The Political Economy of green transition: Evidence from EU Allocation to French Municipalities

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1. Introduction

▸ Progressive greening of European Structural Funds (ESF) , possible confrontation with economic growth and social cohesion objectives

▸ CEE Bankwatch warns of a misuse of funds and a lack of consideration for environmental criteria (particularly climate) in several European countries

▸ Economic criteria do not suffice to explain trends and distribution of funds across countries and regions (Dellmuth and Stoffel, 2012)

2. Research Question

What are the local determinants of the green use of European Structural Funds in French Municipalities ?

3. Contributions

▸ Use of the European taxonomy (2020) to identify green projects financed by ESF

▸ Identify political and financial local determinants of green structural funds allocation

4. Data & Methodology

3 Databases :

▸Public projects financed through ESFs in France (ESF DATABASE)

▸Financial situation of French municipalities (DGFIP)

▸Political orientation of French municipalities (Ministry Of Justice)

5. Green Project identification strategy

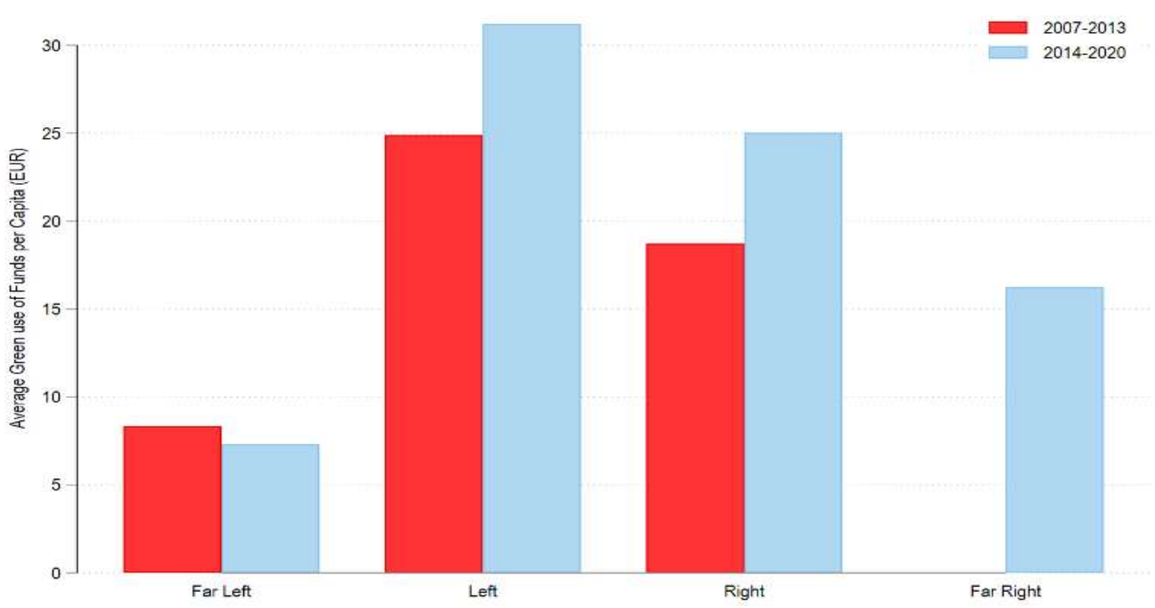
▸ Keyword-based approach

▸ If the project theme contains words related to green taxonomy (EC) → Green project

Table 1 : Share of green projects by municipality size and sector :

Population	Public Transport	Biodiversity Protection	Building Renovation	Urban	Energy Efficiency	Risk Prevention	Other
< 10k	8.8	37.4	11.5	2.7	14.2	10.8	14.7
10k - 20k	15.0	24.2	23.5	8.8	12.2	10.4	5.8
20k - 50k	20.3	14.0	30.4	15.3	6.7	5.0	8.4
50k - 100k	22.6	8.4	41.1	10.9	5.3	6.5	5.3
> 100k	32.0	6.8	38.1	10.0	5.6	5.1	2.3
Total	19.2	17.6	29.0	11.1	8.9	7.5	6.8

Figure 1 : Average Green use of Funds per Capita (EUR) by political affiliation



6. The Model

Probit regression on panel data : with fixed effects

Dependent variables :

Use of funds for municipality *i* in time *t*

Green use of funds for municipality *i* in time *t*

Explanatory variables :

Municipal investment, municipal debt, municipal self-financing capacity, government subsidies (Financial variables)

Mayor's party, electoral margin + calculation of a Herfindahl-Hirschmann index (Political variables)

7. Results

New conclusions on the determinants of ESFs allocation & first study to explore the green use of ESFs

▸ **Financial situation of the municipality explains the allocation and the green use of funds :**

Investment per capita and structural rigidity of municipalities expenses decrease the (green) use of ESFs.

Debt per capita, self-financing capacity and funding provided by the State improve the use of (green) funds by municipalities

→ Underlines the government's role in the transition of French communes

→ Incentive to take on debt in order to raise funds, may undermine the sustainability of local public finances

▸ **Political orientation drives the green use of fund :**

Left-wing municipalities spend more on green projects than other parties.

Political contestability increases the likelihood of investing in green projects.

→ Emphasizes the role of local political opposition in financing municipal transitions

Table 2: Municipalities breakdown : Green funds received by period

	Frequency	Percent	Cumulated
No green funds received	473	47.92	47.92
Green funds received only in 2007-2013	175	17.73	65.65
Green funds received only in 2014-2020	90	9.12	74.77
Green funds received in both periods	249	25.23	100.00
Total	987	100.00	

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