

THE NEW FRENCH REGIONS, FROM A EUROPEAN STANDPOINT

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SUMMARY

The French Government has been pursuing a sweeping reform since 2012, which it has called Act III in the decentralisation process. The reform's most visible impact is going to be a change in the boundaries of several regions as of January 2016. To be precise, sixteen regions are going to merge: Haute-Normandie and Basse-Normandie; Nord-Pas de Calais with Picardy; Alsace with Lorraine and Champagne-Ardenne; Burgundy with Franche-Comté; Rhône-Alpes with Auvergne; Aquitaine with Limousin and Poitou-Charentes; and Midi-Pyrénées with Languedoc-Roussillon. By the end of the process, France will have only seventeen regions rather than the twenty-six that it has today.

Driven chiefly by domestic considerations, the creation of these new "mega-regions" has at times been justified with external and European arguments such as the need to acquire a critical mass in the international arena, or by comparison with neighbouring German, Italian and Spanish regions, and so forth. But what is the real situation and what are the challenges facing these new regions? This paper sets out to study the impact of this territorial reform measure from three different European standpoints:

- The first part looks at the immediate impact of the merger and the birth of the "mega-regions" from an economic, political-and-institutional and cohesion policy standpoint. We will see that the reform, aimed at merging wealthy and poor regions will only lead to a rebalancing of the national picture. The new boundaries meet administrative proximity criteria but have taken into account neither the competitiveness criteria nor yet the resilience ones. The risk for merging regions to be excluded in 2020 from the "transition regions" category only exist if the French Government requests a change in the NUTS 2 nomenclature.
- The second part sets the French reform in the current European political and institutional context. In fact, there is no European "standard" regarding the optimal size for a region and the economic success of capital regions during the last decade is mostly related to the political status of its main city. The repercussions of the financial crisis in 2008 by adopting new tools for economic and financial governance, and the tension spawned by centrifugal regional forces in several Member States create an environment where the creation of "mega-regions" seems to be out of synch.
- The third part assesses the scope of the reform in relation to the multi-level system of governance that is a characteristic of the European Union. On the one hand, as it did not reduce the number of municipalities, the reform does not solve the fragmentation problem that has a negative impact on economic growth. On the other hand, it ends with a system that is increasingly hybrid, while the two most efficient models of governance in Europe are "pure" models: i.e. either centralised and united, or federal. Finally, for European observers, creating metropolitan areas makes more sense.

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INTRODUCTION

In the summer of 2012 the French Government set out to adopt a sweeping reform which it christened Act III in the decentralisation process, and the final law in a package of a three was passed three years later. Those laws, in chronological order, are: the Law of 27 January 2014 modernising territorial public-sector action and reaffirming the metropolitan areas, known by the acronym MAPAM; the law of 16 January 2015 on regional boundaries and on regional and departmental elections; and the law of 7 August 2015 addressing the Republic's new territorial organisation and known by the acronym NOTRe.

Under these laws, the boundaries of several regions - which, incidentally, are also assigned new or broader powers in the sphere of their economic development and spatial planning - are due to be changed as of January 2016. To be precise, fourteen regions are going to merge: Nord-Pas de Calais with Picardy; Alsace with Lorraine and Champagne-Ardenne; Burgundy with Franche-Comté; Rhône-Alpes with Auvergne; Aquitaine with Limousin and Poitou-Charentes; and Midi-Pyrénées with Languedoc-Roussillon. By the end of the process, France will have only seventeen regions rather than the twenty-six that it has today.

Driven chiefly by domestic considerations, the creation of these new "mega-regions" has at times been justified with external and European arguments such as the need to acquire a critical mass in the international arena, or by comparison with neighbouring German, Italian and Spanish regions, and so forth. This paper sets out to study the impact of this territorial reform measure from three different European standpoints. The first part looks at the immediate impact of the merger and the birth of the "mega-regions"; the second part sets the French reform in the current European political and institutional context; and the third part asks questions regarding the scope of this reform in relation to the multi-level system of governance that is a characteristic of the European Union.

1. The immediate impact of the merger and the birth of the “mega-regions”

While the economic sphere is the first sphere that springs to mind when we think of the impact of a reduction in the number of regions in metropolitan France, we should not overlook either the political or institutional spheres, not to mention the specific issue of its impact on cohesion policy.

1.1. The impact on the European economy

The merger of a number of smaller regions will unquestionably lead to the creation of a lower number of large ones on a European scale in strictly demographic terms, thus de facto altering the European “regional hierarchy”¹. While France has hitherto been represented only by the Ile de France and Rhône-Alpes on the list of the EU’s fifteen most heavily populated regions, the merger will now allow four more French regions to join the list.

Table 1 ► European Regions’ Ranking by Population After 2016

	POPULATION (IN MILLIONS)
North Rhine - Westphalia	17.8
Bavaria	12.6
Ile de France	12
Baden-Wurtemberg	10.7
Lombardy	9.7
Andalucia	8.4
Lower Saxony	6.1
Rhône-Alpes-Auvergne	7.6
Catalonia	7.5
Flanders	6.3
Hesse	6.1
Nord-Pas de Calais–Picardy	6.0
Aquitaine-Limousin-Poitou-Charentes	5.7
Campania	5.7
Midi-Pyrénées-Languedoc-Roussillon	5.5
Lazio	5.5
Alsace-Lorraine-Champagne-Ardenne	5.5
Mazovia	5.3
Scotland	5.3

Source: the author’s own calculations based on Eurostat statistics

1. This table does not take into account the NUTS levels 1 or 2, which will be discussed in the body of the text, but the first level of subnational governance, in other words the Länder in Germany, the subdivisions spawned by the devolution process in the United Kingdom and the regions in most of the other member states.

“ THE IMPACT WILL BE CONFINED TO A REBALANCING OF THE NATIONAL PICTURE, BY MERGING BIG WEALTHY AND SMALL POORER REGIONS ”

On the other hand, given that the reform is designed primarily to reduce interregional gaps by merging big wealthy and small poorer regions, it is unlikely to trigger any major changes in the European hierarchy of Gross Domestic Products (GDP). While the Ile de France will continue to top the list and Rhône-Alpes-Auvergne will move up a few places, the German Länder and a few dynamic regions in the United Kingdom, Italy and Spain will still continue to dominate by a long chalk. Thus the impact will be confined to a rebalancing of the national picture. With Ile-de-France accounting for over 30% of the country's GDP, three regions will be producing more than 10% of that same GDP (Rhône-Alpes-Auvergne, Midi-Pyrénées-Languedoc-Roussillon, and Provence-Alpes-Côte d'Azur) and, more importantly, most of the others will hit the 8% of national GDP mark.

For the same reasons, there is unlikely to be any major impact on the European ratings listing the regions performing best in terms of competitiveness, innovation, jobs, poverty, education and training, and so forth.

One sensitive issue concerns the impact expected from these regional mergers on a potential territorial rebalance within the European Union. This, because almost all of the regions involved are border regions and their economic and social exchange with neighbouring regions belonging to other member states accounts for a major and often growing part of their activity. Thus it may be useful to ask questions concerning the local external impact that the reform may have - in other words, its impact outside of France's national borders.

A survey conducted by the urban planning agencies of the future Alsace-Lorraine-Champagne-Ardenne region has turned up some useful information in this connection. Setting out to assess the degree of interdependence among the three regions using daily commuting workers as their criterion, the agencies realised that these numbered only 18,000 among the four main cities in the future region thanks to a 20% increase since 2000, but that they numbered fully 22,000 between the whole of the future region and Luxembourg, showing 80% growth over the same period. Thus monitoring the development of this external flow, its makeup and the commuters' transport conditions is at least as important as monitoring the same factors with regard to the region's internal, domestic flows.

On a different register, in studying applications for patents and their changing trends since the year 2000, the same agencies detected a shift to the East in the map of the most innovative regions in Europe, making regional innovation strategies based on local businesses' external cooperation that much more problematic. This, because according to an age-old tradition (often held to be a legacy of "Lotharingian Europe"), the future region should have found itself precisely in the vast area of the most competitive zone in Europe², which stretches from Milan to London and is bounded by the Rhine River on the East and the Seine River on the West. Today, however, it is no longer a part of that area because a new axis of innovation is starting to form. The axis still starts in Lombardy but today it heads more directly North because it passes through Switzerland (which is not a member of the EU) and the Länder in the Rhineland, and reaches up to Denmark and to Sweden. Moreover, the axis may shift even further if we take into account the investment in research and development being made by Bavaria, by some of Austria's regions and by Finland.

2. The cartographical depiction of this area is reminiscent of a banana, which is why certain French geographers have christened it the "blue banana".

1.2. The impact on the political and institutional sphere

The “political” representation of French regions in the European institutions can be addressed from two angles: the election of MEPs and the appointment of members of the EU’s Committee of the Regions. Where the European Parliament is concerned, given that electoral constituencies do not reflect the current regions but vast, multi-regional areas, changes should be fairly marginal and primarily concern the South. The French delegation to the Committee of the Regions, on the other hand, comprises 24 titular members and 24 deputies; it is traditionally comprised half of regional representatives and half of representatives of local and departmental authorities. Members are appointed by the government on the basis of a consensus list drafted by three national associations: the Association des Régions de France (ARF), the Assemblée des Départements de France (ADF) and the Association des Maires de France (AMF). There is no rule obliging each region to have a member, and in fact the system whereby elected people can hold more than one office at a time means that some regions tend to be represented by members appointed in their capacity as local or departmental politicians. So little change is expected in this connection, aside from the risk of less diversity in terms of geographical provenance, which may be something to watch.

MEMBERSHIP OF EUROPEAN COOPERATION NETWORKS ARE LIKELY TO BE REVIEWED FOLLOWING THE MERGERS, WHICH WILL CAUSE NEW PRIORITIES TO EMERGE”

Apart from the institutions proper, French regions have built up an ever higher profile for themselves in Brussels, particularly in their lobbying activities. They have set up representative offices, sometimes sharing the real estate cost with other French regions or with other European regions united by a bond of strong cooperation. Merging regional teams and offices was one of the first moves that began in spring 2015 and it is expected to be completed by the end of the year. By the same token, the regions are members of various different European cooperation and representation networks according to their differing priorities (for instance the Conference of Peripheral and Maritime

Regions of Europe [CPMR], the Assembly of European Regions [AER], the Council of European Municipalities and Regions [CEMR], the Peri Urban Regions Platform Europe [PURPLE], the European Federation of Agencies and Regions for Energy and the Environment [FEDARENE], and so forth). Memberships are likely to be reviewed following the mergers, which will cause new priorities to emerge. The impact on regional social and economic organisations (such as chambers of commerce, development agencies and so forth) is more uncertain.

On the strictly judicial level, the new regions will replace the old ones and will thus subsume in full all of the commitments to which the old ones were pledged in the context of decentralised cooperation, twinnings, requests, applications and actions undertaken with the European institutions or before courts of law.

1.3. The impact on cohesion policy

No sooner had the reform been announced than the European Commission raised the issue of the impact of the change in regional boundaries on regional development programmes and other programmes co-funded by the European Structural and Investment Funds over the period 2014-2020. At the time, the bilateral negotiation of those regional programmes had just begun. The Commission, the French central administration and the regional authorities reached a joint decision that it was for the best to make the most of the current momentum and to carry on negotiating, because the National Partnership Agreement had already been endorsed, the drafting of regional programme projects was well under way and the financial allocations had already been earmarked. Thus, implementation will occur in parallel for each former region, if necessary by the new region’s common services. We cannot rule out the possibility that some administrators or councillors may be tempted to change certain parts of the programmes at the mid-term review planned in 2017, under the pretext of reconciling the divergent strategies pursued in the various different areas of the new regions. Yet this option appears unlikely in view of the sets of indicators and all of the co-funding that would need to

be changed. If nothing else, such an option would generate an excessive amount of administrative work which hardly seems justified in the light of any real gain in efficiency that might be achieved.

Another issue arising, even if it has already been partly settled, is the statistical level associated with the new regions. To recap, statistical data collected in the European Union are sorted on the basis of a nomenclature (NUTS: Nomenclature of territorial units for statistics) consisting of four main levels. NUTS 0 comprises the large member states. NUTS 1 comprises territories with a population of 3 to 7 million people, in other words small member states, very large regions (such as Bavaria or Baden-Wurtemberg) or clusters of regions known in France as Analysis and Territorial Development Zones, or ZEATs in French. NUTS 2 comprises areas with a population of 800,000 to 3 million people, thus the existing regions in most of the member states. Eligibility for European funds is tailored chiefly to this level, using the GDP-per-capita ratio as an indicator of wealth. And lastly, NUTS 3 comprises areas with a population of 150,000 to 800,000 people, which tend to be provinces, departments and so forth. There might have been a move to maintain the traditional correlation between France's regions and NUTS 2 level, which would have downgraded the old, merged regions to NUTS 3. Yet that option is unfeasible because the new structure of France's regions places them above the ceiling of 3 million inhabitants. Tailoring the population brackets for each level to the situation in France would demand a change in a Council regulation³ unanimously adopted by the member states. So that path may be ruled out, short of engaging in long-term negotiations and without any guarantee of a successful outcome.

“ MAINTAINING THE NUTS 2 REGIONS AS THEY ARE AND CONSIDERING THE NEW MEGA-REGIONS TO BE NUTS 1 OFFERS NUMEROUS ADVANTAGES”

Conversely, the solution consisting in following Germany's example offers numerous advantages, in other words maintaining the NUTS 2 regions as they are and considering the new mega-regions to be NUTS 1. In technical terms, it makes it possible to pursue a long statistical series for a large number of social and economic data. More especially, where cohesion policy is concerned, it averts the problem of the mergers' "statistical impact" post-2020 (2021-2027 programming period). This, because the merger of poorer and wealthier regions is going to mechanically trigger an artificial enrichment (or impoverishment) effect, given that the new region's GDP-per-capita ratio is broadly going to reflect the average figure for those of the entities merged. This is an important issue, because when the plans were drafted for the 2014-2020 period, ten French regions were classified as "regions in transition", which allowed them to benefit from additional funds on account of their GDP-per-capita ratio which fell between 75% and 90% of the EU average. Even if their economic situation improves over the next seven years, they are unlikely to witness the actual "bonding" which the merger might suggest has been forged.

The simulation in the table below makes it easier to understand the issues at stake here. If we were to take as our criterion the GDP-per-capita ratio of the merged regions, only those born of the merger between the Nord-Pas de Calais and Picardy, and between Burgundy and Franche-Comté, together with Corscia, would still be eligible for the statute of "regions in transition". The financial loss for the Auvergne, for Languedoc-Roussillon, for the Limousin and others would be even more unwelcome in that it would not necessarily reflect any real improvement in the social and economic situation on the ground. And the chances of success in having the penalising nature of the regional reform's statistical impact recognised when the 2021-2027 programme comes up for negotiation appear to be very slim indeed. Unlike what happened when the Central and Eastern European countries joined, which led to a substantial drop in the average EU GDP-per-capita ratio and to an illusion of enrichment for several regions in the established Member States, the adjustment required in this instance would concern only one country. And in addition to that, the "region in transition" status having almost solely benefited French regions between 2014 and 2020, it is not a status that is especially popular with the other governments.

3. Regulation (EC) n°1059/2003 of the EP and Council on 23 May 2003

Table 2 ▶ Estimate of developments in the GDP-per-capita ratio in the regions after the reform

	GDP-PER-INHABITANT INDEX (EU AVERAGE =100)	ESTIMATED INDEX AFTER REGIONAL MERGERS
Ile de France	175	175
Rhône-Alpes	107	106
Auvergne*	87	
PACA	102	102
Alsace	99	94
Lorraine*	83	
Champagne-Ardenne	94	
Midi-Pyrénées	95	93
Languedoc-Roussillon*	82	
Aquitaine	94	93
Poitou-Charentes*	86	
Limousin*	80	
Upper Normandy	95	92
Lower Normandy*	84	
Burgundy	92	86
Franche-Comté*	83	
Nord-Pas de Calais*	87	86
Picardy*	82	
Centre – Val de Loire	91	91
Pays de la Loire	95	95
Brittany	91	91
Corsica*	90	90
Guadeloupe	69	69
Martinique	75	75
Réunion	57	57
Guyane	53	53

Source: the author's own calculations based on 2010 Eurostat statistics (Regions with * are "regions in transition")

In an attempt to ensure greater efficiency, the 2014-2020 programmes of the cohesion policy are designed to dovetail with the priorities of the Europe 2020 strategy, which seeks to promote smart, sustainable and inclusive growth. This means that the regions have been obliged to tailor their development programmes to the eleven thematic objectives enshrined in that strategy. They have diagnosed their strengths and their weaknesses in the light of the five major goals⁴ associated with the strategy, which also constitute national commitments. In the economic sphere, each region has developed a strategy of smart specialisation, identifying the individual spheres in which it plans to sustain businesses and to what end. If we consider the reform's potential

4. The five goals concern the employment rate, spending on R&D, the education level, poverty and the 20-20-20 commitments in the environmental sphere (energy efficiency, greenhouse gas emissions, and renewable energy sources)

impact on the regions' ability to dovetail with the Europe 2020 strategy, it becomes obvious that the response is going to be, at best, neutral, given that the new boundaries have taken into account neither the competitiveness criteria (innovation, the composition of the industrial base, research and governance) nor yet the resilience criteria (energy, water resources, biodiversity).

“ THE DIVERSITY OF THE REGIONS' ECONOMIC PROFILES AND STRATEGIC CHOICES BUT ALSO THE EXTENT OF THE DIFFERENCES BETWEEN THE REGIONS DUE TO MERGE ”

A brief overview of the current content of regional innovation strategies⁵ allows us to perceive not only the diversity of the regions' economic profiles and strategic choices, but also – and this is more worrying – the extent of the differences between the regions due to merge. Thus, for example, a comparison of the spheres of smart specialisation chosen by Alsace, by Lorraine and by Champagne-Ardenne highlights the fact that Alsace has afforded major priority to health through medical research, the offer of e-health services, robotics, medical imagery and so on, while the health sphere is only a marginal priority for Lorraine and for Champagne-Ardenne. In another sphere, while energy is a priority issue for all three regions, the strategies envisaged are diametrically opposed to one another. Alsace aims to develop renewable energy and to export the technologies it has mastered; while Lorraine wishes to optimise its industrial tools, power stations and special servicing or end-of-useful-life infrastructures, and the detection, extraction, development, optimisation and recycling of natural resources; and Champagne-Ardenne is focusing on territorialised bio-refining associated with sustainable agricultural and viticultural practices (agrofuels).

Conducting a similar exercise in the case of Aquitaine, the Limousin and Poitou-Charentes is equally instructive. In the health sphere, Aquitaine plans to invest in ensuring the intelligent delivery of assets for welfare and health, in perfecting integrated healthcare pathways and techniques for assisting patients; while the Limousin shows a greater interest in biotechnology in the service of human and animal health, and in the economy of ageing and with dignity; and Poitou-Charentes is focusing on the link between the environment and health, including the struggle against sources of pollution. Where transport is concerned, Aquitaine has set its sights on clean and intelligent mobility; while the Limousin, for its part, does not consider transport a priority issue; and Poitou-Charentes is focusing on eco-mobility. In the agri-food and agricultural spheres, Aquitaine is eager to promote precision farming and agri-food eco-efficiency; the Limousin is interested in animal genetics, breeding and the processing of its produce; and Poitou-Charentes is focusing on the quality of food.

This brief analysis shows that getting these strategies to dovetail is unquestionably going to be a huge internal challenge for the mega-regions' future leaders. Seen from the outside, we may wonder at the amount of time that it is going to take to forge new units with an arresting personality of their own, quite apart from the disruption of the various regions' images that the reform will occasion. And image certainly is not one of the lesser aspects on which a region's attractiveness depends by any means.

5. CGET, "Synthèse des stratégies régionales de l'innovation en vue de la spécialisation intelligente des régions françaises", October 2014

2. French regional mergers in the current European political and institutional context

This change in France's regional map comes at the start of the 2014-2020 programming period, which has not altered Europe's neutrality regarding a region's optimal size. However, it is due to be implemented at the start of 2016, in a European context still heavily marked by the repercussions of the 2008 financial crisis (efforts to reduce public deficits and to restructure public debts; the implementation of economic governance; the stabilisation of the euro area and so forth) and by tension spawned by the regionalist centrifugal forces at work in several of France's neighbouring Member States.

2.1. European neutrality towards the optimum size for a region

“THERE IS NO EUROPEAN “STANDARD” REGARDING THE OPTIMAL SIZE FOR A REGION”

First of all, and contrary to what arguments in favour of enlarging the average size of France's regions may sometimes suggest – “it will allow French regions to draw closer to a standard model” – it is worth pointing out that there is no European “standard” regarding the optimal size for a region, in respect of the first subnational level. As we saw earlier, the only requirement concerns the collection of statistical data, and regions can equally well fall into the NUTS 1 or NUTS 2 category. In fact, we encounter the broadest diversity when we compare not only countries but also regions within individual member states. For example, one might mention Germany, where the North Rhine-

Westphalia Land has a population of almost 18 million while Bremen has a population of only 600,000; Spain, where Andalusia has a population of over 8 million while Ceuta and Melilla have a population of fewer than 100,000 each; or Italy, where Lombardy has a population of virtually 10 million while the Val d'Aosta has a population of just over 100,000.

If we had to characterise a European “doctrine” on the issue, it would have to be on the basis of three issues which have gradually emerged from the implementation of the cohesion policy over the past twenty years or so, and which have acquired a certain formal substance during enlargement negotiations, particularly with the Central and Eastern European countries. The three issues in question are:

- first of all, absolute compliance with the institutional setup in each Member State, an area in which the European Union does not interfere. This principle is directly linked to the implementation of the rules governing international law, given that the European Union is a union of states and that its constituent treaties are ratified by those states. This prior condition has been evoked on several occasions, when certain candidate countries have been forced to solve their border disputes prior to membership and the European Union has refused to get involved in those disputes.
- secondly, recognition of the importance of the historical heritage in each country. This is fundamentally different from the territorial approach adopted in the United States, where a number of the borders among federated states seem to have been drawn with a ruler and pencil, while the borders of the EU's Member States and the entities of which they consist are the result of a long and complex history made of battles, peace treaties, rallies, uprisings and declarations of independence. The cultural and identity-related aspect is still strong today and it influences the territorial organisation of numerous countries, particularly that of federal and heavily regionalised states. And more recently, the new economic geography has pointed up the crucial role that cultural and social factors play in a region's performance: size and concentration are not everything.
- and thirdly, administrative capacity. Directly linked to the exercise of democracy, which has been one of the preconditions for any candidate aspiring to membership of the European Union since 1996 (the

so-called Copenhagen criteria), and to the autonomy of local authorities, which is recognised by all of the Member States because they have ratified the charter of that name submitted by the Council of Europe⁶, the ability to manage European funds correctly is one of the conditions enforced by the Commission in all financial transfers. The obligation to consult the social and economic players and representatives of civil society when drafting regional development programmes, the need for a preemptive diagnosis before defining a territorial strategy, and the creation of an administration devoted to managing those programmes, have de facto prompted all of the medium or large Member States to subdivide their territory into functional units reflecting the NUTS 2 level (a population of between 800,000 and 3 million people). In most of the centralised states, this administrative reform has been accompanied to a greater or lesser degree by decentralisation and regionalisation, although some Member States such as Portugal have failed to pursue this path⁷.

“ A REGION’S ECONOMIC SUCCESS RELIES ON THE SIZE OF ITS PRINCIPAL CITY AS WELL AS ON ITS POLITICAL STATUS ”

In 2014, the regional merger was explained, in a note issued by France Stratégie⁸, by the need to adapt to the new economic situation: “In an economy where innovation and metropolitan areas play an unavoidable and growing role, the regions’ present boundaries no longer reflect the scale of the challenge to be faced. They were defined in 1960 in the context of an economic and territorial paradigm now overtaken by that of the knowledge-based economy. [...] That is why we need to expand the average region’s boundaries, in order to scale it to the geography of the growth spawned by metropolisation”.

Here again, while the analyses conducted by the Commission⁹ on regions’ growth curves and on the convergence of less developed regions clearly highlight the volatile nature of “metropolitan regions” following the crisis in 2008, noting that they showed “a faster growth rate in growing economies, but a faster decline rate in declining economies”, they do not reach such clear-cut conclusions. What emerges, rather, is the unique nature of capital regions, which experienced strong development in the course of the 2000s. Thus, with reference to the 100 indice which represents the EU average GDP-per-capita, the region of Bratislava grew from 109 in 2000 to 176 in 2010, which is close to Ile-de-France (180), Stockholm (168) and Vienna (165). The region of Bucharest shot up by 54 points, Prague by 34 points and Mazovia, the region in which Warsaw is situated, by 28 points. The size of the city does not appear to be the only factor determining a region’s economic success; its political status plays a major role too because it justifies grouping numerous functions close to the national authorities.

The European evaluation of the 2007-2013 programmes¹⁰ concludes that “it has not been demonstrated that concentrating investment in more advanced areas increases the overall growth rate,” or even that “the return on investment is potentially higher in the periphery than in the core regions.”

French economists, too, are still hotly debating the virtues ascribed to metropolitan areas¹¹. Where the size of a region is concerned, as Thomas Perrin puts it¹², there is no geographical or economic theory to demonstrate that a mega-region is necessarily a better performer than a small region.

In practice, if we compare all of the European regions, we have no choice but to recognise that neither a region’s size nor yet its institutional status are guarantees of economic success. We can see this very clearly if we zoom in on a few German Länder and Spanish regions (see table below).

6. When France ratified this charter in 2007, it was one of the last of the Council of Europe’s 47 member states to do so.

7. Marjorie JOUEN, La politique européenne de cohésion, 2011, La Documentation française

8. Réforme régionale: un enjeu pour la croissance? Benoît Lajudie, France Stratégie, July 2014

9. 6th Report on Economic, Social and Regional Cohesion, July 2014, Investment for jobs and growth: Promoting development and good governance in EU regions and cities; 8th Progress Report on Economic, Social and Territorial Cohesion, 2003: The urban and regional dimension of the crisis

10. Evaluating Cohesion Policy Funding – What Today’s Economist Can Tell Us, Panorama Info regio n°53 Summer 2015 and http://ec.europa.eu/regional_policy/en/policy/evaluations/ec/2007-2013/

11. See the arguments of Olivier Bouba-Olga and Michel Grossetti in La métropolisation, horizon indépasseable de la croissance économique? 2014 HAL – Opens Archives against those put forward by Laurent Davezies and Thierry Pech in La nouvelle question territoriale, Terra Nova 2014

12. Thomas Perrin Régions et coopération interrégionale: dynamiques institutionnelles de la France à l’Europe / Territoires en mouvement (revues.org/1877) January 2014

Table 3 ► Comparisons of the population and the wealth of several German and Spanish regions

NUTS I	NUTS II	POPULATION (MILLIONS)	GDP PER INHABITANT (EU AVERAGE = 100)
Baden Wurtemberg		10	118
	Stuttgart	4	141
Bavaria		12.5	136
	Oberbayern	4,3	165
--	Bremen	0,066	159
Southern Spain	Andalucia	7.9	81
	Murcia	1.4	87
Eastern Spain	Catalonia	7.1	123
	Valencia	4.8	95
	Balearics	1.0	114

Source : Eurostat

2.2. An exercise in danger of desynchronisation in view of the growing centralisation of economic governance

The effects of the financial crisis of 2008, together with the major reforms required by the euro area crisis, paint a fundamentally different picture of European economic governance today from the picture that prevailed in the middle of the decade stretching from 2000 to 2010. Learning lessons, on the one hand, from the failure of the Lisbon strategy and the shortcomings of the open method of coordination¹³, and on the other, from the pitfalls of the banking system and the shortcomings of the monitoring mechanisms enshrined in the Pact for Stability and Growth / in national budgetary policies, the EU set out in 2010 down a path based on strengthened monitoring of the Member States. It established, in turn, a European semester to ensure the complete macro-economic monitoring of national policies, the Europe 2020 strategy whereby Member States agreed to achieve set targets both collectively and individually (including in the sphere of investment in research and development, of the struggle against poverty and of energy efficiency), to develop a new European economic governance and to attach numerous “conditions” to the grant of European funds to the regions under the cohesion policy.

“ A MOVEMENT FOR (RE)CENTRALISATION AT THE EUROPEAN AND/OR NATIONAL LEVEL ”

Designed to improve the quality of public spending and to pursue the necessary convergence of efforts to put the European Union back on the road to growth, these new measures are part of a movement for (re)centralisation at the European and/or national level. The Committee of the Regions, which represents Europe’s local and regional authorities, and the European Parliament (more specifically, its REGI committee), have been moaning about this trend for several years now, but they have not succeeded in checking it: the Europe of Regions slogan, which was occasionally used back in the 1990s to allude to the prospect of the European Union developing in that direction, seems to have been put back in the drawer for good.

Moreover, in the context of the Juncker Plan, the creation of the European Fund for Strategic Investments (EFSI) was endorsed by the European Parliament in early summer. Based on the 16 billion euro taken from the European budget (the credits come in part from the Connecting Europe Facility and from the Horizon 2020

13. The goal of the Lisbon strategy launched in 2000 was to “turn the EU into the most competitive region in the world by 2010”; it was based on the implementation of a flexible coordination method for national policies aiming to forge neither a common nor a Community police (for instance, employment policy) and known as the open method of coordination.

programme), to which we need to add the figure of 5 billion euro from the EIB, the President of the Commission has put his money on being able to raise 294 billion euro on the financial markets to fund an investment plan worth 315 billion euro, some 75 billion of which would be earmarked to support medium and small businesses. After gathering in proposals from the Member States, the Commission now has a list of 2,000 public and private investment projects from which the world's financial investors are going to be able to take their pick¹⁴. Thus, on condition that Mr. Juncker's wager is successful, the European Union will be able to count between now and 2018 on an influx of capital of a magnitude comparable to the cohesion policy (endowed with 352 billion euro over seven years) but far simpler to implement.

Naturally, the EIB and the sponsors of this new financial tool assure us that it not meant to replace the cohesion policy but to complement it. Yet the fact of the matter is that the unwieldy nature of the planning, consultation and partnered funding procedures with the regions and local communities, about which the countries that are net contributors to the European budget often bellyache, could thus be avoided. Consequently, in some of the member states, the regions could end up being short-circuited in the planning of investments capable of imparting a fresh thrust to the European economy.

In this context, peddling the merger of the fourteen metropolitan regions on the international stage as a way of developing more competent regional players with a higher profile in European governance, and of helping those players to assert themselves, seems to be out of key, not to say out of synch.

2.3. Dodging the regional identity issue

Starting in the early 'nineties, the democratisation process in the countries of Central and Eastern Europe which had shaken off the communist yoke on the one hand, and recognition of the principle of subsidiarity and of subnational authorities' role in the Treaty of Maastricht on the other, led to a strong movement for decentralisation and regionalisation in a majority of the Member States. In rekindling certain forms of regional pride, it is beyond question that that movement also helped to foster an economy dynamic. In the decade from 2000 to 2010, however, the movement turned into a secessionist thrust in some of the Western European Member States where the expression of cultural identity combined with economic considerations, and these claims for independence were frequently backed by regions complaining that national solidarity was too expensive and refusing to foot the bill for poorer or less virtuous regions. That is certainly what happened in Catalonia, in Scotland, in Flanders and in Northern Italy.

“ THIS REFORM DOES NOT APPEAR TO HAVE RESPONDED TO GRASS-ROOTS DEMANDS OR EVEN TO DEMANDS FROM LOCAL AND REGIONAL AUTHORITIES”

In parallel with this development, a significant number of very small countries joined the European Union with the enlargements of 2004, 2007 and 2013 (and the trend is likely to continue in the coming years with membership on the part of the Balkan countries). In addition to the undisputable historical reason for this situation, we should also note that, in its functioning, the EU sets far greater store by the interests of these countries than by the interests of the regions, even when those regions have a larger population and are economically stronger than the small countries in question. Thus the voting rules in the Council and representation on the Commission, in the European

Parliament, in the Court of Justice, in the Central Bank, in the Court of Auditors and so forth are but a few of the “benefits” that secession would entail.

It is astonishing that the regional merger process appears to have completely neglected this grass-roots movement currently criss-crossing Europe, or even that it should have achieved a result going in exactly the opposite direction. In failing to merge Brittany with the Pays de Loire, the risk of a large Breton region with a strong cultural identity that could have been created by bridging Rennes and Nantes has been studiously avoided. Alsace, which may be small in terms of size but which has an unquestionable cultural personality of

14. However, this list is neither restrictive nor compulsory for investors.

its own, is to be merged with Lorraine and with Champagne-Ardenne. As for Corsica, which has been given a new status by the NOTRe act, thus turning it into a single territorial community, its specific nature has been deliberately safeguarded, but then the risk of secession has appeared weak ever since the failure of the referendum in 2003.

And last but by no means the least surprising point for the French regions' European partners and observers - contrary to what has been the case with devolution in the United Kingdom, with federalisation in the Kingdom of Belgium, or with the establishment of autonomous regions in Spain and in Italy - this reform does not appear to have responded to grass-roots demands or even to demands from local and regional authorities. Even though the government's initial blueprint has been amended in the wake of parliamentary debates, it hardly mobilised the citizens or the social and economic players at the regional level upstream at all.

3. Subnational levels in the multi-level European governance

Even though European governance has been regulated by the principle of subsidiarity since the Treaty of Maastricht, it is frequently described as multi-level governance. And indeed, the reality of public action is a far cry from the strict and exclusive demarcation of powers among the various levels that the application of this principle might suggest, resembling rather an inextricable tangle of partnership ties along ascending or descending hierarchical lines, but also taking the shape of horizontal cooperation among peer players in connection with whatever policies or sectors are involved.

This analysis was further developed by the Committee of the Regions in a White Paper in 2009¹⁵. In its extension, a Charter¹⁶ of good conduct was even submitted for signing in 2014 and it attracted several hundred signatures.

In this context, the number of French local authorities¹⁷, the complexity of the levels and the tangle of powers - often lampooned with the name "*mille-feuille*" in France - are a specific feature of the country. Seen from Europe, the impact of territorial reform on this specific feature is thus the primary source of concern. It requires two sets of responses: the first set concerns the new shareout of powers to the benefit of the regions and its consequences for the other local authorities; while the second raises the spectre of the creation of metropolitan areas, a move whose significance is far better understood abroad than a change in regional boundaries.

3.1. A minor contribution to resolving France's multi-level governance problem

With 36,571 communes or municipal authorities (excluding Outremer), France had more local authorities on 1 January 2012 than even the United States, and it accounted single-handed for almost 41% of the European Union's (EU-27) municipalities.

“ THE OECD HAS SHOWN THAT FRAGMENTATION HAS A NEGATIVE IMPACT ON ECONOMIC GROWTH ”

The OECD has recently put together a fragmentation index¹⁸ gauging the number of local authorities / municipalities per 100,000 inhabitants. For large metropolitan urban areas the figure stands at an average of 5 for the EU (3.7 for the OECD) but at 16.5 for France, which ranks third in Europe after the Czech Republic with 24.3, Slovakia with 19.4 and Austria which comes close with 15.9, but it is way ahead of Germany with 5.5, Spain with 4.6, Italy with 4.1, The Netherlands with 2.2 and the United Kingdom with 0.4. Comparing the economic performance of some thirty metropolitan areas, the OECD has shown that fragmentation has a negative impact on economic growth¹⁹.

15. Committee of the Regions, "A White Paper to put multi-level governance on the European agenda", Own-initiative opinion dated 17 and 18 June 2009, 2009/C211/01

16. Committee of the Regions, "Charter for multilevel governance: authorities are signing up", 2014

17. This term is frequently used in European circles to designate all communities other than regions.

18. OECD, "OECD Regions at a Glance", 2013

19. OECD, "What Governance for the Metropolitan Areas?", a document prepared in the context of the ministerial meeting held on 5 and 6 December 2013

Now, for over fifty years the number of municipalities has regularly been the focus of failed reforms, which run foul at one and the same time of historical heritage, democratic arguments, and constitutional hurdles, invariably attracting the unwavering opposition of the Senate. The way the territory is organised today is thus the result of repeated exercises – completed and successful to a greater or lesser degree – designed to overcome this difficult conundrum, involving the merger of municipalities, new municipal authorities, or functional groupings in the shape of associations of municipalities, of counties, of communities of municipal areas or large urban communities depending on their size, a movement known by the generic term of inter-municipality. Yet far from shaping an ordered pyramid with a new level of governance, these reforms have often been implemented on an optional basis, thus spawning a complex landscape because the inter-municipal groupings, fifteen years after their launch, do not always cover the national territory in its entirety and so a few hundred municipalities remain isolated. The name “*mille-feuille*” thus aptly portrays a situation which cannot be likened to a regular pile of plates of different sizes but rather to the irregularity and fragility of France’s national speciality in the field of confectionery.

And the complexity does not stop there, because far from having engineered a systematic and balanced devolution of its powers to the regions, departments or municipalities, as for instance the shareout of the burden for education might suggest – primary schools are the responsibility of the municipalities, secondary schools of the departments and high schools of the regions – the State has occasionally continued to control certain aspects of those powers while the municipalities, for their part, have either held onto or gradually taken over the right to intervene in virtually every sphere, their sole constraint being their financial capability.

“ THE TWO MOST EFFICIENT MODELS OF GOVERNANCE IN EUROPE ARE “PURE” MODELS: I.E. EITHER CENTRALISED AND UNITED, OR FEDERAL”

Thus the initial aim of Act III in the decentralisation process was to put an end to this situation by completing the devolution of the state’s powers in certain spheres and by clarifying the shareout of those powers among the various governance levels. And at the end of the day, the regional level has indeed emerged the stronger in connection with spatial planning, environmental protection, economic policy, innovation and so forth. The regions’ pre-eminence can be seen, in particular, in the context of regional patterns: the SRADDET (regional patterns of spatial sustainable development and of territorial equality) and the SRDEII (regional patterns of economic development, innovation

and internationalisation). Yet the regions are still going to have to thrash things out with the departments (whose abolition initially announced for 2016 has been postponed until after an assessment of whether or not their abolition is opportune has been conducted in 2020), with the newly-created metropolitan areas, with the communities of municipal areas and the large urban communities, and of course, with the municipal authorities, in the course of joint public territorial conferences.

In administrative terms, whether we are talking about decentralised services or territorialised state services, it does not look as though the merger of regions is going to lead automatically to those services being grouped together in the new regional capitals. The argument that they would then be geographically too distant for some users and citizens, or the argument that the cities that lose those services would go into swift decline, would appear to plead in favour of such moves being made on a case-by-case basis²⁰.

Putting it in a nutshell, where the criterion of efficiency is concerned, little progress appears to have been made in a system that is increasingly hybrid, where comparative studies conducted by the OECD or evaluation tests conducted under the European Commission’s aegis would appear to suggest that the two most efficient models of governance in Europe are “pure” models: i.e. either centralised and united, or federal.

20. Meeting on 31 July 2015, the Council of Ministers drafted a list of the merged regions’ future capitals and specified the location of a certain number of regional directorates decentralised by the state

3.2. Creating metropolitan areas makes more sense than creating “mega-regions”

Unlike the regions, there is a well-substantiated case to be made for the economic efficiency of the metropolitan model, which is compounded by the increasingly high profile enjoyed by large cities at the European level.

For about thirty years now, researchers in the sphere of the “new geographical economy” have been highlighting the benefits of concentration in the age of the knowledge-based economy²¹. The OECD has broadly publicised the results of this research, and in France Pierre Veltz²² was one of the first to divulge them to the broader public. In an effort to illustrate their dynamic nature, France Stratégie has pointed out that “the fourteen metropolitan and large urban areas (Paris, Lyon, Toulouse, Strasbourg, Bordeaux, Nantes, Lille, Montpellier, Rennes, Grenoble, Toulon, Marseille, Nice and Rouen) account for fully half of France’s overall GDP (51% to be precise), for 43% of all jobs and for 70% of all patents, when they contain only 39% of the country’s population”²³. Considering that they are “the primary seats of innovation and... they become a driving force behind the economy and growth”, the author deduces that “two directions for transformation need to be simultaneously pursued if metropolisation is to achieve its full potential: it is necessary to encourage the concentration of activities with a strong synergetic dimension in metropolitan areas, while at the same time making them the linchpins in regional development projects and extending regional boundaries; and it is also necessary to implement metropolitan area expansion policies based on territorial synergies”. Launching the deliberately controversial slogan of “the metropolisation of large and medium cities”, the author argues the need to strengthen their innovation ecosystems as well as their administrative skills and capabilities for developing political strategy, while at the same time improving the organisation of their hinterland by increasing the residential appeal of rural areas and encouraging the population in the more vulnerable areas to move closer to sources of employment.

This analysis is shared by the OECD, which argues that “in a globalised world where metropolitan areas are increasingly seen as the crucial areas in which national competitiveness and growth is determined, the state cannot afford to ignore or neglect those areas”²⁴. Its recommendation is based on an observation: “Since the crisis in 2008 we have seen an acceleration in territorial reform, particularly in a metropolitan sense, in an effort to find the ‘right scale’, in other words the scale most consistent with, and most appropriate for, the exercise of powers at the metropolitan level in the context of a drive for efficiency in public action and for the optimisation of public spending”.

At the European level, the Commission’s urban concerns encounter the activism of the big cities. For the 2014-2020 programming period, the regulations provide for 5% of the cohesion policy’s funds being set aside for cities in order to promote sustainable urban development²⁵. In France, that obligation has been transformed into a national pledge to devote 10% of the ERDF-ESF funds to the neighbourhoods resulting from the new urban policy²⁶.

When all is said and done, the creation of metropolitan areas simply confirms an existing reality. Several of them have already earned distinction as “European capitals”: after Paris in 1989, Avignon in 2000 and Lille in 2004, Marseille was named European Cultural Capital in 2013; Nantes was named European Green Capital in 2013; and Grenoble was one of the finalists in the European award for accessible cities in 2011 and for capitals of innovation, or “iCapitals”, in 2014.

21. Masahisa Fujita, Paul Krugman and Antony J. Venables, *The Spatial Economy: cities, regions and international trade*, Cambridge M.A., MIT Press, 1999

22. Pierre Veltz, *Mondialisation, villes et territoires: Une économie d’archipel*, Paris, PUF, coll. “Quadrige”, 2014, 2nd edition. (1st edition 1996), Pierre Veltz (ed.) and Thomas Paris (ed.), *L’économie de la connaissance et ses territoires*, Paris, Hermann, 2010

23. France Stratégie Ibidem

24. OCDE, Ibidem

25. Regulation (EU) 1303/2013 of the EP and of the Council meeting on 17 December 2013 setting out common measures on the ERDF, the ESF, the EAFRD and the EMFF.

26. The 2014-173 Law dated 21 February 2014 for cities and urban cohesion defines the new neighbourhoods following the criterium of concentration of power inhabitants. These are mainly located in suburbs of big cities but also, and this new, in medium-sized cities.

While Paris is the sole French member of a group comprising the world's forty largest cities, the "C-40", a certain number of metropolitan areas are members of Eurocities. This is an association which comprises over 105 major European cities and which regularly engages in dialogue with the European institutions. Lyon chaired the group in the middle of the decade running from 2000 to 2010, while the Nantes metropolitan area holds the chair this year.

Taking into account the massive internal reorganisation required by the change in the regions' boundaries, we may quite likely see agile metropolitan areas (unfairly?) competing with top-heavy regions in the next decade.

CONCLUSION: THE MEGA-REGIONS FACE THREE CHALLENGES

Compared with the social and economic characteristics and with the practices in other European regions, the result of the merger does not automatically bring the new French regions into line with any kind of standard or any kind of average size. In fact this reform may even appear to be swimming against the tide of the new trends in European governance which developed in the aftermath of the 2008-2011 crisis. Yet having said that, a revision of the regions' boundaries undeniably constitutes a sweeping change and opens up new prospects for the regions in the medium term. For the change to be a success, however, the regions are going to have to prove capable of addressing three challenges. They need to be able to impart consistency to existing regional strategies while at the same time making clear choices regarding the goals for which they are aiming (competitiveness, resilience or cohesion - social inclusion); they need to define and implement a synergy-based relationship with their metropolitan area; and where external ties are concerned, they need to revise their neighbourhood cooperations or their alliances with other European regions.

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