

The Solidarity in the Spanish Funding of the Autonomous Communities

Sabrina Bellanca¹, Marc Martínez Sans¹ & Julien Vandernoot¹

¹ Warocqué School of Business and Economics, University of Mons (UMONS), Belgium

Correspondence: Julien Vandernoot, Warocqué School of Business and Economics, University of Mons (UMONS), 17, Place Warocqué, 7000 Mons, Belgium. E-mail: Julien.Vandernoot@umons.ac.be

Received: March 4, 2013

Accepted: March 22, 2013

Online Published: April 17, 2013

doi:10.5539/ibr.v6n5p45

URL: <http://dx.doi.org/10.5539/ibr.v6n5p45>

Abstract

In this paper, we analyze the Spanish funding of the Autonomous communities, which has been modified in 2009. Therefore, we study the Spanish mechanism of tax retrocession and the system of funds whose purpose is to finance some needs of the Spanish autonomous communities. We also study the impact of the process of funding on the wealth of the communities. It enables us to conclude that there is not only a reduction of the gap between the autonomous communities but also a paradox of revenues in some cases.

Keywords: Spanish autonomous communities, funding, federalism, paradox of revenue, tax

1. Introduction

The topic of funding in Spain is not frequently discussed in scientific literature. Nevertheless the former Spanish system of funding has been evoked by Bosch & Durán (2008) and Ruiz-Huerta Carbonell & Herrero Alcade (2008). Lago-Penas & Madies (2005) and Petithomme (2009) provide for their part a critical analysis of the fiscal federalism in Spain. The current system of funding has been analyzed by Blochliger, Hansjörg and Camila Vanmalle (2012). In 2009, the new Spanish system of funding came into force. This system is complex and is not the same for all the autonomous communities.

Most autonomous communities belong to the common regime but another regime, the foral regime is also used in some cases. In this article, we will focus on the common regime but will not consider Canary Islands which belong to this regime but with some changes. We will first analyze the Spanish mechanism of tax retrocession to the autonomous communities. A part of the tax collected in each autonomous community is returned to the autonomous community concerned, the rest goes to the State. The tax concerned by this retrocession are the value added tax, the personal income tax, the tax on alcoholic products, the tax on intermediate goods, the tax on beer, the tax on manufactured snuff, the tax on oil and the tax on electricity. Then, we will focus on the funds whose purpose is to finance some needs of the autonomous communities. The funds which are currently used are: the resources to reinforce the welfare state, the additional resources, the competitiveness fund, the third additional disposition, the fund for cooperation, the basic public services guarantee fund, the total adequacy fund and the inter-territorial compensation fund. This will enable us to see how the Spanish system of funding influences the wealth of the communities and to see whether or not a paradox of revenue or an equalizing effect is present. We will therefore compare the money that the autonomous communities get after the process of funding and what they would get without this process.

2. Method

On the basis of the information found on the website of the Ministry of Finance and Public Administration, we first calculate the money collected for each tax by the government in each autonomous community. Then we calculate the money kept by the by the Spanish government and the money transferred to the autonomous communities and this, for each tax. After that, we show the repartition of the funds between the autonomous communities. Finally, by dividing the money collected in each autonomous community by the population in 2009, before and after the process of funding, we show how the money collected per capita varies in each autonomous community.

3. Spanish Federal Model: Mechanisms of Tax Retrocession and Funding

3.1 Retrocession of Taxes

3.1.1 IVA (Value Added Tax)

50% of the revenue from this tax is transferred to the Spanish autonomous communities. The tax reached 33.567 billion euros in 2009.

3.1.2 IRPF (Personal Income Tax)

A part of this tax is transferred to the Spanish autonomous communities. Each community has the right to modify its rate of taxation. In 2009, the IRPF reached 60.009 billion euros of which 34.530 billion euros were transferred to the Spanish communities.

3.1.3 Tax on Alcohol and Alcoholic Products

58% of the revenue from this tax is transferred to the Spanish communities. This revenue reached 762.389 million euros in 2009 of which 442.186 million euros were transferred to the Spanish autonomous communities.

3.1.4 Tax on Intermediate Goods

The Spanish communities receive 58% of the revenue from this tax. In 2009, they received 10.093 million euros.

3.1.5 Tax on Beer

58% of the revenue from this tax is transferred to the Spanish communities. This revenue reached 259.811 million euros in 2009 of which 150.690 million euros were transferred to the Spanish communities.

3.1.6 Tax on Manufactured Snuff

The Spanish communities get 58% of the revenue from this tax. The transfer reached 4.136 billion euros in 2009.

3.1.7 Tax on Oil

58% of the revenue from this tax is transferred to the Spanish communities. This revenue reached 9.851 billion euros in 2009 of which 5.714 billion euros were transferred to the Spanish communities.

3.1.8 Tax on Electricity

The Spanish communities receive the whole revenue from this tax. In 2009, they received 1.219 billion euros.

The repartition of these taxes is shown in tables 1, 2 and 3.

Table 1. Money collected by the Spanish government in each autonomous community (thousands €, 2009)

Autonomous community	IVA	IRPF	Tax on Alcohol and Alcoholic Products	Tax on Intermediate Goods	Tax on Beer	Tax on Manufactured Snuff	Tax on Oil	Tax on Electricity	TOTAL
Catalonia	6496357.76	13619375.46	156264.08	3492.72	48704.28	1446076.42	1730979.71	249499.64	23750750.07
Galicia	2079001.62	3180670.88	44858.78	1260.34	13828.44	394520.08	724492.96	103370.64	6542003.74
Andalusia	5854761.16	7761147.48	132444.35	2985.65	51312.37	1390673.35	1739595.74	190542.38	17123462.48
Principality of Asturias	868313.68	1618748.33	22777.01	564.67	6984.19	176630.47	242325.33	53742.05	2990085.73
Cantabria	498274.48	854554.50	15422.72	353.79	4731.23	100730.10	156522.61	21959.17	1652548.60
La Rioja	255642.46	450483.71	6271.28	125.07	2206.74	48312.64	81801.42	8986.41	853829.73
Region of Murcia	1004971.48	1419962.43	21995.71	457.28	7845.92	257432.83	397925.27	41879.16	3152470.08
Valencian Community	3877578.54	5797676.66	92092.40	2003.07	31465.10	943672.48	1093278.92	141857.02	11979624.19
Aragon	1110800.70	2124501.21	29330.68	622.30	8566.06	230097.40	413115.06	52124.06	3969157.47
Castile-La Mancha	1407957.34	2066389.72	24772.72	564.59	10383.76	342584.04	650702.91	64802.94	4568158.02
Extremadura	693786.00	907400.03	15963.89	319.05	5160.52	193303.97	300524.84	24288.76	2140747.06
Balearic Islands	1444567.80	1463690.76	27765.94	590.55	9637.28	284753.64	287083.35	29678.69	3547768.01
Madrid	5985427.32	15517577.74	121334.58	2831.33	43384.76	924092.45	1096901.73	162208.95	23853758.86
Castile and Leon	1989190.06	3226391.71	51094.81	1230.66	15600.05	398126.73	936033.81	73954.74	6691622.57
TOTAL	3356630.40	60008570.62	762388.95	17401.07	259810.70	7131006.60	9851283.66	1218894.61	112815986.61

Source: Spanish Ministry of Finance and Public Administration and own elaboration.

Table 2. Money transferred by the Spanish government to the autonomous communities (thousands €, 2009)

Autonomous community	IVA	IRPF	Tax on Alcohol and Alcoholic Products	Tax on Intermediate Goods	Tax on Beer	Tax on Manufacture d Snuff	Tax on Oil	Tax on Electricity	TOTAL
Catalonia	3248178.88	7869111.17	90633.16	2025.78	28248.48	838724.33	1003968.23	249499.64	13330389.67
Galicia	1039500.81	1888093.18	26018.09	731.00	8020.49	228821.65	420205.92	103370.64	3714761.78
Andalusia	2927380.58	4555928.21	76817.73	1731.67	29761.18	806590.54	1008965.53	190542.38	9597717.82
Principality of Asturias	434156.84	936058.51	13210.67	327.51	4050.83	102445.67	140548.69	53742.05	1684540.77
Cantabria	249137.24	497663.85	8945.18	205.20	2744.11	58423.46	90783.12	21959.17	929861.33
La Rioja	127821.23	259242.25	3637.34	72.54	1279.91	28021.33	47444.82	8986.41	476505.83
Region of Murcia	502485.74	830130.25	12757.51	265.22	4550.63	149311.04	230796.66	41879.16	1772176.21
Valencian Community	1938789.27	3338990.17	53413.59	1161.78	18249.76	547330.04	634101.77	141857.02	6673893.40
Aragon	555400.35	1224562.00	17011.79	360.93	4968.32	133456.49	239606.74	52124.06	2227490.68
Castile-La Mancha	703978.67	1222688.33	14368.18	327.46	6022.58	198698.74	377407.69	64802.94	2588294.59
Extremadura	346893.00	537351.24	9259.05	185.05	2993.10	112116.30	174304.41	24288.76	1207390.91
Balearic Islands	722283.90	855241.37	16104.24	342.52	5589.62	165157.11	166508.34	29678.69	1960905.79
Madrid	2992713.66	8617667.94	70374.06	1642.17	25163.16	535973.62	636203.00	162208.95	13041946.56
Castile and Leon	994595.03	1896908.16	29634.99	713.78	9048.03	230913.51	542899.61	73954.74	3778667.85
TOTAL	16783315.20	34529636.63	442185.58	10092.61	150690.20	4135983.83	5713744.53	1218894.61	62984543.19

Source: Spanish Ministry of Finance and Public Administration and own elaboration.

Table 3. Money kept by the Spanish government (thousands €, 2009)

Autonomous community	IVA	IRPF	Tax on Alcohol and Alcoholic Products	Tax on Intermediate Goods	Tax on Beer	Tax on Manufactured Snuff	Tax on Oil	Tax on Electricity	TOTAL
Catalonia	3248178.88	5750264.29	65630.91	1466.94	20455.80	607352.10	727011.48	0.00	10420360.40
Galicia	1039500.81	1292577.70	18840.69	529.34	5807.94	165698.44	304287.04	0.00	2827241.96
Andalusia	2927380.58	3205219.27	55626.63	1253.97	21551.20	584082.81	730630.21	0.00	7525744.67
Principality of Asturias	434156.84	682689.82	9566.35	237.16	2933.36	74184.80	101776.64	0.00	1305544.97
Cantabria	249137.24	356890.65	6477.54	148.59	1987.12	42306.64	65739.50	0.00	722687.28
La Rioja	127821.23	191241.46	2633.94	52.53	926.83	20291.31	34356.59	0.00	377323.89
Region of Murcia	502485.74	589832.18	9238.20	192.06	3295.29	108121.79	167128.61	0.00	1380293.87
Valencian Community	1938789.27	2458686.49	38678.81	841.29	13215.34	396342.44	459177.15	0.00	5305730.79
Aragon	555400.35	899939.21	12318.88	261.36	3597.75	96640.91	173508.33	0.00	1741666.79
Castile-La Mancha	703978.67	843701.39	10404.54	237.13	4361.18	143885.30	273295.22	0.00	1979863.43
Extremadura	346893.00	370048.79	6704.83	134.00	2167.42	81187.67	126220.43	0.00	933356.14
Balearic Islands	722283.90	608449.39	11661.69	248.03	4047.66	119596.53	120575.01	0.00	1586862.21
Madrid	2992713.66	6899909.80	50960.52	1189.16	18221.60	388118.83	460698.73	0.00	10811812.30
Castile and Leon	994595.03	1329483.55	21459.82	516.88	6552.02	167213.23	393134.20	0.00	2912954.73
TOTAL	16783315.20	25478933.99	320203.35	7308.44	109120.51	2995022.80	4137539.14	0.00	49831443.43

Source: Spanish Ministry of Finance and Public Administration and own elaboration.

3.2 Funds

3.2.1 Resources to Reinforce the Welfare State

A total amount of 4.598 billion euros will be distributed among the communities. 75% of this amount will be given to the Spanish communities which belong to the common regime of financing according to the relative weight of the variation of their adjusted population between 1999 and 2009.

Table 4. Variables and weighting of the variables to calculate the adjusted population or unit of need

VARIABLES	WEIGHTING
Population	30%
Surface	1.8%
Spread	0.6%
Insularity	0.6%
Protected population distributed equivalent in seven age-groups	38%
Population over 65	8.5%
Population between 0 to 16	20.5%

Source: Spanish Ministry of Finance and Public Administration.

The balance will be divided into three parts:

50% will be devoted to the communities according to the relative weight of their adjusted population in 2009.

40% will be distributed to the communities according to the relative weight of their potential dependent population in 2009.

10% will be given to the communities according to the relative weight of dependent people entitled to benefits in 2009.

The repartition of this fund is showed in table 5.

3.2.2 Additional Resources

This fund is divided into three parts.

50 million euros are distributed to communities whose population is more spread than the average. This amount will be distributed according to the number of singular entities of population of the community with respect to the number of singular entities of population of all the communities which meet this condition. The spread will be measured by inhabitants per singular entity of population.

50 million euros are distributed to communities with a lower population density than the average. This amount will be distributed according to the relative weight of adjusted population of each community with a lower population density than the average with respect to the total population of communities with a lower population density than the average. The population density will be measured by inhabitant per square kilometre, referring to the values of 2009.

236.9 million euros are distributed to the communities as funding of the Linguistic Standardization Policy.

The repartition of this fund is showed in table 5.

3.2.3 Autonomic Convergence Funds

There are two autonomic convergence funds whose goal is to reduce the difference in the resources per inhabitant of the Spanish communities: the competitiveness fund and the third additional disposition.

The competitiveness fund is created with additional resources from the State (in 2009, 2.573 billion euros) to reinforce equity and efficiency in financing the needs of people and reduce the differences in financing per capita between the communities. At the same time it encourages autonomy and fiscal capacity. The amount of this fund is distributed between the Spanish communities whose funding per capita is below the average or below their fiscal capacity, depending on their relative adjusted population.

The repartition of additional resources is showed in table 5.

The Third additional disposition is a compensation for a community which combining a negative total adequacy fund (cf. infra) with a negative basic public services guarantee fund (cf. infra), do not reach the average level of funding for adjusted population after the implementation of the competitiveness fund. In 2009, it is only the case for Balearic Islands.

The repartition of these funds is showed in table 5.

3.2.4 Fund for Cooperation

The purpose of this fund is to harmonize the development of communities by stimulating the growth of wealth and convergence of the communities in terms of rent. 1.13 billion euros will be distributed in 2009.

To get money from this fund, Spanish communities must satisfy at least one of the following conditions:

- The gross domestic product per capita of the community is lower than 90% of the average from the communities which belong to common regime. The GDP per capita will be measured by the average from the last three years.
- The population density of the community is lower than 50% of the average population density from the communities of common regime.
- The growth of the population of the community is lower than 90% of the average of the communities from common regime and it has a population density per square kilometre lower than 125% of the average population density of communities from common regime. The increase in the population will be measured in the last three years and the population density from the last year.

The money from the fund for cooperation is divided into two parts:

Two thirds of the fund for cooperation will be distributed between all the communities which meet at least one condition, according to their population with respect to the total population of the communities that receive money from the fund and to the distance between their GDP per capita and the average, with this formulation:

$$PFC_i = P_i / P_t * (1 + ((C_m - C_i) / C_m))$$

Where:

P_i : is the population in the community concerned.

P_t : is the total population in all the communities that benefit from the fund.

C_m : is the average GDP per capita in all the communities that benefit from the fund.

C_i : is the average GDP per capita in each community.

One third of the money in the fund for cooperation will be distributed between the communities that have an increase in the population lower than 50% of the average of communities from common regime. It will be distributed according to the population in each community with respect to the population of all the communities that meet this condition.

The repartition of this fund is showed in table 5.

3.2.5 Basic Public Services Guarantee Fund

The aim of this fund is to ensure that the Spanish communities receive enough money to provide their citizens with basic public services. The fund is financed by the communities which have to contribute to the fund with 75% of their tax capacity and by the State which gave 3.3 billion euros to the fund in 2009. The tax capacity of the communities is the amount of money they receive when they levy some taxes. They are too numerous to be mentioned here.

Each community then gets money from the fund according to its adjusted population. We are now able to measure the net transfer from the fund to each Spanish community, which can be positive or negative, as shown in table 5.

3.2.6 Total Adequacy Fund

The total adequacy fund provides each Spanish community with the difference between its global funding requirements and the sum of its tax capacity plus the money from the basic public services guarantee fund. The repartition of this fund is showed in table 5.

3.2.7 Inter-Territorial Compensation Fund

This fund is distributed among the Spanish communities which were considered as receivers by the convergence objective of the European Union (those whose incomes per capita is less than 75% of the European Union average). The most important distribution criterion of this fund is the population of the communities which benefit from it but other criteria such as surface and unemployment are also taken into account.

In 2009, the fund distributed 1.23 billion euros among the beneficiaries. The repartition of this fund is showed in table 5.

Table 5. Repartition of funds among the Spanish autonomous communities in 2009 (thousands €)

Autonomous community	Resources to reinforce the Welfare State	Additional resources	Competitivity Fund	Third Additional Disposition	Fund for Cooperation	Basic Public Services Guarantee Fund	Total Adequacy Fund	Inter-Territorial Compensation Fund	TOTAL
Catalonia	951 399.58	97 957.56	936 740.46	0.00	0.00	-1 455 227.31	2 046 685.05	0.00	2 577 555.34
Galicia	163 004.20	80 050.22	0.00	0.00	242 788.07	880 601.61	749 460.57	197 220.95	2 313 125.62
Andalusia	778 962.05	0.00	0.00	0.00	308 562.00	2 659 014.15	1 379 160.01	478 131.18	5 603 829.39
Principality of Asturias	46 396.98	7 864.75	0.00	0.00	90 926.32	88 428.98	265 408.38	56 006.11	555 031.52
Cantabria	54 157.82	1 052.33	0.00	0.00	16 195.79	-55 714.21	344 642.37	10 769.38	371 103.48
La Rioja	42 875.18	2 073.69	0.00	0.00		21 555.66	150 089.10	0.00	216 593.63
Region of Murcia	211 455.96	0.00	100 604.61	0.00	50 372.28	365 363.65	92 736.77	61 817.31	882 350.58
Valencian Community	717 237.29	61 642.56	634 026.61	0.00	0.00	739 427.70	19 489.20	134 044.13	2 305 867.49
Aragon	136 777.65	9 006.07	0.00	0.00	32 645.72	-37 110.51	358 448.35	0.00	499 767.28
Castile-La Mancha	245 155.03	13 986.25	0.00	0.00	76 320.53	724 008.93	339 521.73	113 958.17	1 512 950.64
Extremadura	48 591.86	7 436.00	0.00	0.00	102 503.83	556 138.29	391 376.39	95 911.47	1 201 957.84
Balearic Islands	173 418.91	31 297.08	138 799.64	188 363.42	0.00	-230 154.58	-188 363.42	0.00	113 361.05
Madrid	878 796.65	0.00	762 328.68	0.00	0.00	-3 180 398.76	749 960.70	0.00	-789 312.73
Castile and Leon	149 540.45	24 487.12	0.00	0.00	210 485.55	486 978.91	635 717.75	83 902.54	1 591 112.32
TOTAL	4 597 769.61	336 853.63	2 572 500.00	188 363.42	1 130 800.09	1 562 912.51	7 334 332.95	1 231 761.24	18 955 293.45

Source: Spanish Ministry of Finance and Public Administration and own elaboration.

4. Results

We are now able to calculate the results of the funding process for the Spanish communities. Table 6 shows how much the communities win or lose due to the funding process. Table 7 and table 8 show the rating of each community with respect to the average, before and after the process of financing. Figure 1 shows it graphically. Table 9 indicates the position of the communities before and after the system of funding.

Several observations can be made on the basis of these tables and picture. We can see that the four communities which collect the more tax per capita (Madrid, Balearic Islands, Catalonia and Aragon) lose money after the process of funding while the other ten earn money. We also note that the gap between the poorest and the richest community in terms of tax decreases after the process of funding. (The ratings with respect to the average range between 89.67 and 112.33 instead of between 71.75 and 138).

But we also observe that the positions of the communities change a lot after the process of financing:

Madrid moves from the 1st position to the 10th and the Valencian community from the 9th position to the 14th while Galicia moves from the 10th position to the 3rd and Extremadura moves from the last position to the 2nd. We can thus conclude that it exists a paradox of revenue in the Spanish system of funding and not only an equalizing effect. Indeed, after the process of funding, some communities which were initially poorer receive in total more per capita than communities which were initially richer than them. However, this could be useful to support the economy of the poorest Spanish autonomous communities.

Table 6. Calculation of the result of the funding process for each autonomous community in 2009

Autonomous community	Money that the Central Government gets from each CC.AA. (thousands €)	Rate (%)	Money that each community puts in the process of funding (thousands €)	Money that each community receives in the process of funding (thousands €)	Result of the funding process (thousands €)
Catalonia	10420360.40	20.91121525	3963782.22	2577555.34	-1386226.88
Galicia	2827241.96	5.67361041	1075449.50	2313125.62	1237676.12
Andalusia	7525744.67	15.10240152	2862704.53	5603829.39	2741124.86
Principality of Asturias	1305544.97	2.61992204	496613.91	555031.52	58417.61
Cantabria	722687.28	1.45026359	274901.72	371103.48	96201.76
La Rioja	377323.89	0.75720040	143529.56	216593.63	73064.07
Region of Murcia	1380293.87	2.76992552	525047.51	882350.58	357303.07
Valencian Community	5305730.79	10.64735521	2018237.43	2305867.49	287630.06
Aragon	1741666.79	3.49511608	662509.51	499767.28	-162742.23
Castile-La Mancha	1979863.43	3.97312077	753116.70	1512950.64	759833.94
Extremadura	933356.14	1.87302650	355037.67	1201957.84	846920.17
Balearic Islands	1586862.21	3.18445965	603623.67	113361.05	-490262.62
Madrid	10811812.30	21.69676725	4112685.90	-789312.73	-4901998.63
Castile and Leon	2912954.73	5.84561580	1108053.63	1591112.32	483058.69
TOTAL	49831443.43	100	18955293.45	18955293.45	0.00

Source: Spanish Ministry of Finance and Public Administration and own elaboration.

Table 7. Calculation of the ratings of the autonomous communities with respect to the average, before the process of financing of communities (considering the tax revenue) in 2009

Autonomous community	Money collected (thousands €)	Population in each community in 2009	Money collected per capita (€)	Rating with respect to the average
Catalonia	23750750.07	7475420	3177.18	117.40
Galicia	6542003.74	2796089	2339.70	86.45
Andalusia	17123462.48	8302923	2062.34	76.21
Principality of Asturias	2990085.73	1085289	2755.11	101.80
Cantabria	1652548.60	589235	2804.57	103.63
La Rioja	853829.73	321702	2654.10	98.07
Region of Murcia	3152470.08	1446520	2179.35	80.53
Valencian Community	11979624.19	5094675	2351.40	86.89
Aragon	3969157.47	1345473	2950.01	109.01
Castile-La Mancha	4568158.02	2081313	2194.84	81.10
Extremadura	2140747.06	1102410	1941.88	71.75
Balearic Islands	3547768.01	1095426	3238.71	119.67
Madrid	23853758.86	6386932	3734.78	138.00
Castile and Leon	6691622.57	2563521	2610.32	96.45
TOTAL	112815986.61	41686928	2706.27	100.00

Source: Spanish Ministry of Finance and Public Administration and own elaboration.

Table 8. Calculation of the ratings of the autonomous communities with respect to the average, after the process of financing of communities (considering the money that the communities have after the process of funding) in 2009

Autonomous community	Money collected from the Central Government (thousands €)	Money collected from the process of funding (thousands €)	Total money collected (thousands €)	Population in each community in 2009	Money collected per capita (€)	Rating with respect to the average
Catalonia	13330389.67	2577555.34	15907945.01	7475420	2128.03	108.26
Galicia	3714761.78	2313125.62	6027887.40	2796089	2155.83	109.68
Andalusia	9597717.82	5603829.39	15201547.21	8302923	1830.87	93.15
Principality of Asturias	1684540.77	555031.52	2239572.29	1085289	2063.57	104.98
Cantabria	929861.33	371103.48	1300964.81	589235	2207.89	112.33
La Rioja	476505.83	216593.63	693099.46	321702	2154.48	109.61
Region of Murcia	1772176.21	882350.58	2654526.79	1446520	1835.11	93.36
Valencian Community	6673893.40	2305867.49	8979760.89	5094675	1762.58	89.67
Aragon	2227490.68	499767.28	2727257.96	1345473	2026.99	103.12
Castile-La Mancha	2588294.59	1512950.64	4101245.23	2081313	1970.51	100.25
Extremadura	1207390.91	1201957.84	2409348.75	1102410	2185.53	111.19
Balearic Islands	1960905.79	113361.05	2074266.84	1095426	1893.57	96.34
Madrid	13041946.56	-789312.73	12252633.83	6386932	1918.39	97.60
Castile and Leon	3778667.85	1591112.32	5369780.17	2563521	2094.69	106.57
TOTAL	62984543.19	18955293.45	81939836.64	41686928*	1965.60	100.00

Source: Spanish Ministry of Finance and Public Administration and own elaboration.

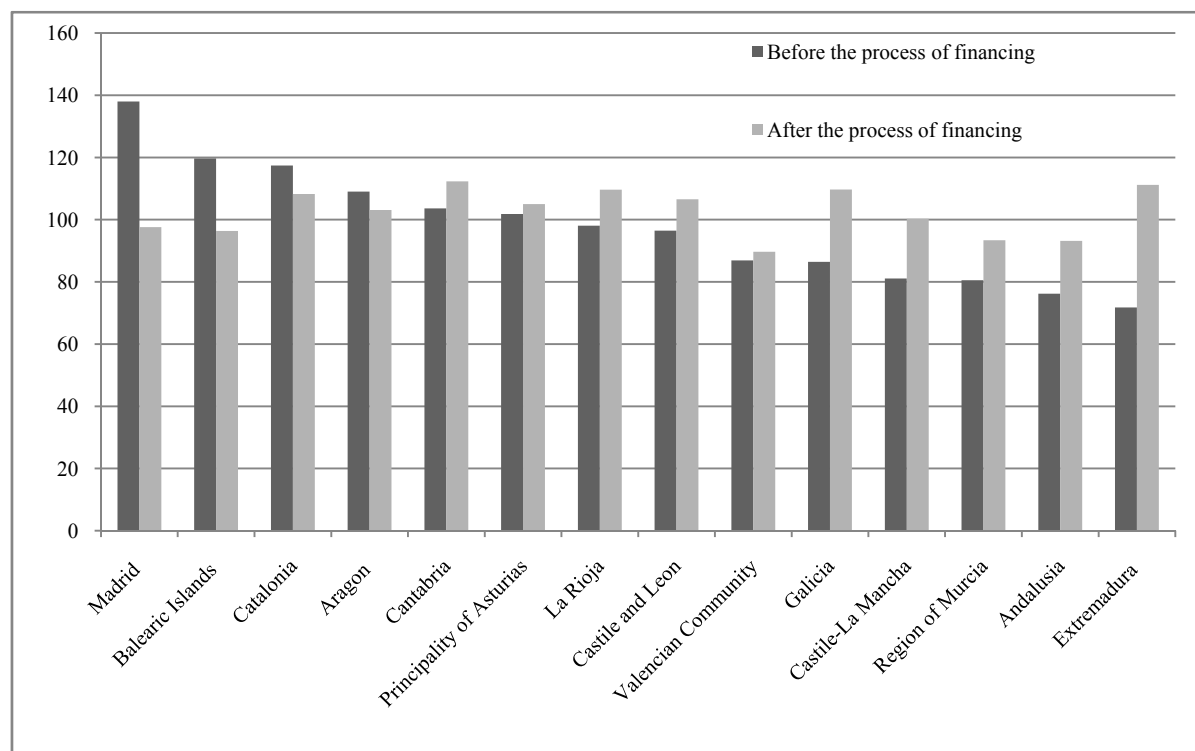


Figure 1. Comparison between the money per capita with respect to the average that each autonomous community gets before and after the process of financing in 2009

Table 9. Positions of the autonomous communities before and after the financing system in 2009

Before the system of funding		After the system of funding	
Position	Autonomous community	Position	Autonomous community
1	Madrid	1	Cantabria
2	Balearic Islands	2	Extremadura
3	Catalonia	3	Galicia
4	Aragon	4	La Rioja
5	Cantabria	5	Catalonia
6	Principality of Asturias	6	Castile and Leon
7	La Rioja	7	Principality of Asturias
8	Castile and Leon	8	Aragon
9	Valencian Community	9	Castile-La Mancha
10	Galicia	10	Madrid
11	Castile-La Mancha	11	Balearic Islands
12	Region of Murcia	12	Region of Murcia
13	Andalusia	13	Andalusia
14	Extremadura	14	Valencian Community

5. Conclusion

A reform of the financing of Spanish autonomous communities occurred in 2009. It has significantly changed the economic landscape of these ones. The purpose of this reform was, on the one hand, to increase the part of resources directly collected by the communities and, on the other hand, to decrease community disparities related to resources per capita (Petithomme, 2009).

The aim of this paper was to explain the funding mechanism of the Spanish communities, introduced by the reform of 2009 and to analyze to what extent it generates solidarity between communities and influences the wealth of these ones.

After introducing the different taxes and the corresponding mechanism of tax retrocession, we analyzed the funds from which the communities benefit in order to satisfy their needs.

This analysis enabled us to know if the funding mechanism met the initial objectives, namely the increase of the solidarity and the reduction of the wealth gap between the different communities.

So, by comparing the situation of each community before and after the reform of 2009, we first found that there is a smoothing of community revenues. Indeed, some communities loose while others win. Nevertheless, the result of the new funding mechanism goes further than just a reduction of the wealth gap; it reverses the situation of some communities. Indeed, Madrid, for instance, which was the richest community, moves to the 10th position while Galicia moves from the 10th position to the 3rd position.

We can so conclude that there is a paradox of revenue. But this turnaround may be legitimate because it is doubtless essential to relaunch the economy in the poorest communities. This situation is not an isolated case. Indeed, in Belgium, for instance, we can observe a paradox of revenue between the three regions. The Walloon Region, which was the poorest region, became richer after the process of financing than the Flemish regions, which was the richest before the process of funding (Pagano, Vandernoot & Tyrant, 2011).

References

- Blöchliger, H., & Vammalle, C. (2012). *Spain: Reforming the funding of Autonomous Communities. Reforming Fiscal Federalism and Local Government: Beyond the Zero-Sum Game*. Paris: OECD Publishing. <http://dx.doi.org/10.1787/9789264119970-en>
- Bosch, N., & Duran, J. (2008). *Fiscal Federalism and Political Decentralization: Lessons from Spain, Germany and Canada*. Cheltenham, UK.
- Lago-Penas, S., & Madiès, T. (2005). Le nouveau fédéralisme financier en Espagne. Une analyse critique. *Revue de l'OFCE*, 3(94), 373-396. <http://dx.doi.org/10.3917/reof.094.0373>
- Pagano, G., Vandernoot, J., & Tyrant, T. (2011). Vingt ans de solidarité entre les entités fédérées (1989-2009). *Courrier hebdomadaire du CRISP*, 2122, 1-39. <http://dx.doi.org/10.3917/cris.2122.0005>
- Petithomme, M. (2009). L'Etat espagnol et le financement autonome-Le dilemme de la conciliation entre autonomie régionale et solidarité national dans le contexte de fédéralisation asymétrique (1980-2009).

Fédéralisme Régionalisme, 9(2), 1-24.

Ruiz-Huerta Carbonell, I., & Herrero Alcalde, A. (2008). Fiscal Equalization in Spain. In Bosh, N., & Duran, J. (Eds.), *Fiscal Federalism and Political Decentralization: Lessons from Spain, Germany and Canada*. Cheltenham, UK.

Spanish Ministry of Finance and Public Administration. Retrieved from <http://www.minhap.gob.es/en-gb/paginas/home.aspx>