



FONDAZIONE ROSSELLI

FIRST REPORT ON THE PUBLIC FINANCE

Call for Papers

FISCAL FEDERALISM AND PUBLIC FINANCE

Innovative financial instruments: AUTONOMY AND SUSTAINABILITY

1. Contents of the First Report

The proposed theme for the First Report on Public Finance is the relationship between the problems associated with use of innovative financial instruments for the **public finance** and the evolution towards **federalism** in an attempt to analyze opportunities and weaknesses that a greater degree of Local autonomy and **innovative financing instruments** (*private equity, project finance, public-private partnerships, securitization, derivatives, etc.*) can lead each other: will be relevant macro issues such as the relationship between the development of financial and fiscal autonomy and investment strategies and financial instruments in the service of decentralized authorities (regional and local), with attention both to efforts to improve utilities and infrastructure endowment, and the interventions of public finance to support business.

In relation to these issues, the types of analysis will also cover, in detail, the **performance** of the above instruments, with attention also to not economic issues, any **best practices**, questions of **accountability, governance** of such instrumentation and adoption of strategies for the division of roles between center and periphery.

They include, for example, with regard to more specific topics:

- evolution of the **Internal Stability Pact (ISP)**: reflections on the management of local authorities in terms of investment and debt strategies of local authorities, the different settings of ISP and how other European countries have declined it;
- evolution of **fiscal autonomy** and potential use of new financial instruments;
- **government federalism** and effects on local finance, with consequent opportunities and weaknesses;
- transparency, homogeneity and **comparability of the account documents** of central and local PA, also as a precondition to the implementation of fiscal federalism;

- analysis of the current state of dissemination of **innovative financial instruments** depending on the degree of legislative, financial and fiscal autonomy of different levels of government (federalism), in the light of legal, accounting and economic-financial bonds and reduction of public debt in Europe at national and local level, with evaluating the implementation of the Pact of Stability and Growth over the years and in different countries at different institutional levels;
- issues relating to the **transfer from private to public context**, of these innovative and structured financial instruments, with particular attention to the issue of compatibility with the principles (subsidiarity, transparency, *accountability*, ...) and purposes (for example, social policies) of public intervention, complexity of the regulatory framework and the necessary skills at the public actor for the wise management of such equipment;
- patterns of **public-private partnerships and project finance**, as tools for involving private resources and expertise in *funding* strategies and public investment, especially in light of cost constraints arising from the Stability Pact, including: analysis of the PPP and the PF at international level and different application schemes; regulatory, procedural, economic and financial models, according to the various types of public works; assessment of the current and potential market; analysis of the role and placement of financial intermediaries and of the pricing system of project finance transactions; estimate of long-term impact of the various modes of private operators on public finances involvement;
- **bonds issues** of State, regions, provinces and municipalities, such as functional tools to financial autonomy of local authorities: rules, economic and financial analysis of the tool, comparison with other types of debt, international benchmarking, patterns of recourse to international capital markets ;
- **securitization**, in different variations and features of this tool for the local public administration, through the exploitation of real estate to other possible applications in different fields;
- **real estate funds**, with particular attention to the function that can play in investment in social housing and related forms of collaboration both between public and private sectors and between central and local level;
- **infrastructure funds**: analysis of the role of private equity in financing public investment and interventions' governance , also in terms of partitioning of roles between central and local level;
- **purposes tax**: the evolution of the regulatory framework, analysis of the expected and actual revenue, accounting impact and criticalities, in light of the evolution towards fiscal federalism and interpreted also in a financial perspective;
- use of **alternative schemes** (e.g. private equity funds public shared, private funding with government guarantees, etc..) of business financing, with particular attention to the analysis of incentive effects and to the impact of the latest developments in Community legislation about State aids, as well as to interventions governance , also in terms of roles between central and local levels.

2. Contributions

The report presents itself as a forum for independent and interdisciplinary research.

The authors are scholars and experts from various disciplines of the above mentioned topics (economic, legal, engineering, etc..), which provide applied studies whose results can also be used to derive indications of policy on public finances.

The Report is edited by Marco Nicolai, Scientific Director of the Institute for Innovative Public Finance (IFIP) of Fondazione Rosselli, with the help of the Scientific and Organizing Committee of the Report. The Committee consists of: Gianluigi Albano, Gabriel Andreetta, Giampio Bracchi, Alberto Brugnoli, Mario Calderini, Manin Carabba, Benjamin Caravita di Toritto Alberto Falini, Umberto Filotto, Stefano Gatti, Dino Piero Giarda, Marco Giorgino, Cristian Matraia, Daniela Monacelli, Andrea Monorchio, Franco Passacantando, Antonio Pedone, Gabor Pinna, Paolo Savona, Antonio Tilocca, Giovanni Tria, Roberto Verganti.

Contributions can be written in Italian or English.

The target audience is the general honorary fellowship in the field: academics, members of the institutions, leaders and operators of public sector and representatives of financial and enterprise sector.

Will be considered of priority interest the contributions based also on quantitative and econometric analysis, studies of benchmarking, the works towards identifying best practices in relation to the issues previously mentioned.

The two papers most deserving by the Scientific Committee also will be awarded by Fondazione Rosselli, thanks to the Sponsors of the initiative, with a grant amounting to 3,000 Euros.

Proposals (in abstract form) are to be sent via e-mail address info@fondazionerosselli.it by November 30, 2010.

The final contribution, which has a size approximately between 20 and 30 pages, is to be sent via e-mail address info@fondazionerosselli.it by June 30, 2011.

The report will then be presented in book form during a workshop to be held in Milan during the period of October-November 2011 in terms of a closed seminar. Fondazione Rosselli will be proud to invite and host all authors for the workshop, who will interact with the discussants of the report.

For more information, please visit the Fondazione Rosselli website or email info@fondazionerosselli.it.