

Does the decentralisation theorem apply to French local governments?

An empirical test on intermunicipal competences *

Quentin Frère et Lionel Védrine

Key question

The intermunicipality constitutes a major level of territorial governance within Europe and enables municipalities to exercise and collectively fund some competences. In France, “federative” intermunicipality (including individual fiscal powers) has developed alongside associative intermunicipal cooperation. The Territorial Authorities Reform Act (RCT) of 2010 – bolstered by the Law on the New Territorial Organisation of the Republic (NOTRe) of 2015 – marks a major turning point in intermunicipal cooperation with the mandatory consolidation of municipalities within public intermunicipal (*Établissements publics de coopération intercommunale*, EPCIs) and the extension to them of fiscal powers. As we enter this new phase, the present article shall examine the factors that determine municipalities’ decisions about which competences they choose to transfer to the intermunicipal level. What role do economies of size play? How are the various preferences of the citizens of different territories taken into account?

Methodology

Probit and spatial *probit* models for 10 various competences were estimated in 2,453 EPCIs with own fiscal powers as of 1 January 2012, with a view to identifying the factors influencing the decision to transfer such competences to the intermunicipal level before the RCT Act came into full effect. The spatial heterogeneity of citizens’ preferences was measured using a set of composite indicators of sociodemographic characteristics constructed on the basis of a principal component analysis.

Main results

Four main empirical results emerged:

- The spatial heterogeneity of citizens’ preferences is holding back the transfer of competences from municipalities to the intermunicipal level.
- Economies of size as well as the need to coordinate local public choices mean that some competences are predetermined to be exercised at the intermunicipal level. This is particularly prevalent in the case of spatial planning (such as the creation and maintenance of sports facilities), housing (such as local housing programmes) and urban planning (such as territorial consistency schemes and the creation of joint development zones).
- Intermunicipalities made up of small municipalities are more likely to be entrusted with some competences.
- Municipalities’ decision to transfer a given competence to the intermunicipal level is strongly influenced by that of its neighbouring intermunicipalities, showing a mimicking behaviour.

These results highlight the validity of the decentralisation theorem in guiding decision-making as part of intermunicipal cooperation.

Main messages

The article shows the significance of the trade-off between economies of size and the costs associated with the heterogeneity of citizens’ preferences when it comes to municipalities’ decisions on which competences to transfer to intermunicipalities. Amid the attempts at streamlining intermunicipalities made by the RCT and NOTRe laws, which bolster the decision-making power of the State to the detriment of municipalities (with respect to how these municipalities are governed), these findings ought to shed some light on recent decisions regarding intermunicipalities in this new phase. For instance, were they made with the sole purpose of optimising local public spending, or are they also supposed to take into account the heterogeneity of the territories and thus the preferences of their citizens?