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Essays and articles

Fiscal Federalism and Special Statute Regions: Old Issues, New Problems (p. 9)

Francesco Palermo

Financial relations between the State and regions which have a particular form of autonomy under special statutes have raised several legal and political issues which have highlighted a consolidated trend: an ongoing process of marginalization of the special statute regions within the debate on the evolution of the Italian regional system. Firstly, this article outlines the reasons underlying this trend and describes the development of the role of special statutes in Italian regionalism. Secondly, as regards intergovernmental financial relations, the article examines how additional structural deficits contribute to outstanding issues regarding special regions. These include, in particular, a lack of clarity as to the overall goal of the ongoing process labeled “fiscal federalism” and the convoluted system of sources of law regarding special regions. Finally, the article advocates a more comprehensive reform that takes the special regions into due account, considering them as a structural and not exceptional feature of Italian regionalism.

The Aosta Valley Region: The Political and Financial Implications of the Fiscal Federalism Reform (p. 27)

Patrik Vesan

The fiscal federalism reform has led to a significant revision of the Aosta Valley (VDA)'s financial system introduced at the beginning of the 1980s. This change does not represent a major turn-around in the financial relations between the VDA and the State, since the partition of fiscal revenues collected in VDA has not been radically modified. The article focuses on the evolution of the legislative discipline of intergovernmental financial relations related to the VDA since the end of World War II and its impact on the regional budget. Special attention is devoted to the negotiations concerning the revision of the regional financial system in 2011. This revision stems from a political agreement reached by the regional administration and national government representatives. This agreement has been criticized by the political opposition at the regional level because of the methods by which the negotiations have been conducted. Despite these criticisms and the negative balance which derives from the implementation of the fiscal federalism reform, the agreement has been well received by the majority of regional political forces since it may led to greater financial autonomy. However, subsequent spending cuts, imposed by the national budgetary laws in order to address the economic and financial crisis, cast a shadow on VDA's possibility to fully benefit from the new regional fiscal regime.

The Autonomous Province of Bolzano: Trends and Critical Issues in the Consolidation of Financial Autonomy (p. 63)

Ekaterina Domorenok

Within the framework of the fiscal federalism reforms, envisaged by Law 42/2009, the path of the autonomous Province of Bolzano (APB) towards the consolidation of its financial autonomy has reached a crucial juncture. The province can now retain nine tenths of almost all state taxes collected on its territory, which improves local expenditure and policy planning. In this way, the objective of increasing the stability of the provincial budget, which was considered to be essential in the mid-1970s, as a consequence of the progressive transfer of competences from the regional and central levels to the province, has been accomplished. Thus, APB's revenues have become more dependent on local productivity, and this contributes to increasing the local administration's responsibility for its political choices. However,

the future of this new regime is not clear yet. In fact, the normative instruments needed to realize the new regime are still missing, while the financial reforms carried out by the central government continue to affect the provincial financial framework that, according to previous agreements, should have been subject to bi-lateral negotiations. This article deals with these and other aspects of APB's financial autonomy, focusing in particular on the strengths and weaknesses that have characterised its evolution.

The Autonomous Province of Trento: Towards a Consolidation of Financial Autonomy (p. 101)

Sara Parolari and Alice Valdesalici

This article focuses on the financial system of the autonomous Province of Trento after the recent statutory revision known as the "Milan Agreement", that is the pact signed in November 2009 by the Italian government and the two autonomous provinces of Trento and Bolzano together with the Trentino-Alto Adige/Südtirol Region which encompasses them. The reform aims to implement the so-called "fiscal federalism" within the provincial territory and define the autonomous province's commitments as far as both equalization and stability measures are concerned. The structure and evolution of provincial revenues and expenditures are analyzed in detail, with a focus on the most recent developments and the functions that have been gradually transferred from the State to the province over the last years.

Friuli-Venezia Giulia: Financial Autonomy with No Taxation. A Missed Opportunity? (p. 143)

Giuseppe Ieraci

The financial autonomy of Italian special statute regions, including Friuli-Venezia Giulia (FVG), comes from three main sources: finance "co-participated" with the State; earmarked financial transfers from the State; and "own" finance, based on regional taxation. The first of these three sources proves to be the most prominent in the case of FVG and is mainly based on the IRAP (a tax on industrial and commercial activities) and a regional surtax associated with IRPEF (the general national taxation on individuals' income). For decades FVG governments have been committed to not introducing additional regional taxation and have rather opted for

a continuous negotiation with the central State administration in order to obtain higher shares of “co-participated” finance. Paradoxically, the financial autonomy of FvG is a result of “co-participation” and is therefore guaranteed by the State itself. Such an arrangement jeopardizes the future implementation of the fiscal federalism in FvG and appears to be a missed opportunity for fully developing the region’s financial autonomy.

Sicily: Put to the Test of Fiscal Federalism (p. 179)

Stefania Profeti

With respect to the other Italian special statute regions, Sicily enjoys greater political and financial autonomy, as demonstrated by the peculiarity of its political system and the special mechanism that compels the State to return to the region the entire revenue raised on Sicilian territory. Given this premise, the article aims firstly to provide an overview of the main features of Sicilian “specialness”, focusing in particular on regional financial autonomy and the structure, scope and nature of regional public expenditure; secondly, an attempt is made to show how (and how much) this specialness is influencing the current debate on fiscal federalism and the ongoing negotiation between the State and the region on this matter.

Sardinia: From the “Revenue Dispute” to Fiscal Federalism? (p. 213)

Carlo Pala

The design of fiscal federalism for Sardinia is not yet clear. As a special statute region, Sardinia must first achieve full implementation of its own charter of autonomy. This article aims to analyze the Sardinian political context and assess the prospects for fiscal federalism. The central point is the resolution of the so-called “revenue dispute” (vertenza entrate) in which the region and the State fight over the lack of revenue shares transfer. After having analyzed the evolution of financial arrangements, as well as regional revenues and expenditure, the article examines the political aspects of intergovernmental fiscal relations, underscoring a wide State influence and the weakness of Sardinian financial autonomy.

Special Regions and Fiscal Federalism: A Comparative Analysis
(p. 245)

Brunetta Baldi

The comparative analysis of fiscal federalism within Italian special statute regions (and provinces) shows several differences which can be combined into two models of financial autonomy: the Northern advanced model and the Southern weak model. The first is based on territorial revenues, high fiscal capacity, accountable expenditure, bilateral agreements with the national government, participation in statewide equalization, and territorial solidarity. The second is based on state transfers, low fiscal capacity, inefficiencies in public spending, conflicts in intergovernmental fiscal relations, and claims to territorial solidarity. The North-South cleavage in Italy makes fiscal federalism more difficult to achieve for the Southern Islands (Sicily and Sardinia).

