

# Preface

**Núria Bosch and José M. Durán**

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Traditionally, countries have been divided into unitary and federal countries, depending on the political system of organization. The former consist of two levels of governments, central and local, while the latter have another tier of government in between, a regional one. However, an increasing number of historically unitary countries are carrying out reforms with the aim of moving toward more decentralized governance. They are not pure federal countries, but at the same time they are not purely unitary any more, since the regional governments, often set up with decentralized purposes, take on a significant number of responsibilities previously undertaken by the central government.

A key issue in the process of good political decentralization is to find an appropriate financing system for regional governments. Regions must have adequate revenues to fund their public expenditure requirements so that they enjoy effective autonomy, but at the same time they must also take responsibility for how they raise those revenues. Therefore, the objectives are to achieve autonomy but also fiscal responsibility. But in addition, central governments must ensure that all their citizens, regardless of whether they live in a rich or a poor region, enjoy similar levels of well-being. Poor regions must also raise enough revenues to fund their responsibilities and achieve national standards. In other words, autonomy and fiscal responsibility must be combined with territorial solidarity. This book analyzes political decentralization and fiscal federalism, focusing precisely on the financing system of regions, and on the issues that are important in achieving a well-designed financing system: tax assignment, fiscal equalization and tax administration. These three issues are analyzed in depth in the book, making special reference to the experience of three developed countries: Spain, Germany and Canada.

Spain is an outstanding example of a unitary country that has engaged in a very important process of decentralization over the last 25 years. Nowadays, the Spanish regions are responsible for competences, health and education among many others, which account for about 35 per cent of all public expenditure. As far as Germany and Canada are concerned, both are historical federal countries, with well-defined financing systems for the

sub-national governments, which, however, continue to be subject to periodical reforms.

Tax assignment, fiscal grants and tax administration are studied in depth in the different chapters of the book with the aim of learning about and understanding the recent experiences of Spain, Germany and Canada. The authors, from the academic world, public bodies and international organizations, offer first-hand views on national experiences, reaching some conclusions that are very useful from the perspectives of other countries. In fact, this was the aim of the 4th Symposium on Fiscal Federalism organized by the Institut d'Economia de Barcelona (IEB), which took place in Barcelona on 30–31 May 2006: 'The Experience of Federal Countries: Lessons for Spain'. The reputation of the keynote speakers and the quality of their papers led us to publish the book you now have in your hands.

To conclude, we would like to thank all authors for their contributions. We hope it is informative to researchers, policy-makers and practitioners as well to everyone interested in decentralization and fiscal federalism.