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**Fiscal federalism and regional integration:
lessons from Spain**

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Figure 1: Asymmetric Fiscal Decentralization in Spain



Legend

-  Common Regime – High Responsibility
-  Common Regime – Low Responsibility
-  Foral Regime

Regime Asymmetry

Constitution (1978) establishes regime asymmetry

LOFCA (1980) develops the details

a. **Foral regime** High responsibility

b. Common regime

High responsibility 151

Low responsibility 143

Fiscal Asymmetry

a. Large devolution in expenditures

b. Small devolution in revenues

Level of Responsibilities	Responsibilities
<p>HIGH (art. 151) LOW (art. 143)</p>	<ul style="list-style-type: none"> ▪ Forestry, agriculture, livestock and fisheries in internal water ▪ Urbanism and housing ▪ Roads ▪ Ports and airports without commercial activity ▪ Hydraulic exploitations, channels and irrigation ▪ Environmental protection ▪ Monumental patrimony of the Autonomous Community, cultural promotion and of the regional languages, libraries, museums and conservatories. ▪ Self-government institutions ▪ Internal commercial fairs, sports promotion and tourism
<p>HIGH only</p>	<p>* Education (management of the educational system at all levels)</p> <p>* Health (medical assistance at all levels)</p>

**Table 1: 1999 GDP per Capita of Regions in Spain
Grouped by Fiscal Responsibility**

	1999 GDP per Capita (euros)	(Relative to Average for Spain = 100)
Foral Regime		
Navarra	18,492	(130)
País Vasco	17,379	(122)
Common Regime		
<i>High Responsibility</i>		
Andalucía	10,067	(71)
Canarias	13,496	(95)
Cataluña	17,570	(124)
Galicia	11,266	(79)
Valenciana	13,510	(95)
<i>Low Responsibility</i>		
Aragón	15,464	(109)
Asturias	12,739	(90)
Baleares	17,514	(123)
Cantabria	13,410	(95)
Castilla-León	12,990	(92)
Castilla-La Mancha	11,617	(82)
Extremadura	8,774	(62)
Madrid	19,254	(136)
Murcia	11,692	(82)
La Rioja	16,313	(115)

GDP data are from Contabilidad Regional de España, Instituto Nacional de Estadística (INE).
Population data are from Proyecciones y Estimaciones Intercensales de Población, INE.

Evaluation of the Spanish model

1. Before de 2002 reform

- Complex system.
- Unstable and with lack of transparency
- Expectations on links between deficit and additional funds (bailout?)
- Fiscal Asymmetry – separation expenditure and revenue responsibilities

Debt/GDP

Comunidades Autónomas	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Andalucía	0.8	0.7	0.8	1.5	3.0	4.0	5.7	6.9	7.6	7.8	8.8	9.5	9.3	8.7
Aragón	0.4	0.5	0.7	0.6	0.5	1.3	2.4	3.8	4.7	4.6	4.8	5.3	5.2	5
Asturias (Principado de)	0.9	0.9	0.7	1.2	1.4	2.5	3.3	3.2	3.8	3.8	3.8	3.9	4.2	4.1
Balears (Illes)	0.3	0.3	0.2	0.4	0.6	1.9	2.5	3.0	3.1	2.8	2.6	2.8	2.8	2.6
Canarias	2.0	1.6	1.7	1.7	1.7	2.5	2.9	4.2	4.9	4.6	5.8	4.7	4.6	3.8
Cantabria	1.5	2.5	2.6	4.7	6.6	7.2	6.2	6.0	5.2	4.1	2.7	2.9	2.6	3.1
Castilla y León	0.4	0.3	0.3	0.3	0.6	1.2	1.8	2.4	3.4	3	3.2	3.5	3.5	3.3
Castilla-La Mancha	0.3	0.2	0.3	0.7	0.7	0.8	1.8	2.2	2.9	2.7	2.8	2.9	3.1	2.8
Cataluña	2.5	2.6	2.4	2.6	2.6	3.2	4.2	5.3	6.7	7.9	8.6	9.3	9	8.8
Comunidad Valenciana	0.9	0.8	0.8	1.2	2.1	3.2	4.4	5.5	6.4	6.4	7.2	7.8	8.3	9.1
Extremadura	0.4	0.3	0.3	0.3	0.5	0.7	3.8	5.2	6.2	6.1	6.4	6.2	6.4	6.5
Galicia	0.6	0.5	0.4	0.6	1.8	4.4	5.9	7.7	9.0	8.5	9	9.2	9	8.8
Madrid (Comunidad de)	0.2	0.4	0.6	1.2	1.6	2.5	2.8	3.6	4.1	3.8	4.2	4.5	4.6	4.6
Murcia (Región de)	1.2	1.8	2.1	3.2	3.6	4.6	5.3	5.7	5.8	5.4	5.2	5	4.7	4.6
Navarra (Comunidad Foral)	1.6	1.4	1.0	1.0	0.8	0.6	4.6	8.5	11.4	10.3	9.5	8.7	7.5	6.8
País Vasco	1.9	1.9	2.2	2.4	2.9	3.4	4.1	5.3	6.3	6.4	6.8	7.1	6.2	5.4
Rioja (La)	0.4	0.3	0.3	1.1	2.2	3.7	3.5	3.8	3.4	4.1	3.5	3.1	3.1	3.2

(Provisional) **Evaluation of the Spanish model**

2. The 2002 reform

- Regime Symmetry – Partial as Foral and Common coexist
- Stability – unlimited duration
- Simplicity and Clarity – integrate health in general financing, plus (partial) regime symmetry
- Fiscal Symmetry – Expenditure decisions on the margin depend on the regional governments