### Territorial Organisation and Subnational Government Responsibilities

**Main features of territorial organisation.** French territorial structure has substantially changed following the law relative to the Delimitation of Regions of January 2015 introducing forced amalgamations for regions. Since 1st January 2016, France mainland now has 13 regions instead of 22. France also has 5 outermost regions (Guadeloupe, Guyane, La Réunion, Martinique and Mayotte). At the intermediate level, the suppression of the departments, mentioned at some point in the reform process, has been abandoned and discussions are reported to 2020. At the local level, France accounts for 27% of all municipalities in the OECD and 41% in the EU; 86% of municipalities have less than 2,000 inhabitants. In that context, France has strongly supported inter-municipal co-operation and today, the 2,145 inter-municipal co-operation structures form a quasi-fourth subnational level as they receive own sources tax revenues. In 2015, the status of “commune nouvelle” has been reactivated in order to promote municipal mergers while maintaining historical municipalities as “localities”. The 2014 law for the Modernisation of Territorial Public Action and Metropolises has also introduced a new status for the largest municipalities, “the metropolis” (currently numbered at 15).

**Main subnational governments responsibilities.** The Law “NOTRe” on the New Territorial Organisation of the Republic as of August 2015 has clarified the distribution of competences across levels of government established by the previous decentralisation reforms (1982-83 decentralisation laws, 2003-04 laws and 2010 territorial reform). The general clause of competence for the regions and the departments has been removed, while it remains for the municipalities. They now have specialised competences: regional economic development (aid schemes for SMEs, innovation, internationalisation), territorial planning, environmental protection, regional transport, high schools (lycées) and vocational training for the regions; social solidarity and territorial cohesion for the departments (social welfare for families, elderly, disabled, insertion, secondary schools, support to rural municipalities). Municipal competences include primary education, town planning, municipal roads, urban public transport, social support for families and youth, municipal police, housing, drinking water and sanitation, waste, culture, sport, etc.

### Subnational Government Finance

<table>
<thead>
<tr>
<th>Expenditure</th>
<th>% GDP</th>
<th>% General Government (same expenditure category)</th>
<th>% Subnational Government</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total expenditure</td>
<td>11.9%</td>
<td>20.9%</td>
<td>100%</td>
</tr>
<tr>
<td>Current expenditure</td>
<td>9.1%</td>
<td>-</td>
<td>76.1%</td>
</tr>
<tr>
<td>Staff expenditure</td>
<td>3.5%</td>
<td>27.4%</td>
<td>29.7%</td>
</tr>
<tr>
<td>Investment</td>
<td>2.5%</td>
<td>60.0%</td>
<td>21.2%</td>
</tr>
</tbody>
</table>

France belongs to the group of OECD countries which are moderately decentralised. The share of SNG in GDP and public expenditure are below the OECD averages (16.6% of GDP and 40.2% of public expenditure). The share of SNG staff expenditure in public staff expenditure is also lower than in the OECD on average (63.2%), even if unitary countries only are taken into account (40%). However, investment is a key in public staff expenditure function of French SNGs. Municipalities and intermunicipal groupings represent 56% of SNG spending while the departments and the regions account respectively for 32% and 12%.
The main categories of SNG spending are economic affairs and transport (all SNGs), social protection (mainly the municipalities and the departments) and general public services and education (all SNGs).

The main source of SNG revenue comes from taxation which is slightly above the OECD average (44%) while grants and subsidies represent 35% of SNG revenue (37% in the OECD).

The main categories of expenditure are economic affairs, defence, security and public order, general public services, social protection, environmental protection, housing and community amenities, health, recreation, culture and religion, education and social protection.

**Borrowing framework** has been strengthened since the crisis by the 2013 banking Law on the separation and regulation of banking activities (e.g. foreign-currency borrowings, regulation of floating-rate borrowings, use of swaps, etc.) in order to reduce financial risks.

The law has also authorised the creation of the Agence France Locale, a new entity fully-owned by the French local authorities themselves and dedicated to their funding, distributing loans to their members by raising funds in the capital markets (pooled financing). Bond financing is still limited (4.9% of total outstanding debt in 2013 while loans amounted to 79%).

**Revenue by type**

- **Total revenue (2013)**: 11.5% of GDP, 21.7% of general government revenue, and 100% of SNG revenue.
- **Tax revenue**: 5.5% of GDP, 19.1% of general government revenue.
- **Grants and subsidies**: 4.0% of GDP, 35.0% of general government revenue.
- **Other revenues**: 2.0% of GDP, 17.1% of general government revenue.

**Outstanding debt**

- **Outstanding debt (2013)**: 10.4% of GDP, 9.4% of general government revenue.

SNGs are able to borrow without approval from the central government but long-term borrowing is restricted to finance investment. The borrowing framework has been strengthened since the crisis by the 2013 banking law on the separation and regulation of banking activities (e.g. foreign-currency borrowings, regulation of floating-rate borrowings, use of swaps, etc.) in order to reduce financial risks. The law has also authorised the creation of the Agence France Locale, a new entity fully-owned by the French local authorities themselves and dedicated to their funding, distributing loans to their members by raising funds in the capital markets (pooled financing). Bond financing is still limited (4.9% of total outstanding debt in 2013 while loans amounted to 79%).