653.189
Centre	128.06	88.42	240.64	166.49	365.68	274.41	548.968	500.338
Champagne- Ardenne	90.71	69.36	203.21	200.01	274.35	203.63	367.249	377.747
Corse	129.58	54.88	76.53	49.55	105.95	88.48	248.644	231.036
Franche-Comté	139.8	86.59	207	197.62	276.01	181.48	335.693	285.851
Ile-de-France	1 103.43	1 305.27	1 299.17	1 747.1	1 701.24	3 545.23	2 994.860	4 667.532
Languedoc- Roussillon	316.03	129.58	397.39	215.75	562.57	352.95	691.356	618.970
Limousin	109.92	48.17	172.16	98.27	234.98	133.5	327.612	187.924
Lorraine	466.19	159.92	496.21	290.89	669.05	527.92	816.882	681.462
Midi-Pyrénées	246.21	126.08	511.47	286.76	643.24	440.15	854.171	813.811
Nord-Pas-de- Calais	681.75	375.33	1 011.16	650.93	1 260.94	767.5	1 532.112	1 043.635
Basse-Normandie	118.76	74.24	252.23	197.92	338.96	323.68	539.517	764.049
Haute-Normandie	77.6	79.73	221.65	202.19	346.88	378.36	497.136	524.882
Pays-de-la-Loire	214.19	150.16	304.27	214.05	454.01	321.7	694.274	623.082
Picardie	297.12	156.26	325.02	260.2	380.12	364.66	459.176	482.344
Poitou-Charentes	160.07	86.44	248.37	314.52	385.62	268.74	488.751	430.589
Provence-Alpes- Côte d'Azur	630.68	406.12	435.97	354.63	664.6	486.31	1 115.317	1 070.467

Region	CPER 1984-1988		CPER 1989-1993		CPER 1994-1999		CPER 2000-2006	
	State	Regional Council	State	Regional Council	State	Regional Council	State	Regional Council
Rhône-Alpes	386.15	231.11	580.39	394.95	785.1	705.4	1 271.577	1 243.222
Bassin parisien	–				50.77			
Total	6 383.06	4 268.57	8 626.89	6 938.13	11 790.62	10 843.47	16 650.171	16 946.005
Total State + Region		10 651.63		15 565.02		22 634.09		33 596.176

Source: DIACT.

ANNEX 3.A4

Share of different ministries in the planning contracts (in millions of EUR)

	CPER 1994-1999 (excl. TOM)		CPER 2000-2006		Change in envelopes between 1994-1999 and 2000-2006 (%)
	Amount	Share relative to all ministries (%)	Amount	Share relative to all ministries (%)	
Agriculture and fisheries	1 140.78	8.92	1 474.26	8.42	+29.23
Foreign affairs and co-operation	10.41	0.08	19.89	0.11	+91.07
Culture	223.31	1.75	387.07	2.21	+73.33
Defense and Veterans' Affairs	1.34	0.01	80.49	0.46	+5 900.00
National Education, <i>of which:</i>	2 136.12	16.70	3 013.76	17.21	+41.09
<i>Tertiary education and research</i>	1 979.94	15.48	2 770.53	15.82	+39.93
<i>Grade-School education</i>	156.17	1.22	243.23	1.39	+55.75
Employment and vocational training	605.56	4.73	822.16	4.70	+33.77
Cities	533.83	4.17	1 237.28	7.07	+131.77
Health and welfare	368.56	2.88	428.06	2.44	+16.15
Environment	198.49	1.55	489.80	2.80	+146.76
Infrastructure, <i>of which:</i>	5 880.84	45.97	7 145.51	40.81	+21.50
<i>Roads</i>	4 161.42	32.53	4 184.34	23.90	+0.55
<i>Other modes of transport and miscellaneous</i>	825.76	6.46	2 501.14	14.28	+202.89
<i>Housing and Urban Development</i>	850.75	6.65	343.56	1.96	-59.62
<i>Tourism</i>	42.91	0.34	116.47	0.67	+171.40
FNADT: territorial planning	716.21	5.60	1 117.45	6.38	+56.02
Economy, Finance and Industry, <i>of which:</i>	725.38	5.67	913.78	5.22	+25.97
<i>Industry</i>	648.91	5.07	759.81	4.34	+17.09
<i>Foreign trade</i>	36.22	0.28	63.60	0.36	+75.59
<i>SMEs, commerce, crafts</i>	40.25	0.31	90.22	0.52	+124.17
Youth and sports	23.33	0.18	123.64	0.71	+429.89

	CPER 1994-1999 (excl. TOM)		CPER 2000-2006		Change in envelopes between 1994-1999 and 2000-2006 (%)
	Amount	Share relative to all ministries (%)	Amount	Share relative to all ministries (%)	
Justice	0.53		48.56	0.28	+9 131.88
Overseas	154.20	1.21	208.25	1.19	+35.05
Miscellaneous, including common charges	73.16	0.57	0.18	0.001	-99.75
Total	12 792.04		17 510.00		+36.88

The amounts in € shown in this document have no contractual force. Official figures in francs have been converted at an exchange rate of 1 €= 6.55957 francs).

Source: DIACT.

ANNEX 3.A5

*State-region planning contracts 2000-2006:
relative share by signatory, excluding TOMs,
interregional programmes and large
programmes (in thousands of EUR)*

	State		Regional Council		Total
	Amount	Relative share (%)	Amount	Relative share (%)	
Alsace	453 840.724	51.58	426 055.366	48.42	879 896.091
Aquitaine	722 760.791	50.12	719 161.469	49.88	1 441 922.260
Auvergne	407 038.876	60.23	268 798.107	39.77	675 836.983
Bourgogne	376 167.950	53.13	331 861.235	46.87	708 029.185
Bretagne	907 071.653	58.14	653 189.157	41.86	1 560 260.810
Centre	548 968.911	52.32	500 337.675	47.68	1 049 306.586
Champagne-Ardenne	367 249.683	49.30	377 747.474	50.70	744 997.157
Corse	248 644.347	51.84	231 036.486	48.16	479 680.833
Franche-Comté	335 692.736	54.01	285 851.054	45.99	621 543.790
Ile-de-France ¹	2 994 860.944	39.09	4 667 531.561	60.91	7 662 392.504
Languedoc-Roussillon	691 356.293	52.76	618 970.451	47.24	1 310 326.744
Limousin	327 612.938	63.55	187 923.904	36.45	515 536.842
Lorraine	816 882.814	54.52	681 462.352	45.48	1 498 345.166
Midi-Pyrénées	854 171.844	51.21	813 810.966	48.79	1 667 982.810
Nord-Pas-de-Calais	1 532 112.623	59.48	1 043 635.482	40.52	2 575 748.105
Basse-Normandie	539 517.072	41.39	764 049.473	58.61	1 303 566.545
Haute-Normandie	497 136.245	48.64	524 881.966	51.36	1 022 018.212
Pays-de-la-Loire	694 274.167	52.70	623 082.255	47.30	1 317 356.423
Picardie	459 176.440	48.77	482 343.660	51.23	941 520.100
Poitou-Charentes	488 751.549	53.16	430 589.200	46.84	919 340.749
Provence-Alpes-Cote d'Azur	1 115 317.010	51.03	1 070 466.509	48.97	2 185 783.519
Rhône-Alpes	1 271 577.253	50.56	1 243 221.736	49.44	2 514 798.988
Total Metropolitan France	16 650 182.863	49.56	16 946 007.539	50.44	33 596 90.401

	State		Regional Council		Total
	Amount	Relative share (%)	Amount	Relative share (%)	
Guadeloupe	195 744.538	47.71	214 495.767	52.29	410 240.305
Guyane	186 140.250	60.69	120 587.173	39.31	306 727.423
Martinique	170 590.450	41.26	242 858.145	58.74	413 448.595
Réunion	307 337.219	57.25	229 470.834	42.75	536 808.053
Total DOM	859 812.457	51.57	807 411.919	48.43	1 667 224.376
Grand total	17 509 995.320	49.65	17 753 419.457	50.35	35 263 14.777

The amounts in € shown in this document have no contractual force. Official figures in francs have been converted at an exchange rate of 1 € = 6.55957 francs)

1. State: includes 686 020 of the former FARIF (*Fonds d'aménagement régional de l'Île-de-France*)

Source: DIACT.

ANNEX 3.A6

Responsibilities of groupings of communes with fiscal powers

A. Communautés de communes

Exercise of most of the mandatory and optional responsibilities transferred under each bloc is subject to recognition of “community interest” (*intérêt communautaire*), which is set at the qualified majority required for creation of the *communauté de communes* (art. 5214-16 IV du CGCT).

It is important therefore to define:

1. the group of responsibilities;
2. the responsibilities within these groups;
3. the actions taken, subject to the definition of community interest.

	Blocs of mandatory responsibilities	Optional responsibilities	Elective responsibilities
<i>Communautés de communes</i> with additional taxing powers	Art. 5214-16 I, CGCT 1) spatial planning; 2) economic development activities of community interest.	I. may choose between the following four blocs of responsibilities: (art. 5214-16 II CGCT) 1) environmental protection and improvement, under departmental master plans as necessary; 2) public housing and living conditions 3) creation and maintenance of roads of community interest; 4) construction, maintenance and operation of cultural and sporting facilities and preschool and elementary education facilities of community interest II. Choice of optional responsibilities: (art. 5214-16 III) this choice is made by the qualified majority required for the creation of the community.	Elective responsibilities. By executive decision or when there is a statutory change in the qualified majority (art. L. 5211-17)

Note: when the transfer of responsibilities meets the conditions established by law and has been duly approved by the Community Council and by the qualified majority of the municipal councils, the prefect, who in this case must order the transfer of responsibilities, may issue a decree to this effect even prior to expiry of the three months during which the municipal councils are to express their view. Where Art. L. 5211-17 of the CGCT is applicable, the prefect has sole jurisdiction and does not have to wait for 3 months before issuing a decree (CE, Commune de Laveyron, 3 May 2002).

	Blocs of mandatory responsibilities	Optional responsibilities	Elective ("facultative") responsibilities
<i>Communautés de communes</i> levying the T.P.U. (Single Business Tax)	Art. 5214-16 I. 2° of the CGCT 1) spatial planning; 2) economic development activities of community interest, including planning, management and maintenance of industrial, commercial, tertiary, craft, tourism, port or airport facilities (specify which).	Idem	Idem

B. Communautés d'agglomération and communautés urbaines

When exercise of the mandatory and optional responsibilities of the *communautés d'agglomération* and of the mandatory responsibilities of the *communautés urbaines* is subject to recognition of their community interest, that interest is determined by a two-thirds majority of the community council.

	Mandatory responsibilities	Optional responsibilities
Communautés d'agglomération	<p>Art. 5216-5 I of CGCT:</p> <p>1) economic development:</p> <p>a) creation, management and maintenance of industrial, commercial, tertiary, craft, tourism, port or airport facilities of community interest;</p> <p>b) economic development activities of community interest;</p> <p>2) community spatial planning: SCOT and sector master plan; creation and use of ZAC of community interest ; organisation of urban transit;</p> <p>3) community social housing supply:</p> <p>a) local housing programme;</p> <p>b) social housing policy;</p> <p>c) financial assistance and activities to promote social housing;</p> <p>d) low-income housing;</p> <p>e) land reserves for social housing policy;</p> <p>f) improvement of the building stock of community interest;</p> <p>4) urban development policy:</p> <p>a) contractual arrangements for urban development, local development, and economic and social services of community interest;</p> <p>b) local arrangements for crime prevention.</p>	<p>Art. L5216-5 II of CGCT</p> <p>I. the community must exercise at least three of the following five responsibilities:</p> <p>1) road maintenance and improvement; parking lot creation and management;</p> <p>2) sanitation ;</p> <p>3) water supply ;</p> <p>4) protection and improvement of the environment and living conditions; air and noise pollution control, removal and recovery of household wastes and similar wastes, or part thereof;</p> <p>5) Construction, maintenance and management of cultural and sporting facilities of community interest.</p> <p>Art. L5216-5 II of CGCT</p> <p>II. Choice of optional responsibilities:</p> <p>this choice is made by decision of the municipal councils of the interest in communes, subject to qualified majority provisions.</p>

Mandatory responsibilities (the urban community does not have optional responsibilities)

Communautés urbaines	<p>Art. L5215-20 I of the CGCT:</p> <ol style="list-style-type: none"> 1) economic, social and cultural development within the community: <ol style="list-style-type: none"> a) industrial, commercial, tertiary, craft, tourist, port and airport facilities; b) economic development activities; c) cultural, social, educational and sporting facilities of community interest; d) lycées and colleges. 2) community spatial planning: <ol style="list-style-type: none"> a) SCOT and sector master plan; PLU; ZAC of community interest; constitution of land reserves of community interest; b) organisation of urban transit; creation and maintenance of community roads, signage and parking lots; c) overall planning and determination of planning sectors. 3) community social housing: <ol style="list-style-type: none"> a) local housing programme; b) social housing policy; financial assistance to social housing; promotion of social housing; housing for persons displaced by social housing projects; c) housing improvement in rehabilitation programmes of community interest. 4) urban policy within the community: <ol style="list-style-type: none"> a) contractual arrangements for urban and local development and economic and social services; b) crime prevention. 5) management of collective services: <ol style="list-style-type: none"> a) water and sanitation; b) creation and expansion of cemeteries and crematoriums; c) slaughterhouses and markets of national interest; d) fire and rescue services. 6) protection and improvement of the environment and living conditions: <ol style="list-style-type: none"> a) removal and recovery of household and similar wastes; b) air pollution; c) noise pollution.
----------------------	--

Apart from these mandatory and optional responsibilities, elective responsibilities may be transferred to the *communautés d'agglomération* and to the *communautés urbaines* by executive decision or when the statutes are modified.

As well, the CGCT provides for the possibility that these communities may exercise all or a portion of social assistance responsibilities, provided there is a convention with the department.

ANNEX 3.A7

Distribution of groupings with fiscal powers, by region

At 1 January 2005		
	Population of the grouping	% of regional population
Alsace	1 693 695	95.6
Aquitaine	2 828 244	93.3
Auvergne	1 308 822	96.1
Bourgogne	1 501 589	89.8
Bretagne	2 980 747	97.4
Centre	2 162 146	85.6
Champagne-Ardenne	1 204 621	86.6
Corse	188 584	69.7
Franche-Comté	1 125 316	96.8
Ile-de-France	4 869 915	43.7
Languedoc-Roussillon	2 266 029	94.8
Limousin	722 332	97.2
Lorraine	2 175 478	91.2
Midi-Pyrénées	2 431 188	90.3
Nord-Pas-de-Calais	4 020 684	98.7
Basse-Normandie	1 440 935	97.5
Haute-Normandie	1 810 072	99.1
Pays-de-la-Loire	3 309 532	98.3
Picardie	1 828 154	95.6
Poitou-Charentes	1 700 110	98.5
Provence-Alpes-Côte d'Azur	4 109 119	89.0
Rhône-Alpes	5 233 878	89.7
Régions d'Outre-Mer	1 341 412	78.7
Total	52 252 602	84.1

Population data are taken from the 1999 census, corrected by supplementary censuses as necessary.
Source: Ministère de l'Intérieur, de la Sécurité intérieure et des Libertés locales, Direction générale des collectivités locales.

ANNEX 3.A8

Growth of EPCI with taxing powers, 01/01/1999 to 01/01/2005

	1999	2004	2005
Communautés urbaines			
Number of groupings	12	14	14
Number of communes	309	355	355
Population in groupings	4 638 381	6 209 160	6 210 939
Of which TPU			
Number of groupings	–	11	11
Number of communes	–	322	322
Population in groupings	–	5 870 605	5 872 185
Communautés d'agglomération			
Number of groupings	–	155	162
Number of communes	–	2 632	2 750
Population in groupings	–	19 712 134	20 391 934
Communautés de communes			
Number of groupings	1 347	2 286	2 343
Number of communes	15 200	28 403	29 172
Population in groupings	18 049 741	24 479 442	25 297 156
Of which TPU			
Number of groupings	93	856	922
Number of communes	863	10 374	11 281
Population in groupings	2 784 341	11 824 215	12 816 340
Syndicats d'agglomération nouvelle			
Number of groupings	9	6	6
Number of communes	51	34	34
Population in groupings	715 025	346 460	352 573

ANNEX 3.A9

The pays by region in 2005

	Population covered by a recognised or planned <i>pays</i> (%)
Ile-de-France	0.2
Corse	7
Provence-Alpes-Côte d'Azur ¹	15
Rhône-Alpes ¹	21
Martinique	28
Picardie ¹	28
Nord-Pas-de-Calais	34
Lorraine ¹	42
Haute-Normandie ¹	51
Bourgogne ¹	53
Pays-de-la-Loire ¹	53
Poitou-Charentes	58
Languedoc-Roussillon ¹	60
Midi-Pyrénées ¹	63
Centre ¹	70
Alsace ¹	71
Auvergne ¹	73
Aquitaine ¹	74
Champagne-Ardenne ¹	74
Franche-Comté ¹	83
Basse-Normandie ¹	93
Limousin ¹	99
Bretagne ¹	100

1. Region concerned with one (or several) inter-regional *pays*.

Source: ETD (Entreprise Territoire et Développement).

ANNEX 3.A10

Pays and urban areas in 2005

	Portion of the population of urban areas living in a <i>pays</i> (%)	Portion of the population of urban areas living in an <i>agglomération</i> not part of a <i>pays</i> (%)	Portion of the population of urban areas not part of a <i>pays</i> or an <i>agglomération</i> (%)
Alsace	60	35	4
Aquitaine	63	36	1
Auvergne	79	16	5
Basse-Normandie	95	0	5
Bourgogne	38	39	23
Bretagne	100	0	0
Centre	55	40	5
Champagne-Ardenne	64	29	6
Corse	0	73	27
Franche-Comté	74	23	3
Haute-Normandie	42	49	10
Ile-de-France	0	28	72
Languedoc-Roussillon	52	38	9
Limousin	100	0	0
Lorraine	30	43	27
Midi-Pyrénées	48	43	10
Nord-Pas-de-Calais	26	66	8
Pays-de-la-Loire	50	40	10
Picardie	23	30	47
Poitou-Charentes	34	57	9
Provence-Alpes-Côte d'Azur	8	76	16
Rhône-Alpes	15	53	33
National ¹	32	40	28

1. Mainland France.

Source: ETD (Entreprises Territoires et Développement).

Bibliography

- ARF (2005), *Les Régions engagées pour le développement des réseaux et des services à haut débit*, Assemblée Générale de l'Association des Régions de France, 9 mars.
- Assemblée nationale (2004), "Pour un écosystème de la croissance."
- Assemblée nationale (2005), *Rapport de la Commission d'enquête sur la fiscalité locale*, Paris.
- Autorité de Régulation des Communications Électroniques et des Postes – ARCEP ex ART (2005), "Étude internationale sur l'intervention publique dans le secteur des télécommunications", www.arcep.fr; avril.
- Bernard-Gélabert, Marie-Christine (2003), "Quel avenir pour l'intercommunalité?", *Revue française de finances publiques*, No. 81, mars, Paris.
- Bonnard, Maryvonne (ed.) - CNFPT (2002), *Les collectivités locales en France*, Notices de la Documentation française, 2^e édition, Paris.
- Bernard-Gélabert, Marie-Christine (2003), *L'intercommunalité*, 4^e édition, L.G.D.J., Paris.
- Boutet, Annabelle, Vincent Fouchier and Colette Galmiche (2003), *La contractualisation territoriale – Capitalisation bibliographique*, DATAR et Centre de Documentation de l'Urbanisme, septembre, Paris.
- Brocherieux Jean-Michel (2004), *L'Articulation entre les différents outils et les différentes échelles d'aménagement du territoire – Établissement Public de Coopération Intercommunale, contrat d'agglomération, contrat de pays, schémas de cohérence territoriale*, Avis du Conseil Économique et Social de Bourgogne, 6 avril, Dijon, France.
- Caisse des Dépôts (2002), *Le haut débit et les collectivités locales*, collection Les cahiers pratiques du développement numérique des territoires, No. 1, La documentation française, Paris.
- Commissariat Général du Plan (2003), *Rapport de l'instance d'évaluation sur les fonds structurels européens et les politiques régionales*, sous la direction de Patrice Magnier, Denis Besnainou rapporteur, La documentation française, Paris.
- Commissariat Général au Plan (2003), *Rapport d'Évaluation*, Les politiques de développement rural. Juin 2003.
- Commissariat Général au Plan (2005), "Localisation des activités économiques et stratégies de l'État". Pr. El Mouhoub Mouhoud. Groupe Perroux. June 2005.
- Commission européenne, DG V (2005), "Études de cas sur le traitement des conséquences sociales des grandes restructurations d'entreprises".
- Conseil Économique et Social (2005), *Communes, Intercommunalités, Quels devenirs?* Rapport presented by P.-J. Rozet, Avis et Rapports du CES, République Française, Paris.

- Conseil d'Analyse Économique (2004), *Désindustrialisation-Délocalisation*. L. Fontagné and Jean Hervé Lorenzi, novembre.
- Council of Competitiveness (2004), *Innovate America. National Innovation Initiative Report*. Washington, décembre.
- Cour des comptes (2002), *Rapport public particulier, La politique de la ville*, Paris, p. 340.
- Cour des comptes (2005), *L'intercommunalité en France, Rapport au Président de la République*, www.ccomptes.fr, novembre.
- DATAR (2003), *Quelle France rurale pour 2020?*
- DATAR (2003), *La France, puissance industrielle, une nouvelle politique industrielle par les territoires*.
- DATAR (2004), *Pour un rayonnement européen des métropoles françaises. Éléments de diagnostic et orientations*, CIADT du 18 décembre 2003, Supplément à la lettre de la DATAR de février 2004, No. 179.
- DATAR et Fédération nationale des agences d'urbanisme (2004), *Pour un rayonnement européen des métropoles françaises. L'offre métropolitaine française*, October.
- DATAR (2004), *Pour un rayonnement européen des métropoles françaises, L'état des savoirs sur les forces et faiblesses des métropoles françaises en Europe*, Paris, May.
- DATAR and ETD (2004), *Quels projets pour les très grandes villes?*, Ateliers du projet territorial, Marseille, 28 June.
- Delcamp, Alain and John Loughlin, (2002) (eds.) *La décentralisation dans les États de l'Union européenne*, in *Notes et Études documentaires de la Documentation Française*, Nos. 5162-63, November, Paris.
- Délégation Interministérielle à la Ville (2004), *Observatoire national des zones urbaines sensibles, Rapport 2004*, Paris, novembre.
- Dexia (2004), *Local Finance in the twenty five countries of the European Union*, Dexia Editions, Paris.
- Dexia - Crédit local (2005), *Finances locales en France*, Note de conjoncture, www.dexia-creditlocal.fr, February, Paris.
- Les Échos (2004), "Délocalisations : le grand défi", dossier spécial, juin.
- Entreprises Territoires et Développement (ETD) (2003), *L'approche économique des projets de territoire*, Paris, décembre.
- Entreprises Territoires et Développement ETD (2005), *État des lieux des agglomérations au 1^{er} janvier 2005*.
- European Restructuring Monitor, www.emcc.eurofound.eu.int/erm.
- Fautrero, Valérie, Valérie Fernandez, and Gilles Puel (2005) "Les technologies alternatives à l'usage: à propos d'une expérimentation - satellite - Wifi", *Conférence TIC et dynamiques spatiales*, 7-8 avril, Cordes-sur-Ciel, France.
- Fonrojet, S. (2004), "Territoires et nouvelles compétences - L'organisation territoriale: quelle répartition des compétences?" *Cahiers français*, No. 318, p. 27.
- Fouchier, Vincent (2003), *Analyse critique des contrats d'agglomération signés au 31 juillet 2003*, DATAR, Paris.

- Fouchier V., DATAR (2005) Tendances longues de l'évolution économique des métropoles françaises. Un regard sur la notion de "taille critique", *Analyses et débats*, May 2005, No. 1.
- Gaudin, Jean-Pierre (2004), "La contractualisation des rapports entre l'État et les collectivités territoriales", in Marcou, Gérard and Hellmut Wollman (eds.), *Réforme de la décentralisation, réforme de l'État - Régions et villes en Europe*, CNRS Éditions, Paris.
- Gravier, Jean-François (1947), *Paris et le désert français*, Paris, Le Portulan.
- Guengant, Alain, (ed.) (2002), "Dossier Décentralisation, finances et fiscalité : trancher le nœud gordien" in *Pouvoirs Locaux - les cahiers de la décentralisation*, No. 54, September.
- Guengant, Alain (2005), "Quel avenir pour la fiscalité locale?", in *Pouvoirs Locaux - les cahiers de la décentralisation*, No. 64, March.
- Guengant, Alain and Guy Gilbert (2004), *Évaluation des effets péréquateurs des concours de l'État aux collectivités locales*, rapport pour le Commissariat Général du Plan.
- Guengant, Alain and Guy Gilbert (2004), "Évaluation du dispositif de péréquation financière entre les communes, les départements et les régions", in *Territoires 2020 - Revue d'études et de prospective*, No. 10, 2^e trimestre, DATAR, La documentation française, Paris.
- Heumel, Pierre (2005), "Profils des présidents d'agglomération", in *Intercommunalités*, No. 88, March.
- INSEE (2004), "Les bassins de vie des bourgs et petites villes : une économie résidentielle et souvent industrielle". *INSEE Premières* No. 954, avril 2004.
- Jegouzo, Yves (2005), "1941-2005 : 65 ans de régionalisme administratif" in *Les Cahiers de la Fonction Publique et de l'Administration*, No. 246, June.
- Kamal-Chaoui, Lamia (2004), *Governance for Economic Competitiveness, the case of OECD Metropolitan Regions*, OECD.
- Loughlin, John (2006 to be published), *Subnational government: the French experience*, Palgrave, London.
- Marcou, Gérard and Hellmut Wollman (2004), *Réforme de la décentralisation, réforme de l'État - Régions et villes en Europe*, CNRS Éditions, Paris.
- MIME/Ministre des affaires sociales (2002), *Rapport au premier ministre* (by J.-P. Aubert) "Mutations industrielles".
- Ministère de l'emploi (2002), "Les conditions du licenciement collectif pour motif économique: comparaison entre 7 pays d'Europe".
- Ministère de l'intérieur, de la Sécurité intérieure et des Libertés locales (2005), *Intercommunalité : une dynamique renforcée dans un cadre juridique rénové, Bilan au 1^{er} janvier 2005*, Direction Générale des Collectivités Locales, www.interieur.gouv.fr, Paris.
- Mission exploratoire sur l'accompagnement des Mutations Économiques (2003), *Rapport de synthèse* (rapporteur M. Claude Viet).
- Moulin, Olivier, Gaëlle Pinson and Marie Chapelet (2002), *Les contrats de plan État-Région*, DATAR, La documentation française, Paris.
- OECD (2001), *Understanding the Digital Divide*, OECD Publications, Paris.

- OECD (2005a), *Building Competitive Regions: Strategies and Governance*, OECD Publications, Paris.
- OECD (2005b), *Territorial Review of Japan*, OECD Publications, Paris.
- OECD (2005c) *Regions at a Glance*, OECD Publications, Paris.
- Parkinson, Micheal (et al.) (2003), *Competitive European Cities: Where Do the Core Cities Stand?* Londres, Office of the Deputy Prime Minister, Octobre.
- Philot, David (2005), "La réforme des critères de répartition des dotations de l'État", in *Pouvoirs Locaux – les cahiers de la décentralisation*, No. 64, March.
- Portier, Nicolas (2002), *Les pays*, Collection Territoires en mouvement, DATAR, La documentation française, Paris.
- Portier, Nicolas (2004), "Pays et agglomérations : les modes de l'articulation" in Ph. Tronquoy (ed.) 2004, *op. cit.*
- Rapport au premier Ministre. C. Blanc. "Pour une nouvelle politique industrielle", Jean-Louis Beffa ; 15 January 2005.
- Rannou, Hervé (2003), "Les modèles économiques du Haut Débit" in *Livre Blanc Hauts Débits*, Éditions LGDJ, Paris.
- SENAT (2004), *Rapport d'information, rapporteurs GAUDIN et GRIGNON, Délocalisations : pour un néo-collbertisme européen.*
- Tronquoy, Philippe (ed.) (2004), *Décentralisation, État et territoires*, Cahiers français, No. 318, January-February.
- Ullman, Charlotte (2004), "Géographie des réseaux et politiques locales: l'action des collectivités locales pour réduire la fracture numérique" communication à la conférence *TIC et Inégalités : les fractures numériques*, Paris, Carré des Sciences, 18-19 November.
- Ullman, Charlotte (2005), "Enjeux et perspectives du haut débit en région", www.localtis.fr, March.

Selected Web sites:

- www.metropoles.org/metropole/.
- www.ville.gouv.fr.
- www.projetdeterritoire.com.

Liste of acronyms

ADSL	Asymmetric Digital Subscriber Line
AII	Agence pour l'Innovation Industrielle (Agency for Industrial Innovation)
AMF	Association des Maires de France (Association of French Mayors)
ANR	Agence Nationale de la Recherche (National Agency for Research)
ANVAR	Agence Nationale de Valorisation de la Recherche (French Innovation Agency)
ARCEP	Autorité de Régulation des Communications Électroniques et des Postes (Regulatory Body for Electronic Communications and Post Office Matters)
ARF	Association des Régions de France (Association of French Regions)
CAR	Comité d'Administration Régional (Regional Management Committee)
CDC	Caisse des Dépôts et Consignations (A State owned financial institutions performing public interest missions)
CDCI	Comité Interdépartemental de Coopération Intercommunale (Departmental Commission for intercommunal cooperation)
CEA	Commissariat à l'Énergie Atomique (Atomic Energy Authority)
CESR	Conseil Économique et Social Régional (Regional Economic and Social Council)
CGCT	Code Général des Collectivités Territoriales (Regulatory framework for local authorities)
CGP	Commissariat Général du Plan (National Plan Commission)
CIACT	Comité Interministériel à l'Aménagement et à la Compétitivité des Territoires (Interministerial Committee for Territorial Competitiveness and Planning)
CNES	Centre National d'Études Spatiales (National Space Research Institute)
CNFPT	Centre National de la Fonction Publique (Public Sector National Center)

CNRS	Centre National de la Recherche Scientifique (National Center for Scientific Research)
CNRT	Centre National de Recherche Technologique (National Centre for Technological Research)
CPER	Contrat de Plan État-Région (State/Region Planning Contract)
CRITT	Centre Régional pour l'Innovation et le Transfert de Technologies (Regional Centre for Innovation and Technology Transfer)
CTE	Contrat Territorial d'Exploitation (Territorial Contract in rural areas)
DGCL	Direction Générale des Collectivités Locales (Directorate General for Local Affairs from the Ministry of Interior)
DGF	Dotation Globale de Fonctionnement (Global Operating Grant)
DIACT	Délégation Interministérielle à l'Aménagement et à la Compétitivité des Territoires (French Regional Agency)
DIV	Délégation Interministérielle à la Ville (Interministerial Commission for City Policy)
DNP	Dotation Nationale de Péréquation (National Equalisation Grant)
DOCUP	Document Unique de Programmation (EU Regional Programming Document)
DREE	Direction des Relations Économiques Extérieures (Foreign Economic Relations Office)
DSP	Délégation de Service Public (Public Services Delegation)
DSR	Dotation de Solidarité Rurale (Rural Solidarity Grant)
DSU	Dotation de Solidarité Urbaine (Urban Solidarity Grant)
DTA	Directive Territoriale d'Aménagement (Territorial Planning Directive)
ENA	Ecole Nationale d'Administration
ENS	Ecole Normale Supérieure
EPCI	Etablissement Public de Coopération Intercommunale (Public Establishment for Intermunicipal Cooperation)
EPIC	Etablissement Public à Caractère Industriel et Commercial (Public Institution of an Industrial and Commercial Nature)
EPST	Etablissement Public Scientifique et Technique (Public Scientific and Technical Research Establishment)
ERT	Equipe de Recherche Technologique (Technological Research Team)
ERM	European Restructuring Monitor
FNADT	Fonds National d'Aménagement et de Développement des Territoires (National Fund for Territorial Planning and Development)
GPU	Grand Programme Urbain (Large Urban Projects)

IFREMER	Institut Français de Recherche pour l'Exploitation de la Mer (French National Maritime Research Institute)
INRA	Institut National de la Recherche Agronomique (National Institute for Agronomy Research)
INSEE	Institut National de la Statistique et des Études Économiques (National Institut for Statistics and Economic Studies)
INSERM	Institut National de la Santé et de la Recherche Médicale (National Institut for Health and Medical Research)
LETI	Laboratoire d'Électronique de Technologies de l'Information (Laboratory for Électronic and Information Technologies)
LOADDT	Loi d'Orientation, d'Aménagement et de Développement Durable des Territoires (Law on Planning and Sustainable Territorial Development)
LOLF	Loi Organique Relative aux Lois de Finance (New Budget Law)
LOPR	Loi d'Orientation et de Programmation de la Recherche (Law on Research)
NTIC	Nouvelles Technologies de l'Information et des Communications (New Information and Communication Technologies)
OPAH	Opération Programmée d'Amélioration de l'Habitat (Housing Improvement Programme)
OPR	Organisme Public de Recherche (Public Research Organisation)
OST	Observatoire de la Science et de la Technologie (Science and Technology Observatory)
PASED	Projet d'Action Stratégique de l'État dans les Départements (Proposed State Strategy for "Département")
PASER	Projet d'Action Stratégique de l'État en Régions (Proposed State regional Strategy)
PAT	Prime à l'Aménagement du Territoire (Regional Planning Premium)
PCRD	Programme Communautaire de Recherche et Développement (EU R&D Programme)
PNDR	Plan National de Développement Rural (Rural National Development Plan)
PNR	Parc Naturel Régional (Regional Nature Park)
PRAI	Programme Régional d'Actions Innovatrices (Innovative Action Regional Programme)
PRES	Pôle de Recherche et d'Enseignement Supérieur (Pole of Research and Higher Education)
RDT	Réseau de Développement Technologique (Technological Development Network)

RENATER	Réseau National de Télécommunications pour la Technologie, l'Enseignement et la Recherche (National Telecommunication Network for Technology, Training and Research)
RRIT	Réseau de Recherche et d'Innovation Technologique (Technological Innovation and Research Network)
SAIC	Service d'Activités Industrielles et Commerciales (Industrial and Commercial Department within Universities)
SCOT	Schéma de Cohérence Territoriale (Territorial Consistency Scheme)
SIVOM	Syndicat Intercommunal à Vocation Multiple (Multi Purpose Intercommunal Association)
SIVU	Syndicat Intercommunal à Vocation Unique (Single Purpose Intercommunal Association)
SRADT	Schéma Régional d'Aménagement et de Développement du Territoire (Regional Territorial Planning Master Plan)
SRDE	Schéma Régional de Développement Économique (Regional Economic Development Master Plan)
SRU (Loi)	Loi Solidarité et Renouveau Urbain (Solidarity and Urban Renewal Act)
SPL	Système Productif Local (Local Production System)
TER	Train Express Régional (Regional Train)
TGV	Train à Grande Vitesse (High Speed Train)
TIPP	Taxe Intérieure sur les Produits Pétroliers (Domestic Tax on Oil Products)
TRDP	Territoires Ruraux de Développement Prioritaire (Priority Rural Areas)
TPU	Taxe Professionnelle Unique (Single Business Tax)
ZFU	Zone Franche Urbaine (Urban Free Zone)
ZRR	Zone de Revitalisation Rurale (Rural Revitalisation Zone)
ZUS	Zone Urbaine Sensible (Distressed urban Zone)

Table of Contents

Assessment and Recommendations	11
Chapter 1. Trends and Challenges in the Territories	27
1.1. Introduction	29
1.2. Regional characteristics and trends	29
Redeployment towards regions in the South and West	29
Employment and labour markets: territorial heterogeneity	32
Increased European and international competition for the Ile-de-France region	36
Development of French metropolitan regions outside the Ile-de-France region	40
Renewed signs of vigour in some rural areas	42
1.3. Economic performances of France and its regions	45
Differences in GDP per capita	45
Impact of redistribution policies	47
1.4. The main challenges	49
Infrastructure	52
Innovation	54
Entrepreneurship	57
Skills	58
1.5. Conclusions	59
Notes	60
Annex 1.A1. Explaining regional economic performance: breakdown of GDP per capita	63
Chapter 2. Territorial Strategies and Competitiveness Policies	65
2.1. Introduction	66
Traditional regional policy	67
The new territorial policy	68
2.2. Regional industrial competitiveness policy and the cluster policy	71
Enhancing the value of SMEs: local production systems (SPLs)	71
Reinforcing the links between enterprises and research: the emergence of poles of competitiveness	74

2.3. Policies for urban and rural areas and for regions undergoing restructuring	88
Urban competitiveness policies	88
Support for competitive metropolitan areas	94
Revitalisation of rural areas	98
Government initiatives in the regions undergoing restructuring	107
2.4. Policies on broadband	113
The state of play	114
National policies for promoting broadband	116
Local authority strategies	118
The role of the Regions	123
Notes.	124
Annex 2.A1. Territorial coherence schemes (SCOT).	130
Annex 2.A2. Unbundling local loops and connecting grids	131
Chapter 3. Multilevel Governance Geared to Co-operation	133
3.1. Introduction	134
3.2. The main thrusts of decentralisation	134
Levels of administration and their shifting responsibilities	134
The central government maintains an important role.	136
Measures to counter territorial fragmentation	140
Subnational government finances and fiscal relations with the State	142
3.3. Co-ordination between levels of government	150
Public action contracts.	150
The preparation of regional policy strategies.	151
Reforming the State-region planning contracts (CPER)	153
3.4. Bringing the communes together and developing a territorial project approach to address institutional fragmentation	163
The “management-oriented inter-communality”	164
The “Project-oriented inter-communality” and the contractualisation of territories	171
Contractual recognition and support of metropolitan areas	179
Notes.	182
Annex 3.A1. Responsibilities of regions and departments	184
Annex 3.A2. The specific case of economic development	186
Annex 3.A3. Commitments of the State and the regional councils to each generation of CPER (in millions of EUR).	188
Annex 3.A4. Share of different ministries in the planning contracts (in millions of EUR)	190

Annex 3.A5. State-region planning contracts 2000-2006: relative share by signatory, excluding TOMs, interregional programmes and large programmes (in thousands of EUR)	192
Annex 3.A6. Responsibilities of groupings of communes with fiscal powers	194
Annex 3.A7. Distribution of groupings with fiscal powers, by region . . .	198
Annex 3.A8. Growth of EPCI with taxing powers, 01/01/1999 to 01/01/2005	199
Annex 3.A9. The pays by region in 2005	200
Annex 3.A10. Pays and urban areas in 2005	201
Bibliography	203
List of acronyms	207

Boxes

1.1. Labour markets, unemployment levels, employment rates and activity rates	35
1.2. DATAR classification of 180 European cities	41
2.1. The role of DIACT (former DATAR) in French regional policy	69
2.2. Subjects discussed at recent meetings of the Interministerial Committees for Territorial Planning and Competitiveness (CIACT)	70
2.3. The characteristics of poles of competitiveness	75
2.4. Special features and performance of the French research system (SFR)	77
2.5. Examples of initiatives to promote clusters and co-operation between players	80
2.6. The creation of the National Research Agency (ANR) and of the Industrial Innovation Agency (AII)	83
2.7. Three examples of major regional innovation systems in France	86
2.8. Two examples of urban competitiveness policy	97
2.9. Trends in the rural land market	103
2.10. Examples of experiments and results: public services centres (one stop shops), mobile services and e-government	105
2.11. The case of Brittany	120
2.12. The case of the Pyrénées-Atlantique	122
2.13. The Alsace Region	124
3.1. Features of decentralisation in the United Kingdom	138
3.2. Employment trends in the subnational public service (fonction publique territoriale)	140
3.3. DIACT (ex-DATAR) organisation and activities	141
3.4. Evaluation and evolution of the French equalisation system	148

3.5. Advantages and disadvantages of contractual arrangements between levels of government.	160
3.6. Brittany, the “region of the pays”	173
3.7. The variety of activities and dynamics in a rural pays. The example of Nivernais Morvan	175
3.8. Economic development activities in the agglomeration contracts (ETD, 2003)	177
3.9. Recognising metropolitan areas: the first step towards the next generation of contracts.	180

Tables

1.1. GDP per capita of 66 metropolitan regions in the OECD area	38
1.2. Standing of European cities – Breakdown of cities by country and by class	42
1.3. Breakdown of R&D expenditure by firms by technological intensity of the sector at territorial Level 2 in 2001	56
1.4. Distribution of establishments’ population by size and type of region at territorial level 3, 2002	58
1.5. Distribution of adult population by levels of education and type of region	59
2.1. Poles of excellence and industries identified in “agglomeration” projects	93
2.2. Number of inhabitants in the 20 most populated urban areas in 1999.	95
2.2. Restructurings in EU countries (jobs lost and jobs created) 2004.	109
2.3. Effects of different forms of restructuring on employment	109
2.A1.1. Trends in the number of schemes from 2003 to 2005	130
2.A1.2. Trends in the number of <i>communes</i> in a scheme from 2003 to 2005.	130
2.A1.3. Trends in the population covered by a scheme from 2003 to 2005.	130
2.A1.4. Trends in the area covered by a scheme from 2003 to 2005	130
3.1. Deconcentration and decentralisation: schematic presentation of deconcentrated services of State administrations and subnational governments.	139
3.2. Subnational government revenues, 2002.	145
3.3. Subnational government spending, 2002.	150
3.4. Inter-communal establishments in France at 1 January 2005.	167

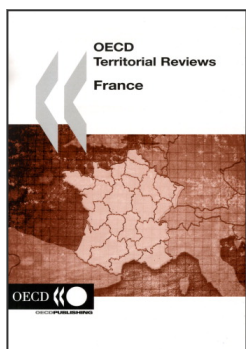
Figures

1.1. Growth in GDP per capita in selected regions (1995-2002)	40
1.2. Breakdown of differences in GDP per capita between regions	46
1.3. Breakdown of differences in GDP per capita between regions (excluding Ile-de-France and overseas departments)	47

1.4. Breakdown of differences between regional productivity levels and the national average at territorial level 2 in 2000	50
1.5. R&D expenditure at territorial level 2, 2002.	55
3.1. Subnational government share in total public revenues and spending	143
3.2. Decentralisation in OECD countries: change expressed in percentage points, 1985-2003	144
3.3. Contracts of plan outstanding.	154
3.A2.1. Type of subsidies to business (2002) (Source Ministère de l'Intérieur, DGCL)	187

Maps

1.1. French regions at territorial level 2 and 3	28
1.2. Evolution and GDP value (between 1990 and 2002)	31
1.3. Employment and variation between 1996-2003	32
1.4. Employment zones and trends in labour markets between 1962 and 1999.	34
1.5. Unemployment rates	37
1.6. Significant migrations between 1990 and 1999.	44
1.7. Regional disposable income vs. GDP per capita, 1998 per cent of national disposable income and GDP per capita	48
1.8. Three types of employment zone	51
1.9. Broadband territorial coverage (December 2004)	53
2.1. The 67 poles of competitiveness	76
2.2. Trends in the numbers of inhabitants in urban areas	95
2.3. Broadband deployment	116
3.1. State region planning contracts and European structural funds . .	156
3.2. EPCIs with fiscal powers as of 1 January 2005	168
3.3. Results of the call for metropolitan proposals: winning metropolitan areas (June 2005)	182



From:
OECD Territorial Reviews: France 2006

Access the complete publication at:
<https://doi.org/10.1787/9789264022669-en>

Please cite this chapter as:

OECD (2006), "Multilevel Governance Geared to Co-operation", in *OECD Territorial Reviews: France 2006*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/9789264022669-5-en>

This work is published under the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of OECD member countries.

This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

You can copy, download or print OECD content for your own use, and you can include excerpts from OECD publications, databases and multimedia products in your own documents, presentations, blogs, websites and teaching materials, provided that suitable acknowledgment of OECD as source and copyright owner is given. All requests for public or commercial use and translation rights should be submitted to rights@oecd.org. Requests for permission to photocopy portions of this material for public or commercial use shall be addressed directly to the Copyright Clearance Center (CCC) at info@copyright.com or the Centre français d'exploitation du droit de copie (CFC) at contact@cfcopies.com.