

**Fiscal Equalization and Economic Development Policy within  
Federations:  
An International Conference**

**Prince Edward Island  
28-29 October 2002**

**The case of Spain<sup>1</sup>**

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<sup>1</sup> Parts of this document are extracted from “Fiscal Decentralization in Spain: An Asymmetric Transition to Democracy”, by Teresa Garcia-Milà and Therese McGuire, forthcoming in a volume edited by Richard Bird that will be published by the World Bank.

## **Federal Structure**

Spain is presently divided in seventeen regions<sup>2</sup>, called Autonomous Communities, with regional governments that were created following the guidelines established in the democratic Constitution ratified in 1978. The details of the decentralization process were developed in a high level law, “Ley Orgánica de Financiación de las Comunidades Autónomas” (LOFCA) passed in 1980. During the early 1980s, each Autonomous Community developed and approved its own Statute of Autonomy, in accordance with the general principles of the Constitution and the LOFCA.

The fiscal decentralization model in Spain presents some asymmetries that respond to the historical regional differences and the complex political process in which the model was negotiated and approved. Regional diversity in Spain is large in many dimensions, including history, culture, language and economic conditions. Some regions have a national identity enhanced by the existence of their own language. Such is the case of the Basque Country, Catalonia and Galicia. Also some had in the past their own forms of government. For centuries Navarra and the Basque Country had a particular political and fiscal arrangement (“fueros”), that survived centralizing attempts of different Kingdoms. Catalonia, that had lost its political and administrative autonomy in 1714, established an autonomous regional government in 1932 that endured through the short-lived Second Republic and the three-year Civil War that started in 1936. Galicia adopted an autonomous system in 1936 that was never implemented because of the eruption of the Civil War.

It is not therefore surprising that the decentralization process was designed with some asymmetries that are well established in the Constitution. The most important asymmetry enacts two completely different systems of decentralization, the Foral and the Common regimes. The Foral regime is instituted for only the Basque Country and Navarra, while

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<sup>2</sup> See the map in Figure 1 for location and names of the seventeen Autonomous Communities.

the Common regime is applied to the other fifteen regions<sup>3</sup>. The primary difference between the two regimes is that regions in the Foral regime have authority to raise taxes locally, whereas regions in the Common regime have limited local taxing authority, although it has increased over the years. In terms of spending responsibilities, the regions of the Foral regime have similar responsibilities to five regions under the Common regime.

The **Foral** regime is characterized by an almost complete decentralization of the revenue responsibilities, and quite important devolution on expenditure responsibilities, including health and education. The majority of the taxes are ceded (*impuestos concertados*) to the autonomous government, that is responsible for tax administration and has autonomy (with some constraints that were eased in 1997) to set rates and bases. The major taxes – income, corporate, wealth, inheritance and wealth transfers – are fully administered by the regional government<sup>4</sup>. The value added tax (IVA) is collected and administered by the regional government, but without any authority to set rates or define the base.

To compensate for the services that the central government provides to the region, the regional government pays an amount to the central government (“cupo” for the Basque Country and “aportación” for Navarra). These transfers from the regional to the central government are calculated as a percentage of the difference between the *national* cost of those services not devolved and the *national* revenue of the taxes not devolved. The percentage is a function of the region’s income share, but it has not been updated since it was first established in 1981. The Foral regime regions also contribute to the central government’s solidarity fund, which will be discussed in more detail in the last section of this presentation.

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<sup>3</sup> We leave aside the African cities of Ceuta and Melilla that have presently a similar status than the autonomous communities of the common regime.

<sup>4</sup> The provincial governments (*Diputaciones*) are the ones that effectively collect taxes and then transfer the revenues to the regional government. The main issue here is that taxes are paid and stay in the region and it is the region that transfers resources to the central government and not the other way around.

The **Common** regime was set up under almost opposite grounds to the Foral regime. The main source of revenues were transfers from the central government, complemented with the revenues of some ceded taxes, although this was largely and administrative role since, unlike the regions of the Foral regime, they had no authority to set tax rates and bases for these taxes. Initially the ceded taxes were: wealth, inheritance, wealth transfers and taxes on gambling. Excise taxes and fees on services provided by the regional governments were under the responsibility of the Autonomous Communities. The Common regime has undergone many revisions, and most recently a substantial change, effective as of January 2002, that cedes some taxing authority to the regional governments<sup>5</sup>.

There is a second layer of asymmetry established by the Constitution that affects the regions under the Common regime. Two alternative paths for devolution of spending responsibilities are defined, one slow and one fast, established in Articles 143 and 151, which is how the two sets of regions are sometimes referred. The two groups were given different amounts of spending authority. All regions were responsible for what has been called common responsibilities: 1. Forestry, agriculture, livestock and fisheries in internal waters; 2. Urbanism and housing; 3. Roads; 4. Ports and airports without commercial activity; 5. Hydraulic exploitations, channels and irrigation; 6. Environmental protection; 7. Monumental patrimony of the Autonomous Community, cultural promotion and of the regional languages, libraries, museums and conservatories; 8. Self-government institutions; 9. Internal commercial fairs, sports promotion and tourism. In addition, the five high-responsibility regions were responsible for health and education, attaining the same level of expenditure devolution as the regions under the foral regime. In Table 1 we summarize this information<sup>6</sup>.

The Constitution specifies that eventually the two paths could meet, whereupon all of the regions in the Common regime would have identical spending responsibilities. That occurred in January 2002 when the final transfer of health responsibilities was agreed upon.

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<sup>5</sup> Details of those changes will be discussed later on.

<sup>6</sup> Police and prisons have been partially devolved to Basque Country and Catalonia.

## **Economic Disparities**

Spain, with near 40 million inhabitants represents around 10% of the population of the European Union, 15% of its area, and a little over 8% of its GDP. Spanish average income per capita is 80 % of the European Union's mean, with a few regions around the European mean, but the majority far below it. These differences in per capita GDP, quite large across regions, are illustrated in Table 2. The richest region, Madrid, has a per capita GDP twice as large as the one of Extremadura, the poorest region. These differences were larger in the 1950s, when the per capita GDP of the richest region was three times that of the poorest. By the mid 1970s the differences had decreased to a factor a little over two, and with small variations it has remained that way to the present. The regional ranking has had little variations, with Extremadura always at the bottom, followed by Andalucia, while the top place in the ranking has been shared by regions such as Madrid, Baleares, Cataluña, Navarra and Pais Vasco. Although regional differences are important in Spain, in fact other European countries, such as France, Italy or Germany show larger regional disparities<sup>7</sup>.

As can be seen from Table 2, population is quite unevenly distributed across regions, with some regions such as Andalucia or Catalonia representing each more than 15% of the population, while others like Cantabria, Navarra or La Rioja with populations around 1%.of the total. Although only five regions within the Common Regime have had high responsibilities in regional expenditures, they represent almost 55% of the population, that together with the two foral regime regions account for more than 60% of the Spanish population. When taking the size of the regions into account, one can conclude that the process towards expenditure devolution in Spain is quite advanced.

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<sup>7</sup> This fact is illustrated, among others, in Hall (1999) and Esteban (1999)

Table 2 also shows that regional differences are unrelated to the decentralized financing schemes, with rich and poor regions in both the high and low responsibility regions in the Common regime. It can be observed though, that both regions under the Foral regime are relatively rich, a fact more related to their history and economic development than to the circumstances related to the present financing scheme. It is true, though, that the foral regime has turned out to favor these two regions, given that their tax revenues do not pool with the revenues of all the other regions to be then distributed mainly according to population. The foral regions contribute to the solidarity fund (FCI), but that is a small part of the equalization process that is behind the decentralizing financing scheme.

The differences in income per capita are strongly related to unemployment and participation rates, which, as can be seen in Table 3, vary largely across regions. Behind those differences one can find some common patterns across regions, such as high unemployment among youngsters and women, and a lower participation rate of women. On average women's unemployment rate doubles that of men, and their participation rate is around 60% of the one for men.

Differences in industrial mix, especially in the second half of the twenty-century, could well explain the present income disparities. The relatively poor regions have traditionally had large shares of agriculture activity, while it is in the richest regions, with the exception of Madrid, where most of the industrial activity was located. For example in 1980 the share of employment in agriculture was 41% in Galicia, 36% in Extremadura and around 25% in Andalucia, Castilla la Mancha, Castilla y Leon, Asturias, Cantabria and Murcia. Those numbers had dropped to half their value by the late 1990s. The manufacturing and agricultural industries have decreased in favor of the service sector, a trend observed in most industrialized countries, but the relative strength of the regional economies is still quite related to its original industrial mix. For some regions this change towards predominance of the service sector, and in particular activities related to tourism, has been especially beneficial. Such is the case of the Balearic Islands, and to a lesser extent the Mediterranean coast in general and the Canary Islands, that have benefited from the tourism boom that Spain experienced in the last third of the 20<sup>th</sup> century. Madrid

has taken good advantage of being the political capital, building a strong economy and becoming the financial and telecommunications center of Spain, as well as the Spanish headquarters for many firms.

Regional development policies have been part of the Spanish central government policy for a long time. The large sustained growth that Spain experienced during the 1960s was not equally distributed across regions. Large migration movements occurred at the time, being the reduction in the agriculture sector, predominant in the south, center (with the exception of Madrid) and northwest, what nurtured labor force for the expanding industry of the north and north east of Spain. There were also important migration flows to other European countries such as Germany, Switzerland or France. Several development plans were designed to foster industrial activity on those areas that had little manufacturing tradition, although its effectiveness has always been questioned.

With the creation of the State of the Autonomies a regional solidarity fund was established in the 1978 Constitution, and was effectively set up in 1984 under the denomination of *Fondo de Compensación Interterritorial* (FCI). In its origins the fund was not purely redistributive, given that it had two roles: i) provide resources to all regions to finance investment related to the activities that had been devolved from the central government to the regions; ii) provide resources to relatively poor regions for investment in infrastructures that would improve economic growth and would help reduce economic differences across regions<sup>8</sup>. The second goal is the one that prevailed when the FCI was revised in 1990, becoming a pure solidarity fund that would provide resources to the less developed regions. Only regions that meet the Objective 1 criteria for European Development Funds would qualify for FCI<sup>9</sup>. The first original role of the FCI - provide funds for general investment - was then incorporated in the general financing model.

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<sup>8</sup> Nevertheless, the funds were distributed according to a distributional formula where the relative income had the highest weight: 70% of the fund was distributed according to the inverse of income per capita; 20% in proportion to the emigration flows; 5% proportional to unemployment; 5% as a function of regional area. The lower bound of the total amount distributed was established as a percentage of the new civil investment carried on by the central government.

<sup>9</sup> Regions with per capita GDP below 75% of the European average.

The change in policy established in 1990 can be clearly seen by comparing Figure 3 and Figure 4 that represent, for the two periods respectively, annual average FCI per capita in relation with the annual average regional income per capita. For the initial period all regions received resources through the FCI transfer, and although the relation between the amount received and the income per capita is negative, it is not highly redistributive except for the lowest segment of the income distribution. Starting in 1990, only the ten poorest regions qualify for FCI, and by then the amount received is clearly inversely related with regional income, while the total over all the regions decreases.

The revision of the FCI was strongly influenced by the regional development programs of the European Union, adopting the EU criteria for selecting recipient regions, and establishing coordination criteria for providing and spending the FCI according to the EU funds received. Since the accession of Spain to the European Union in 1986, many regions in Spain qualify for several European Union structural funds such as the Development Fund, the Social Fund, the Structural agriculture fund and later on the Cohesion fund. Figure 4 shows the relationship between annual average income per capita, and the per capita annual average of European funds received, adding all types of European structural funds for each region over the 1986-1999 period. It is quite clear that there is an inverse relation between the funds receive and the regional income per capita, bringing evidence that overall the structural European program favors relatively poor regions in its distribution of funds.

It is worth noting that the development funds represent for some regions an important inflow of resources, as it is documented in Table 4. For example Extremadura, the region with the lowest income per capita, has received in recent years total development funds that account for more than 4% of its GDP, being the annual average over the 1986-99 period above 3%. Other regions, such as Andalucia, Galicia and Castilla La Mancha have also benefited largely from the regional Spanish and European policies.

The Spanish government has also used direct public investment as a way to reduce regional disparities and enhance growth in the less developed regions. The outcome of this policy is reflected in the public capital that regions have accumulated over the years. Angel de la Fuente (2002) evaluates to what extent public investment decisions have given priority to redistributive criteria as opposed to efficiency criteria. His conclusions is that the public investment policy in Spain has been clearly redistributive.

The effectiveness of the regional policy has been highly questioned, although recent studies (de La Fuente 2002) show that European regional development funds in the period 1994-99 have contributed significantly to the growth of the less developed regions of Spain. Nevertheless there is no concluding evidence that regional convergence is occurring in Spain, or elsewhere in Europe. Although countries have been somewhat converging in the second third of the twentieth century, regional differences have at the best remained unchanged, as has been shown by Boldrin and Canova (2001).

## **Fiscal Disparities**

The fiscal decentralization model in Spain is quite complex, due to two factors. One is the existence of two complete different decentralization models, the Foral and the Common regimes, the latter having at the same time the coexistence of high and low responsibility regions. The second factor that adds complexity to the model is the revision process that has undergone every five years, and many times with additional adjustments, bilateral negotiations and other agreements in between formal revisions. In some occasions not all regional governments have accepted the revised model (that was the case for Extremadura, Andalucia and Castilla la Mancha in 1996), coexisting the two regimes, the two layers of responsibility within the common regime, and two financing schemes for the common regime, the revised for the majority of regions, and the old one for the three that had opted out. Fortunately the latest revision, agreed upon in July 2001 and effective as in January 2002, has brought back all the Common regime regions to a

unique system that does not require anymore a revision every five years as it was mandated before. It has also unified the responsibility level of all regions, with education and health now under the responsibility of regional governments all over the Spanish territory.

Although the latest revision of the model cedes substantial taxing authority to the regional governments, it is important to describe the original set up, as it has been the basis of the system for over twenty years.

Focusing on the regions that are regulated by the Common regime, up to very recently a good way to describe the model would be its fiscal asymmetry, that is the unbalance between substantial expenditure responsibilities (especially for the high responsibility regions) and a high dependence on central government transfers to finance them. Central government transfers have been historically the largest source of regional revenues, accounting for almost 90% of regional revenues for some regions in the initial years, and somewhat decreasing over time, but still covering above 60% of revenues for the high responsibility regions in 1999. It is therefore important to understand what is behind the criteria that establish those transfers.

The way the transfers are determined has changed over time. The initial method was based on cost, that is, the central government would transfer an amount equal to the historical cost (before decentralization) of the services that were devolved to each region (previously subtracting revenues from ceded taxes). This method assumed that the regional allocation of spending made by the central government before the decentralization process had started was adequate. This criterion was meant to be temporary, for the transition period, and in 1986 was changed to a distribution formula. The idea was to have an allocation mechanism that would be a function of some indicators of need. A weighted formula based on several variables was applied: population, insularity or not, area, administrative units, relative wealth and fiscal effort<sup>10</sup>.

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<sup>10</sup> The administrative units criteria assigns half a percentage point for each provincial government within the region and half a percentage point for the regional government. This criterion has been questioned as

The weights were set not according to general economic principles, but rather to reproduce as close as possible the distribution that existed previously under the “effective cost” allocation, making sure that all regions received at least as much as under the previous allocation. Also some restrictions on the growth rate of revenues respect to the initial effective cost allocation were established, perpetuating therefore the initial misallocation<sup>11</sup>

Within the common regime, transfers to high and low responsibility regions differ according to the different financing needs that those regions have. High responsibility regions, in charge of education and health, received two separate grants, a conditional grant for health, and a general unconditional grant for all the other expenditures. The health grant is distributed according to population, and has functioned completely separate from the general system. The variables that influence the distribution for the unconditional grant are the same for high and low responsibility regions, but the weights differ. For high responsibility regions, population has a higher weight, in accordance with the fact that education expenditures have a high component of variable cost. Table 5 shows the initial and revised weights for distributing the general grant for the two types of regions within the Common regime. The general grant is equalizing in two ways. It is paid out of revenues from taxes that are overall progressive, and then distributed according to population, building in the system an important equity scheme given the large differences in income per capita across regions that we have documented<sup>12</sup>. There is an additional redistributive component, although disappearing over time, as the distribution formula gives some weight to counteract income inequality. These second component has become less important in the revision of the formula, and even more so as education and health expenditures have been devolved to all Autonomous Communities in recent years.

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provincial governments receive their own resources. Fiscal effort is calculated as the distance between the region’s share of revenues from personal income tax and the region’s share of GDP.

<sup>11</sup> Comunidad Valenciana is one of the communities that has been negatively affected by these restrictions, a fact that shows in its low revenues per capita.

<sup>12</sup> The foral regime regions, Basque Country and Navarra, are not part of this equity scheme, obtaining therefore a better financing per capita given that both regions are above the Spanish mean in per capita GDP.

After the transition period, that ended in 1986, financing agreements lasting for five year periods were established. Every five years a revision would take place and a new agreement would be established for the following period. Very few changes were introduced at the end of the first period (1987-1991), with only a small revision of the weights in the distribution formula incorporated into the agreement for the second period (1992-1996). The negotiations in 1996 for the 1997-2001 period agreement led to fairly significant changes with respect to local revenue-raising authority. Regions were granted some authority over rates for all previously ceded taxes as well as an additionally ceded 15 percent of the income tax. For fear that the new changes would diminish the total funds available, Andalucia, Castilla-La Mancha and Extremadura opted out of this reform, introducing additional complexity to an already cumbersome set up. The latest reform, effective January 2002, has established a financing system applicable to all fifteen regions under the Common Regime, incorporating health financing in the general-purpose grant. As the differences between high and low responsibility regions have vanished, and health is no longer financed by a specific grant, the financing model has become more uniform and transparent.

In 1993, two years into the second five-year period, a substantial revision of the system, at least in spirit, was implemented. The revision established a new approach that would be continued with the changes introduced in 1997 and in 2002. The reform of 1993 ceded to the autonomous communities an initial 15 percent of the income tax (IRPF), but with no authority to set tax rates. The idea behind the reform was to involve the regional governments more deeply in the revenue process. There was an incentive to be more efficient in the collection of the tax, as the region would keep 15 percent of the fiscal effort above a reference value. But there were final changes to the reform that introduced limits to the possible gains and guarantees for minimum revenues, as some regions were worried about the outcome.

The latest reform, effective January 2002, is not restricted to a five-year period as were the previous reforms. This reform unified the financing scheme for all the fifteen regions in the Common Regime, a task that was eased by the fact that responsibilities finally

converged for the high- and the low-responsibility regions. It has further simplified and clarified the model by eliminating the conditional grant for health, which is now financed within the general system. Finally it has increased by a significant amount the revenue responsibility of the regions. The central government has ceded approximately one third of the personal income tax and the value added tax, as well as special taxes on gas, alcohol or tobacco. It has also eased many of the restrictions on establishing rates and exemptions for the ceded taxes (except for the value added tax and the special taxes that are regulated by the European Union).

These changes in the system have tried to accommodate complaints about the lack of autonomy in revenue within the Common regime. The term used in Spain has been co-responsibility, meaning a sharing of responsibility for revenues between central and regional governments. As we have seen, the process towards higher regional responsibility in revenues has been slow, limited, and very complicated, as not all regions had initially participated, but the latest reform seems to go in the right direction in that regions are gaining revenue raising authority responsibility leading to possible gains in efficiency.<sup>13</sup> However, an important motivation behind the changes has been to try to keep more tax revenues in the regions where those taxes are paid. Rich regions aimed to redefine the system in a way that reduces their contribution to solidarity, while poor regions tried to avoid that larger revenue autonomy would decrease the total amount of funds that they receive.

The complexity of the system makes it hard to present numbers that can be compared across regions and over time. For a given year, regions have different levels of responsibilities, even within the three groups that we have identified: foral, common high- and common low-responsibilities. These differences are not only for the main expenditures, education and health, but also for other minor expenditures that have been devolved to regions at different moments of time. Also changes in the financing system

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<sup>13</sup> The lack of local revenue authority together with the continuous renegotiation of the system over the past twenty years created a situation whereby regions may have had incentives to borrow in excess since they did not bear all the costs of such decisions (see Garcia-Milà, Goodspeed and McGuire (2001) for an elaboration of this argument).

occur almost continuously, making it hard to look for over time patterns across regions. An additional difficulty is that transfers are not a clean measure of the across regions equalizing policy, as they are a residual once ceded taxes are discounted. Given the dependence of the ceded taxes from central government rules, one way may be to look at the sum of transfers and ceded taxes.

Table 5 displays per capita euros in 1999 constant values, of the sum of transfers and ceded taxes. This amount is a proxy of the regional financing that is more directly determined by the central government. This is especially true for the early years, and a good approximation at least up to 1996. If the latest reform, effective in 2002, is well implemented, the regions will have more corresponsibility in their revenues, and ceded taxes will reflect better the regional decisions. Regions are grouped according to their level of responsibility, and only regions in the common regime are represented in the table. Numbers in bold correspond to regions and years with non-university education and health responsibilities; in italic only non-university education responsibilities; a shaded cell identifies the year when university education is devolved to a region. Except for Comunidad Valenciana and Murcia, table 5 shows certain redistribution pattern<sup>14</sup>.

It is interesting to look at the total revenues per capita that each region has. That will reflect other sources of revenues, own taxes but mainly borrowing, that has been fairly important for some regions. In table 6 we present total revenues for all regions in per capita euros (constant values of 1999). As we can observe comparing Tables 5 and 6, for some regions differences are quite important, while for other both tables show quite similar numbers. But the most interesting fact to point out in Table 6 is that the two regions under the foral regime have the largest revenues per capita, confirming that their especial financing arrangement is beneficial, especially so for Navarra.

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<sup>14</sup> Madrid is hardly comparable with the other regions of its group as over the period analyzed it had less responsibilities devolved than the other regional governments.

Table 7 displays annual averages per capita of education and health expenditures for the seven communities that have been responsible for those very important public services for many years.

In Figure 5 we can see the evolution over time of the per capita expenditures on education (thousands of constant 1999 euros). For the low responsibility regions the figure represents the average value that the central government has spent on those regions in education. For the high responsibility regions in the common regime and for the regions under the foral regime the values correspond to annual averages that each regional government has spent on education. It is interesting to note that within the common regime regions, expenditure per capita has been higher in those regions where that public service is still in hands of the central government. The foral regime regions have had even higher expenditures on education over the period. It will be interesting to analyze the corresponding numbers in a few years, after education has been in hands of all regional government for some time.

## **Concluding remarks**

The Spanish decentralization system has often been presented as an example for emerging democracies to follow. In many respects it has been very successful, combining a solid democratization process with a high fiscal decentralized model. But the process has also been quite complex, building in asymmetries that could probably be justified initially but that are difficult to defend in the present. The model has turned out to be very complex, unstable and with lack of transparency, and with a separation between expenditure and revenue responsibility that has given incentives to inefficient decisions by the regions.

The successive revisions of the system have been in essence moving towards the right direction, and especially the last one, effective in 2002, seems to be getting at some crucial dysfunctions of the model. Within the common regime the fifteen regions are finally converging towards identical expenditure responsibilities and a common financing scheme that is simplifying the model and should be clarifying and providing transparency to the financing scheme. The new model is also reducing the gap between expenditure and revenues responsibilities, ceding new taxes and extending the authority of regions to set rates and bases for those taxes ceded.

Nevertheless there are still some issues that remain to be addresses seriously. Little has been done to discuss openly the degree of solidarity that regions can agree upon, or to establish clean and transparent equity criteria. The need for an open discussion about solidarity is revealed by the fact that rich regions sense that they are contributing too much, while poor regions believe that they receive too little.

The most important asymmetry built into the system – the large difference between the Foral and the Common regimes – has remained unchanged, and appears not to be subject to change for the foreseeable future. As several authors have pointed out, generalizing the Foral regime to other regions in exactly the same terms as currently applied to the Basque Country and Navarra would not be sustainable, as all regions, except Extremadura and Andalucia, would keep more money than what they have right now (Zubiri (2000) and Zubiri and Vallejo (1995)).

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**Figure 1: Asymmetric Fiscal Decentralization in Spain**



**Legend**

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

Table 1 – Common regime

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

**Table 2: 1999 Population and GDP per Capita of Regions in Spain  
Grouped by Fiscal Responsibility**

	1999 GDP per Capita (euros)	(Relative to Average for Spain = 100)	Population as percentage of Spanish total
<b>Foral Regime</b>			
Navarra	18,492	(130)	1.35
País Vasco	17,379	(122)	5.22
<b>Common Regime</b>			
<i>High Responsibility</i>			
Andalucía	10,067	(71)	18.21
Canarias	13,496	(95)	4.17
Cataluña	17,570	(124)	15.52
Galicia	11,266	(79)	6.85
Valenciana	13,510	(95)	10.10
<i>Low Responsibility</i>			
Aragón	15,464	(109)	2.97
Asturias	12,739	(90)	2.67
Baleares	17,514	(123)	1.95
Cantabria	13,410	(95)	1.33
Castilla-León	12,990	(92)	6.27
Castilla-La Mancha	11,617	(82)	4.32
Extremadura	8,774	(62)	2.71
Madrid	19,254	(136)	12.89
Murcia	11,692	(82)	2.81
La Rioja	16,313	(115)	0.66

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

**Table 3: 2002 Unemployment and participation rates  
Grouped by Fiscal Responsibility**

	Unemployment rate	Participation rate
<b>Foral Regime</b>		
Navarra	5.06	54.59
País Vasco	9.25	54.34
<b>Common Regime</b>		
<i>High Responsibility</i>		
Andalucía	18.95	52.44
Canarias	11.14	56.76
Cataluña	9.22	57.71
Galicia	11.87	50.98
Valenciana	10.46	56.00
<i>Low Responsibility</i>		
Aragón	5.57	50.11
Asturias	10.38	44.51
Baleares	6.65	60.21
Cantabria	9.74	50.67
Castilla-León	10.68	49.21
Castilla-La Mancha	9.19	49.82
Extremadura	18.55	50.04
Madrid	6.72	56.20
Murcia	11.25	54.36
La Rioja	7.30	52.76

Source: Encuesta de Población Activa, Instituto Nacional de Estadística

Figure 2

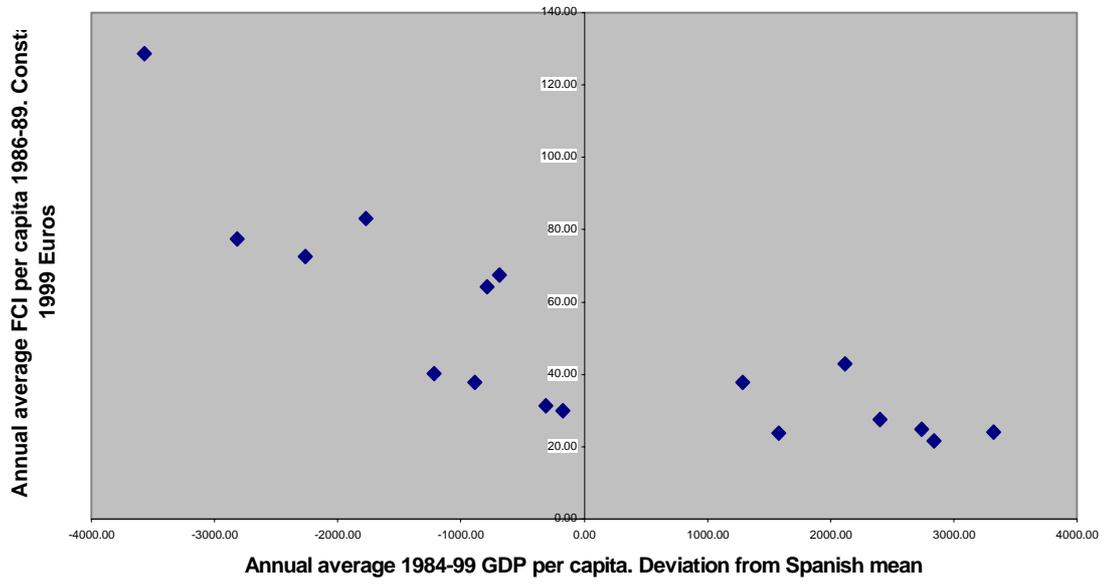


Figure 3

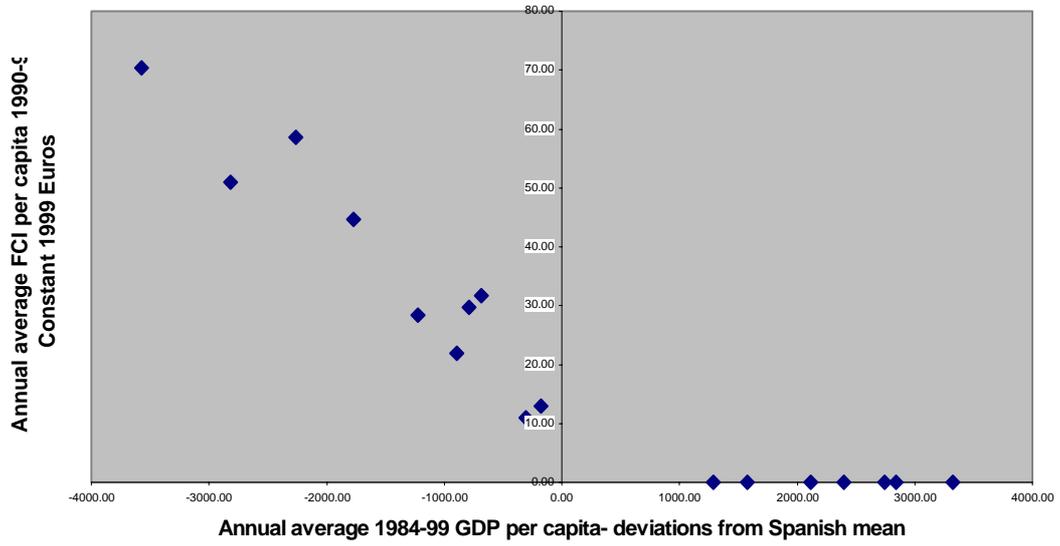


Figure 4

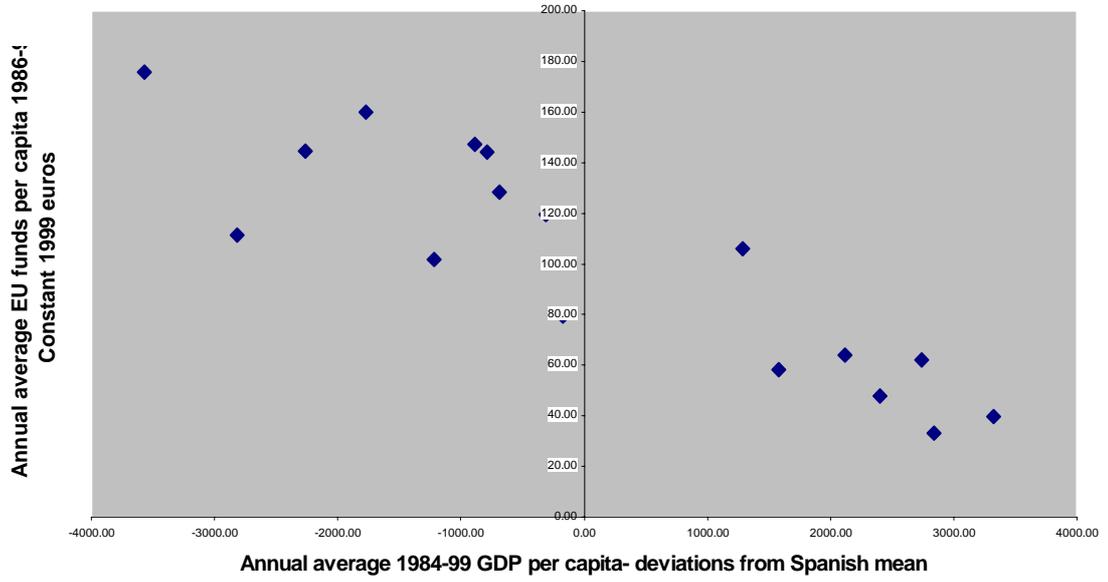


Table 4 - Regional development funds as a percentage of regional GDP

	FCI annual average 1984-89	FCI annual average 1990-1999	European Structural funds annual average 1986-99
Andalucia	1.12	0.57	1.92
Aragón	0.37	0.00	0.86
Asturias	0.46	0.20	1.60
Baleares	0.21	0.00	0.30
Canarias	0.81	0.29	1.54
Cantabria	0.36	0.09	1.17
Castilla-león	0.79	0.27	1.66
Castilla-Mancha	1.14	0.44	2.18
Cataluña	0.27	0.00	0.38
Extremadura	2.19	0.87	3.32
Galicia	1.03	0.62	2.19
Madrid	0.20	0.00	0.26
Murcia	0.50	0.27	1.27
Navarra	0.23	0.00	0.47
País Vasco	0.39	0.00	0.57
Rioja	0.23	0.00	0.47
C.Valenciana	0.34	0.11	0.84

Table 4b Weights to determine central government transfers

	1987-1991	revised 1992	revised 2002
Low responsibility regions			
Population	59.00	64.00	
Insularity	0.70	0.40	
Area	16.00	16.60	
Administrative units	24.30	17.00	
Relative income	4.20	2.70	
Fiscal effort	5.00	1.82	
Dispersion		2.00	
High responsibility regions			
Population	84.40	94.00	94.00
Insularity	3.10	1.50	0.60
Area	15.00	3.50	4.20
Administrative units		0.40	
Relative income	0.40	2.70	
Fiscal effort	1.70	1.82	
Constant	-2.50		
Dispersion		0.60	1.20

Table 5 - Transfers plus ceded taxes - Per capita euros, constant values 1999

	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
<b>High responsibility</b>														
Andalucía	<b>852.03</b>	<b>1022.09</b>	<b>1168.26</b>	<b>1276.72</b>	<b>1374.03</b>	<b>1384.90</b>	<b>1566.09</b>	<b>1548.21</b>	<b>1541.18</b>	<b>1583.42</b>	<b>1707.32</b>	<b>1829.88</b>	<b>1948.89</b>	<b>2093.16</b>
Cataluña	<b>815.83</b>	<b>999.90</b>	<b>1055.12</b>	<b>1138.09</b>	<b>1326.06</b>	<b>1354.98</b>	<b>1513.92</b>	<b>1516.21</b>	<b>1644.09</b>	<b>1587.36</b>	<b>1702.13</b>	<b>1773.78</b>	<b>1670.01</b>	<b>1780.10</b>
C. Valenciana	<i>505.70</i>	<i>574.67</i>	<b>1000.88</b>	<b>1140.26</b>	<b>1205.61</b>	<b>1284.50</b>	<b>1462.77</b>	<b>1424.25</b>	<b>1338.85</b>	<b>1244.26</b>	<b>1259.98</b>	<b>1326.79</b>	<b>1302.78</b>	<b>1399.29</b>
Galicia	<i>590.70</i>	<i>641.72</i>	<i>739.08</i>	<i>821.42</i>	<i>888.25</i>	<b>1368.88</b>	<b>1544.87</b>	<b>1623.00</b>	<b>1614.48</b>	<b>1679.06</b>	<b>1737.98</b>	<b>1827.46</b>	<b>1842.67</b>	<b>1996.23</b>
Canarias	<i>501.73</i>	<b>635.01</b>	<i>734.00</i>	<i>800.63</i>	<i>825.53</i>	<i>840.56</i>	<i>1003.13</i>	<i>871.14</i>	<b>1344.18</b>	<b>1454.78</b>	<b>1445.10</b>	<b>1519.09</b>	<b>1507.81</b>	<b>1581.56</b>
<b>Low responsibility</b>														
Aragón	252.84	279.67	294.62	309.29	334.14	348.41	382.85	364.58	565.74	677.64	<b>765.94</b>	857.09	803.29	1222.70
Asturias	250.34	303.16	306.07	304.63	347.53	396.29	405.47	424.97	522.89	486.61	<b>596.62</b>	658.82	533.09	606.56
Baleares	173.08	211.87	204.78	201.99	285.00	274.19	280.59	308.38	344.42	377.67	<b>438.75</b>	<b>515.78</b>	<i>793.82</i>	<i>822.82</i>
Cantabria	358.09	410.98	461.37	440.45	480.00	484.70	473.73	534.72	572.16	406.75	<b>479.98</b>	690.07	654.98	<i>1034.74</i>
Castilla-león	252.48	259.49	298.73	318.00	384.83	396.58	460.25	483.53	749.87	811.88	<b>922.40</b>	971.91	886.40	963.76
Castilla-Mancha	366.59	569.63	477.68	538.20	589.22	623.31	653.48	859.59	1055.78	1122.69	<b>1096.61</b>	1161.33	1252.82	1235.89
Extremadura	318.73	381.38	354.44	470.63	601.84	526.90	517.77	552.90	562.69	704.01	<b>1058.19</b>	1143.08	1290.23	1280.89
Madrid	145.50	206.20	222.76	229.92	432.88	333.08	349.24	330.99	325.10	346.84	<b>417.97</b>	489.30	307.41	<i>490.01</i>
Murcia	138.71	197.80	294.49	324.92	331.59	359.82	358.47	357.21	350.64	385.39	<b>490.68</b>	535.92	513.44	<i>791.88</i>
Rioja	300.53	342.76	371.54	388.00	455.26	468.31	549.89	529.20	572.54	<b>635.19</b>	694.43	772.01	750.38	<i>1189.65</i>

Sources: Liquidación de los Presupuestos de las Comunidades Autónomas, Ministerio de Economía y Hacienda; Instituto de Estudios Fiscales; Instituto Nacional de Estadística

Numbers in bold face correspond to regions and years with non-university education responsibilities, in italic for non-university education. Shaded cells identify when devolution of university education happens.

**Table 6 - Total revenues - Per capita euros, constant values 1999**

**High responsibility**

	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Andalucía	<b>754.95</b>	<b>822.25</b>	<b>898.42</b>	<b>1081.48</b>	<b>1240.07</b>	<b>1402.78</b>	<b>1522.32</b>	<b>1575.95</b>	<b>1822.02</b>	<b>1773.60</b>	<b>1750.97</b>	<b>1748.36</b>	<b>1870.04</b>	<b>1965.84</b>	<b>2108.19</b>	<b>2242.34</b>
Cataluña	<b>882.83</b>	<b>907.55</b>	<b>1008.97</b>	<b>1238.73</b>	<b>1271.53</b>	<b>1437.31</b>	<b>1652.47</b>	<b>1793.11</b>	<b>2237.76</b>	<b>1842.46</b>	<b>2047.13</b>	<b>2099.68</b>	<b>2088.35</b>	<b>2246.48</b>	<b>2251.84</b>	<b>2256.44</b>
C. Valenciana	<i>370.56</i>	<i>440.33</i>	<i>568.67</i>	<i>655.19</i>	<b>1067.93</b>	<b>1239.65</b>	<b>1335.81</b>	<b>1462.45</b>	<b>1636.38</b>	<b>1538.37</b>	<b>1518.91</b>	<b>1413.22</b>	<b>1436.96</b>	<b>1502.15</b>	<b>1717.22</b>	<b>1724.93</b>
Galicia	<i>491.25</i>	<i>523.91</i>	<i>615.00</i>	<i>663.30</i>	<b>763.69</b>	<i>871.84</i>	<i>1056.53</i>	<b>1659.30</b>	<b>1864.09</b>	<b>1911.11</b>	<b>1851.95</b>	<b>1886.43</b>	<b>1929.90</b>	<b>2007.81</b>	<b>2099.97</b>	<b>2276.27</b>
Canarias	<i>615.27</i>	<i>790.34</i>	<i>848.08</i>	<b>1032.89</b>	<i>1101.86</i>	<i>1202.03</i>	<i>1251.63</i>	<i>1260.62</i>	<i>1431.73</i>	<i>1335.50</i>	<b>1807.26</b>	<b>1882.19</b>	<b>1825.12</b>	<b>1933.51</b>	<b>2149.83</b>	<b>2268.16</b>

**Low responsibility**

Aragón	163.35	197.62	298.67	355.27	351.58	453.54	571.60	592.36	525.97	561.94	833.97	714.15	<b>983.30</b>	1050.29	1141.06	1539.64
Asturias	236.85	284.84	340.09	385.07	427.84	469.24	550.64	626.20	702.37	687.61	751.53	745.05	<b>796.47</b>	850.41	907.73	965.82
Baleares	152.78	214.93	210.13	264.05	260.07	383.05	390.43	372.15	429.29	452.54	507.84	519.11	545.03	<b>651.44</b>	1154.85	1169.73
Cantabria	265.40	347.59	482.76	550.32	849.33	690.42	812.40	712.51	549.76	652.00	669.74	465.60	<b>559.28</b>	789.42	892.87	1297.83
Castilla-león	153.81	254.67	303.63	314.80	439.20	550.23	706.20	759.52	759.83	776.44	858.30	914.30	<b>1013.49</b>	1040.77	1093.06	1177.77
Castilla-Mancha	209.45	246.30	396.90	601.36	530.19	636.30	638.38	713.76	787.55	985.55	1200.64	1220.79	<b>1203.03</b>	1264.91	1420.80	1366.77
Extremadura	242.12	387.95	405.90	476.25	386.43	507.42	664.41	607.12	780.42	780.96	719.56	819.53	<b>1187.40</b>	1264.56	1429.90	1421.13
Madrid	154.50	223.17	274.62	313.90	379.20	398.64	485.21	546.55	512.64	537.61	451.52	478.82	<b>607.19</b>	679.31	731.11	945.21
Murcia	166.68	255.17	353.14	304.28	396.61	618.06	521.97	518.54	465.80	497.65	466.37	479.42	<b>581.27</b>	645.01	729.80	1024.27
Rioja	251.10	334.62	405.31	445.33	512.79	612.92	731.98	557.91	704.96	624.77	729.78	<b>770.37</b>	840.05	905.80	1047.69	1475.45

**Foral**

Navarra	1242.26	1377.30	1540.79	1486.17	1638.26	1781.45	<b>3089.33</b>	<b>3117.12</b>	<b>3154.95</b>	<b>3245.61</b>	<b>3061.73</b>	<b>3258.90</b>	<b>3107.12</b>	<b>3281.87</b>	<b>4040.39</b>	<b>3953.25</b>
País Vasco	<i>679.08</i>	<b>767.44</b>	<i>834.81</i>	<i>906.67</i>	<b>1492.99</b>	<b>1593.40</b>	<b>1742.04</b>	<b>1859.65</b>	<b>2133.13</b>	<b>2129.42</b>	<b>2214.46</b>	<b>2189.57</b>	<b>2277.26</b>	<b>2224.14</b>	<b>2361.51</b>	<b>2473.76</b>

Sources: Liquidación de los Presupuestos de las Comunidades Autónomas, Ministerio de Economía y Hacienda; Instituto de Estudios Fiscales; Instituto Nacional de Estadística

Numbers in bold face correspond to regions and years with responsibility in health and non-university education, in italic for responsibility in non-university education. Shaded cells identify when devolution of university education happens

**Table 7 - Education and health. Annual average 1984-99. Per capita euros, constant values 1999**

	<b>education</b>	<b>health</b>
<b>common -high responsibility</b>		
Andalucia	415.800738	502.916794
Canarias	555.078472	630.996946
Cataluña	385.222546	534.452108
Galicia	410.338887	577.972501
C.Valenciana	396.360822	550.080757
<b>foral</b>		
Navarra	458.206828	751.537375
País Vasco	458.206828	663.639928

Sources: Liquidación de los Presupuestos de las Comunidades Autónomas, Ministerio de Economía y Hacienda; Instituto de Estudios Fiscales; Instituto Nacional de Estadística; Ezequiel Uriel, IVIE.

Figure 5 - Per capita education expenditures

