International Symposium on Fiscal Imbalance

Program
Presentation

The Canadian federation is confronted with a major fiscal imbalance: in light of the current occupation of taxation fields, provinces have insufficient revenues to exercise the jurisdictions granted to them under the Constitution, whereas the Federal Government has revenues in excess of what it needs to fund its jurisdictions.

Have other federations experienced similar problems? How have these federations evolved in terms of responsibility sharing and in terms of revenue and expenditure levels? Have these federations put in place mechanisms to strike an adequate balance between revenues and expenditures for each order of government? How do they adapt to new needs and new realities? Have emerging trends been noted in the field of intergovernmental financial relations? These are just some of the questions that will be addressed at the International Symposium on Fiscal Imbalance, which will be held in Québec City on September 13 and 14, 2001.

This symposium will bring together experts from various federations, both new and well-established, as well as from non-federal countries that have implemented various decentralization formulas. Some speakers are from government or political circles, whereas others are active in the university research and teaching field. These speakers are associated with a variety of disciplines such as political science, economics, public administration, accounting and law.

During this event, speakers will be asked to present the situation in their country. They will also have the opportunity to exchange views with members of the Commission on Fiscal Imbalance as well as with Symposium participants. The Commission hopes to draw lessons from these foreign experiences, which should help resolve the fiscal imbalance problem confronting Québec.

This Symposium is organized by the Commission on Fiscal Imbalance created by the Government of Québec in May 2001. The Commission is mandated to analyze the causes and consequences of the fiscal imbalance that exists between the Federal Government and the Government of Québec in order to make tangible recommendations to correct this problem. The Commission must elicit and collect the opinions and suggestions of experts and stakeholders from Québec and elsewhere on these questions.
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<td>8:00 a.m.</td>
<td>Registration - Coffee and croissants</td>
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| 8:30 a.m.| **Word of welcome**  
Mr. Yves Séguin, Chairman of the Commission on Fiscal Imbalance  
**Opening speech**  
Ms. Pauline Marois, Minister of State for the Economy and Finance, Québec |
| 9:00 a.m.| **United States**  
Mr. William F. Fox, University of Tennessee, Knoxville  
*Other speaker: name to be confirmed.* |
| 10:30 a.m.| **Break**                                                            |
| 10:45 a.m.| **Germany**  
Mr. Paul Bernd Spahn, J. W. Goethe-Universität, Frankfurt am Main  
Mr. Otto Beierl, Department of Finance of Bavaria (Freistaat Bayern) |
| 12:15 p.m.| **Lunch (participants make their own arrangements)**                  |
| 2:00 p.m.| **Switzerland**  
Mr. Bernard Dafflon, University of Fribourg  
Ms. Sonja Wälti, University of Lausanne, Switzerland, guest researcher at Georgetown University, Washington |
| 3:30 p.m.| **Break**                                                            |
| 3:45 p.m.| **Round-table discussion**  
*Flexibility of intergovernmental financial arrangements*  
*An example: Australia* (Mr. David J. Collins, Macquarie University, Sydney)  
With the participation of representatives of the United States, Germany and Switzerland as well as of members of the Commission on Fiscal Imbalance |
| 6:00 p.m.| **Cocktail**                                                         |
| 7:00 p.m.| **Supper-conference**  
Speaker: Mr. Robert D. Ebel, World Bank Institute                   |
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<td>9:00 a.m.</td>
<td><strong>Belgium</strong>&lt;br&gt;M. Marcel Gérard, Facultés universitaires catholiques de Mons, Belgium&lt;br&gt;<em>Name to be confirmed</em>, Wallonia</td>
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<td>10:30 a.m.</td>
<td><strong>Break</strong></td>
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<td>10:45 a.m.</td>
<td><strong>Spain</strong>&lt;br&gt;<em>Name to be confirmed</em>, Spain&lt;br&gt;M. Francesc Homs Ferret, Minister for the Economy, Finance and Planning, Catalonia (Catalunya)</td>
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<td><strong>Lunch (participants make their own arrangements)</strong></td>
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<td>1:45 p.m.</td>
<td><strong>Decentralization in three non-federal countries:</strong>&lt;br&gt;France (M. Guy Gilbert, Université Paris X-Nanterre),&lt;br&gt;Italy (Ms. Laura Raimondo, Ministry of Finance of Italy) and&lt;br&gt;United Kingdom (M. David Heald, University of Aberdeen)</td>
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<td>3:15 p.m.</td>
<td><strong>Break</strong></td>
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<td>3:30 p.m.</td>
<td><strong>Round-table discussion</strong>&lt;br&gt;Decentralization and fiscal autonomy&lt;br&gt;With the participation of representatives of France, Italy, Belgium and Spain as well as of members of the Commission on Fiscal Imbalance</td>
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<td>4:30 p.m.</td>
<td><strong>Closing speech</strong>&lt;br&gt;M. Yves Sédwuin, Chairman of the Commission on Fiscal Imbalance</td>
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<td>4:45 p.m.</td>
<td><strong>End of the Symposium</strong></td>
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The American Constitution, which made the United States the first modern federation, grants the States a major role. They have broad fiscal autonomy and administer the collection of their income tax. This high degree of fiscal decentralization does not exclude a certain degree of solidarity between the States. Indeed, the Federal Government funds more than 600 intergovernmental transfer programs; the amounts of some of these programs are established according to needs.

The speakers will paint a general picture of intergovernmental financial relations, as well as of the regulatory requirements that the Federal Government imposes on the States. They will go on to describe the recent evolution of the role of the States within the American federation, in particular following the reform of the welfare system.

**Moderator**  
Mr. Alain Noël  
Member of the Commission on Fiscal Imbalance

**Presentations**  
Mr. William F. Fox  
Mr. William F. Fox is a full professor at the Economics Department and Director of the Center for Business and Economic Research at the University of Tennessee in Knoxville. Mr. Fox is a specialist in fiscal matters and has written numerous articles in this field. He was guest researcher at the Federal Reserve Bank of Kansas City and visiting professor at the University of Hawaii. He has served as a consultant on finance, taxation and economic development in several American States and in numerous developing countries, in particular for the World Bank.

**Other speaker**  
_Name to be confirmed._

**Discussions**  
Questions and comments of Symposium participants (30 minutes).
The Federal Republic of Germany, which was founded in 1949, now comprises the territories of the former German Democratic Republic. Federalism in Germany is often described as being cooperative. The governments of the States (Länder) are at the heart of the federal decision-making process through their presence in the senate (Bundesrat). The important role of equalization in Germany embodies the constitutional principle of solidarity, which calls for comparable living conditions throughout the federation. Challenges of the current system led to a ruling by the Constitutional Court (1999), which resulted in a political agreement (June 2001) providing for a reform of equalization beginning in 2005.

The speakers will explain the changes ensuing from this agreement and will situate these changes within the context of the recent evolution of intergovernmental fiscal arrangements, which was very much influenced by the arrival of the Länder of the former GDR.

**Moderator**

Mr. Stéphane Saintonge  
Member of the Commission on Fiscal Imbalance

**Presentations**

Mr. Paul Bernd Spahn  
Mr. Paul Bernd Spahn is a professor of Economics at the Johann Wolfgang Goethe-Universität in Frankfurt-am-Main. An internationally renowned specialist in German fiscal federalism, he has done several studies on this subject. A portion of his current research is devoted to the analysis of the European integration process. As an International Monetary Fund advisor, he has taken part in several missions in developing countries and countries in transition. He has also served as a scientific advisor, in particular for the World Bank and the European Parliament.

Mr. Otto Beierl  
Mr. Otto Beierl is Assistant Deputy Minister for Intergovernmental Financial Policies at the Ministry of Finance of Bavaria (Freistaat Bayern).

**Discussions**

Questions and comments of Symposium participants (30 minutes).
Switzerland, which has been a federation since 1848, has 26 cantons and half-cantons which enjoy major fiscal and political autonomy. The current equalization mechanisms do little to reduce the differences in fiscal capacity between cantons. A major reform of the equalization system and of the breakdown of responsibilities is under study in order to clarify intergovernmental financial relations. The institutions of Swiss direct democracy will allow citizens to intervene directly in this reform process.

The speakers will describe the breakdown of responsibilities and fiscal resources and will present the problems that Switzerland faces, in particular the difficulties of the current equalization system. They will explain the objectives of the proposed reform as well as the political pitfalls that the reform may encounter.

**Moderator**

**Mr. Renaud Lachance**  
Member of the Commission on Fiscal Imbalance

**Presentations**

**Mr. Bernard Dafflon**  
Mr. Bernard Dafflon is a professor of public finance and public finance management at the University of Fribourg. He is the author of numerous publications describing intergovernmental relations in Switzerland. Since 1994, he has taken on the role of expert for the Council of Europe in the field of decentralization and local public finance. Prior to 1994, he served for thirteen years as department head at the Directorate of the Interior of the Canton of Fribourg, Commune department.

**Ms. Sonja Wälti**  
Ms. Sonja Wälti is a guest researcher and an assistant professor at the Georgetown Public Policy Institute (Georgetown University) in Washington, D.C. Since August 2000, she has been directing comparative research on the impact of federal and decentralized structures in the environmental policy field. At the University of Lausanne in Switzerland, she contributed to several research projects, including one dealing with fiscal policy in federal countries, including Switzerland, Canada, Belgium and Germany. In addition, she served as an elected member in the cantonal parliament of Saint-Gall from 1992 to 1996.

**Discussions**  
Questions and comments of Symposium participants (30 minutes).
Round-table discussion

Thursday, Sept. 13th
3:45 p.m.

Flexibility of intergovernmental financial arrangements

All federations must periodically adapt their intergovernmental financial arrangements to new realities. With this objective in mind, they must adopt flexible mechanisms for reviewing these arrangements, mechanisms that give an active role to the various levels of government. Moreover, federations must ensure the best possible predictability of transfer payments to facilitate budget planning by federated entities. Finally, federations must put in place fair dispute settlement mechanisms.

Round-table discussion participants will examine these questions, in particular in light of the situation of the countries, as previously described. Beforehand, the case of the recent Australian reform will be presented to illustrate the evolution of a federation.

Moderator  Mr. Alain Noël

Presentation  Mr. David J. Collins

Mr. David J. Collins is an associate professor of economics at Macquarie University in Sydney. For several years, he was director of research for the Australian Tax Research Foundation. He chaired the working group that prepared, in 1988 and at the request of the Premier of New South Wales, a detailed report on the taxation system, several of whose recommendations have been applied. He also published a research study describing the recent reform of intergovernmental fiscal arrangements.

Debate  Representatives of the United States, Germany and Switzerland as well as members of the Commission on Fiscal Imbalance will take part in this round-table discussion.

Questions  Questions and comments of Symposium participants (75 minutes).
Supper-conference
Thursday, Sept. 13th
7:00 p.m.

Decentralization and fiscal balance: Ensuring that resources are in line with responsibilities

The speaker will present the main principles of fiscal decentralization and, within this context, will address the problem of ensuring that fiscal resources are in line with expenditure-related responsibilities. He will examine, in particular, various factors having an impact on expenditure needs and on funding options. He will also underscore the need to adopt an intergovernmental perspective when endeavoring to ensure that fiscal resources are in line with responsibilities.

Presentation
Ms. Anne-Marie d’Amours
Member of the Commission on Fiscal Imbalance.

Speaker
Mr. Robert D. Ebel
Mr. Robert D. Ebel is Principal Economist at the International Bank for Reconstruction and Development (World Bank Institute) in Washington, D.C. There, he directs training programs in intergovernmental fiscal relations and local financial management offered to developing countries. A specialist in the finances of States and municipalities in the United States, he was director of the United States Advisory Commission on Intergovernmental Relations and director of research for fiscal task forces of several American States. At the World Bank, he coordinated a major multinational initiative on fiscal decentralization in Central Europe and Eastern Europe. Mr. Ebel is also the author of two books entitled Decentralization of the Socialist State (with Richard Bird and Christine Wallich) and The Encyclopedia of Taxation and Tax Policy (with Joseph Cordes and Jane G. Gravelle)
The Constitution of 1993 put the finishing touches on a federalization process. Jurisdictions are shared between the federal, regional (defined on a territorial basis) and community (defined on a linguistic basis) governments. The Saint-Polycarpe Agreement, ratified in June 2001, is the latest milestone in a constant evolution of this sharing of jurisdictions. While the decentralization of spending responsibilities has been moving forward, the regions and communities benefit from very little fiscal autonomy.

The problem of the fiscal autonomy of regions and communities remains at the heart of public negotiations in Belgium and will also be at the centre of discussions during this session. But the recent agreements and current debates will also be situated within the context of the rapid evolution of Belgian institutions, which has been taking place for over 30 years.

Moderator
Ms. Andrée Lajoie
Member of the Commission on Fiscal Imbalance

Presentations
Mr. Marcel Gérard
Mr. Marcel Gérard is a professor at the Facultés universitaires catholiques de Mons in Belgium, where he is the person in charge of the Economics and Sociology Department and chairman of the Research Council. He is also a professor at the École supérieure des sciences fiscales and at the École des hautes études commerciales (ICHEC). He is a specialist in public finance and taxation. His research deals, in particular, with the taxation of investment earnings, and fiscal and social competition between jurisdictions that are not equally endowed, and their consequences in terms of the location of businesses, the funding of the State, the distribution of income, and employment. In addition, he has carried out various studies dealing, among other things, with taxation and social security on behalf of the Walloon Region and the European Commission.

Representative of Wallonia
To be confirmed.

Discussions
Questions and comments of Symposium participants (30 minutes).
Under the provisions of the Constitution of 1978, Spain adopted a new order of government: 17 Autonomous Communities having various jurisdictions came into being. In accordance with the Constitution, the Central State must provide communities with sufficient resources to exercise these jurisdictions, which it has mainly achieved through transfer payments. However, the decentralization of jurisdictions has outpaced the growth in “own tax resources” of the communities, a problem that is at the heart of the current negotiations in preparation for the adoption of the 2002-2006 funding framework for autonomous communities.

The speakers will describe the substantial changes resulting from the new fiscal pact reached on July 27, 2001, which increases the fiscal resources and autonomy of the communities. They will also explain how this new funding model helps to partially achieve a balance between fiscal resources and decentralized jurisdictions.

**Moderator**  
Mr. Nicolas Marceau  
Member of the Commission on Fiscal Imbalance

**Presentations**  
Mr. Francesc Homs

Mr. Francesc Homs is Minister for the Economy, Finance and Planning of Catalonia (Catalunya). For over ten years, he was an elected member for Barcelona in Spain’s Legislative Assembly, where he held various parliamentary positions, including that of spokesperson on economic matters for the Catalan parliamentary group. In addition to working in the private sector, he was a professor of industrial economics at the Economics Faculty of the University of Barcelona (Universidad de Barcelona) for several years.

**Representative of Spain**  
To be confirmed.

**Discussions**  
Questions and comments of Symposium participants (30 minutes).
While federalism and decentralization of jurisdictions go hand-in-hand, federations do not have a monopoly on decentralization. All countries resort to this practice to adapt the delivery of services to the needs of citizens. The question of decentralized funding also comes up in non-federal countries such as France, Italy and the United Kingdom.

Moderator Mr. Nicolas Marceau

Presentations

Mr. Guy Gilbert, France
Mr. Guy Gilbert is an associate professor of Economics at Université Paris X-Nanterre, where he teaches public economics and public finance. He headed GRALE, a network of some twenty teams of French and foreign researchers working on local governments. Most of his publications deal with the local public economy and local finance, and in particular, taxation and transfers between local governments. He has done several international comparative studies in this field.

Ms. Laura Raimondo, Italy
Ms. Laura Raimondo is an expert in regional economic policies at the Ministry of Finance of Italy. She is a member of the public investment assessment unit. In this capacity, she coordinates the preparation of the files submitted to the European Structural Fund. Before joining the Ministry, she worked for several years at the World Bank, within the Middle East and North Africa Directorate.

Mr. David Heald, United Kingdom
Mr. David Heald is professor of Accountancy and director of the Centre for Regional Public Finance at the University of Aberdeen, where he teaches management and public sector accountancy. His research deals, among other things, with public expenditure, public sector accounting and the funding of decentralized governments. He is a recognized expert on the transfer of jurisdictions to the parliaments of Scotland, Northern Ireland and Wales. He advises the Treasury Committee and the Scottish Affairs Committee of the House of Commons and has served as a consultant to various organizations around the world.

Discussions Questions and comments of Symposium participants (30 minutes)
Every federation is based on a sharing of jurisdictions between various levels of government. The assignment of responsibilities to federated entities brings the delivery of services closer to citizens and makes it possible to better meet the needs of the public. The degree of decentralization inevitably varies from one federation to another. Moreover, a decentralization that is not accompanied with greater fiscal autonomy necessitates the granting of transfers by the central government. The way in which countries ensure that fiscal resources are in line with responsibilities impacts on the political accountability of public decision-makers, on the predictability of program funding and on the effectiveness of the delivery of public services.

Round-table discussion participants will address these questions, in particular in light of the experiences of various countries, as presented during this Symposium.

Moderator  Mr. Nicolas Marceau

Debate  Mr. Robert D. Ebel of the World Bank Institute, representatives of France, Italy, the United Kingdom, Belgium and Spain as well as members of the Commission on Fiscal Imbalance will take part in the debate.

Discussions  Questions and comments of Symposium participants (60 minutes).
Registration

Registration form

Only those persons who have registered will be able to take part in the International Symposium on Fiscal Imbalance. We invite you to register as soon as possible as the number of places is limited.

Completed registration forms must reach the Commission not later than August 31, 2001 by mail at the following address:

Commission on Fiscal Imbalance
630, boul. René-Lévesque Ouest, 5e étage
Montréal (Québec) H3B 1S6
or by fax at the following number: (514) 873-8079.

You can also complete the registration form found at the Commission’s web site at the following address:
www.desequilibrrefiscal.gouv.qc.ca

There is no fee to participate in the proceedings of the Symposium. However, persons wishing to take part in the supper-conference of Thursday, September 13th will be asked to pay a $20 fee when the Symposium opens.

Reservation of rooms

A set of rooms has been reserved at Loews Le Concorde Hotel for September 12 and 13, at a cost of $149 per night, single or double occupancy. Symposium participants who wish to reserve a room must contact the hotel’s reservation desk directly by calling 1 800 463-5256 before August 24, 2001 and specify that they are registered for the Symposium organized by the Commission on Fiscal Imbalance.