

FEWER DELAYS IN PUBLIC ADMINISTRATION PAYMENTS TO BUSINESSES

Thanks (also) to incentives?

Payment timeliness: a useful indicator for entrepreneurs and citizens

Italian Public Administrations are considered poor debtors, whereas they should, like other market operators (and even more so), demonstrate and ensure punctuality and reliability towards their creditors.

It is no coincidence that among the enabling reforms of the NRRP (National Recovery and Resilience Plan), is included the reduction of Public Administration payment times. The goal is to progressively settle invoices for goods, works, and services within 30 days of receipt¹. In this regard, the State General Accounting Department recently conducted a thorough review.

In this context, for a business, having information about an Entity's average payment times is crucial in making an informed decision about whether to participate in a public tender. The risk of collecting payments months late, leading to liquidity issues, is a burden that many businesses cannot afford.

Recognizing the critical role of this information in guiding business decisions, lawmakers included it among the transparency obligations established by the so-called "Transparency Decree"² of 2013. This decree mandates that Public Administrations publish "*an annual indicator of their average payment times for the purchase of goods, services, and supplies, known as the «payment timeliness indicator»*"³.

However, this indicator does not measure actual payment days, as its name might suggest. Instead, it tracks the number of days an Entity delays in honouring its commitments to suppliers. If the value is zero or negative, it means the Entity has settled invoices on time. Specifically, the Prime Ministerial Decree of September 22, 2014⁴, defines the payment timeliness indicator "*as the sum, for each invoice issued as compensation for a commercial transaction, of the actual days elapsed between the invoice due date (or equivalent payment request) and the payment date to suppliers, multiplied by the amount due, and then divided by the total amount paid during the reference period*".

¹ It is 60 days for the healthcare sector.

² Legislative Decree 33/2013.

³ Article 33 of the Legislative Decree 33/2013.

⁴ Article 10 of the Decree of the President of the Council of Ministers (DPCM) of September 22, 2014: 1) Public Administrations must publish the annual payment timeliness indicator referred to in Article 9, paragraph 1, of this decree by January 31 of the year following the reference year, according to the procedures outlined in paragraph 3 of this article. 2) Starting from 2015, Public Administrations must publish the quarterly payment timeliness indicator referred to in Article 9, paragraph 2, of this decree within the thirtieth day after the end of the quarter it refers to, according to the procedures outlined in paragraph 3 of this article.

In 2015, the Ministry of Economy and Finance⁵ (MEF) further clarified that “*all invoices paid during the period must be considered, regardless of the invoice issuance date*”. This means that the payments timeliness indicator (hereafter, PTI) measures only the promptness of transactions settled within the period and any delay in payment relative to the expected due date, regardless of when the payment requests were received⁶.

As mentioned, the indicator is particularly significant for businesses, but it is also relevant for citizens, who can gain a concrete understanding of the administrative efficiency of their Municipality. After all, how can an Entity that fails to meet its financial commitments on time contribute effectively to local economic development?

It is important to emphasize that the purpose of analysing this indicator is not to assign grades but to serve as a guide for citizens and, above all, for companies working with Public Administrations.

Timeliness or delay in payments? The results of Provincial Capital Municipalities

The annual monitoring conducted by the REP Research Centre on the timeliness of Public Administration payments highlights the progressive reduction in the time it takes for them to settle invoices with their suppliers. However, this reduction has not always meant compliance with the 30-day payment deadline from the invoice receipt date, let alone early payments before the due date.

The analysis of the 109 Provincial Capital Municipalities (hereafter, PC Municipalities) reveals a highly varied picture for 2023, with significant territorial differences.

More specifically, out of 109 Provincial Capitals, 28 Municipalities recorded a delay of at least one day beyond the invoice due date. In 19 cases, the delay remained under four weeks, but for about half of them, it exceeded this threshold. The most extreme case continues to be Naples, which in 2023 paid invoices almost five months past their due date, compared to over six months in 2022.

Five municipalities can be considered as meeting the deadlines, as they paid either exactly on time or within a one-day margin. Perugia and Terni (in Central Italy) and L’Aquila (in the South) recorded a PTI of 0.3 days, while Crotone (South) and Como (North) had values ranging from -0.2 to -0.7 days (see Table 1). Consequently, if we include these three Municipalities that, despite having a slightly positive value, do not exceed a one-day delay, the previously mentioned 31 Entities become 28.

⁵ Article 10 of the Decree of the President of the Council of Ministers (DPCM) of September 22, 2014: 1) Public Administrations must publish the annual payment timeliness indicator referred to in Article 9, paragraph 1, of this decree by January 31 of the year following the reference year, according to the procedures outlined in paragraph 3 of this article. 2) Starting from the year 2015, Public Administrations must publish the quarterly payment timeliness indicator referred to in Article 9, paragraph 2, of this decree within the thirtieth day following the end of the quarter it refers to, according to the procedures outlined in paragraph 3 of this article.

⁶ The annual payment delay indicator is different, as its goal is to express the Administration's ability to pay overdue invoices within the year. Therefore, it should not consider invoices that were overdue in previous years but paid within the current year. It should focus on invoices that were overdue within the year and remain unpaid.

Table 1. Provincial Capital Municipalities that pay substantially within the legal deadlines (days)

Municipality	Geographical area	Payment timeliness indicator
Terni	Centre	0,3
L'Aquila	South	0,3
Perugia	Centre	0,3
Crotone	South	-0,2
Como	North	-0,7

Source: Administrative Capacity Index (REP Centre) – data processing from the Transparency section (AT) on municipal websites.

The remaining sample, excluding the five Municipalities (three in the South, one in the Centre, and one in the North) that failed to publish the indicator despite the legal obligation, consists of five Municipalities that paid their suppliers essentially on time (with less than a one-day delay or advance on the due date) and 71 Municipalities (excluding Crotone and Como) that paid their invoices ahead of the deadline. This means that two out of three Provincial Capitals pay their suppliers in advance.

However, the average data masks significant territorial differences, as previously mentioned. In the North, 91%⁷ of the surveyed Municipalities pay invoices before their due date. In the Centre, this proportion decreases slightly but remains above 81%. In the South and Islands, however, it drops sharply to just 32%.

Yet, the best-performing debtor in the country appears to be a Southern Municipality, Palermo, with a payment timeliness indicator of -65.5 days. This data, found in the Transparent Administration section of the city's website as required by Legislative Decree 33/2013, is, however, implausible, as the reported payment advance exceeds the legally required 30-day minimum from the invoice receipt date. A detailed analysis of individual transactions reveals errors in invoice due dates (e.g. year 2203 instead of year 2023), significantly distorting the overall calculation and making the data unreliable for comparison with other Entities⁸.

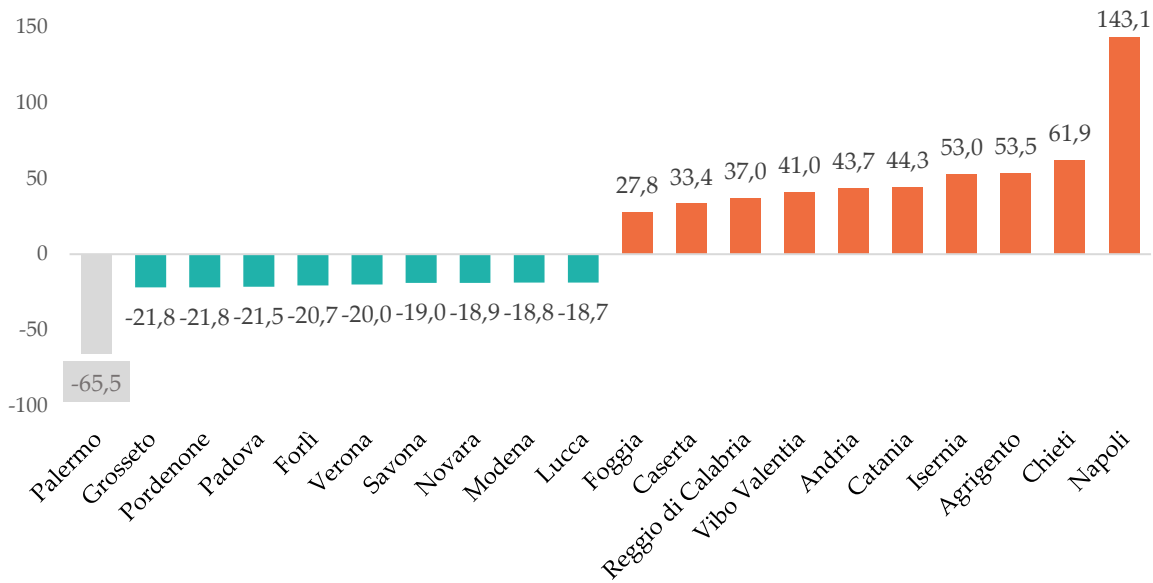
Excluding the Sicilian Municipality, the best-performing cities typically pay invoices about three weeks early. These include two Municipalities in Central Italy, both in Tuscany (Grosseto and Lucca), and seven in various Northern Regions (Pordenone, Padua, Forlì, Verona, Savona, Novara, and Modena).

Conversely, the Municipalities with the worst performance, showing the highest indicator values, are all in the South. Following Naples, which, as mentioned, has the most critical situation with payments delayed by more than 140 days, the next worst cases are Chieti, Agrigento, and Isernia, with delays of about two months. Catania, Andria, Vibo Valentia, and Reggio Calabria follow, with delays of around 40 days, while Caserta and Foggia close the ranking with roughly one-month delays (see Figure 1).

⁷ Excluding the Entities listed in Table 1.

⁸ Source: Excel file reported by the Entity: <https://www.Comune.palermo.it/amministrazione-trasparente.php?grp=3&lev=3&id=77>

Figure 1. PTI 2023 Provincia Capital Municipalities - Top e flop 10 (days)



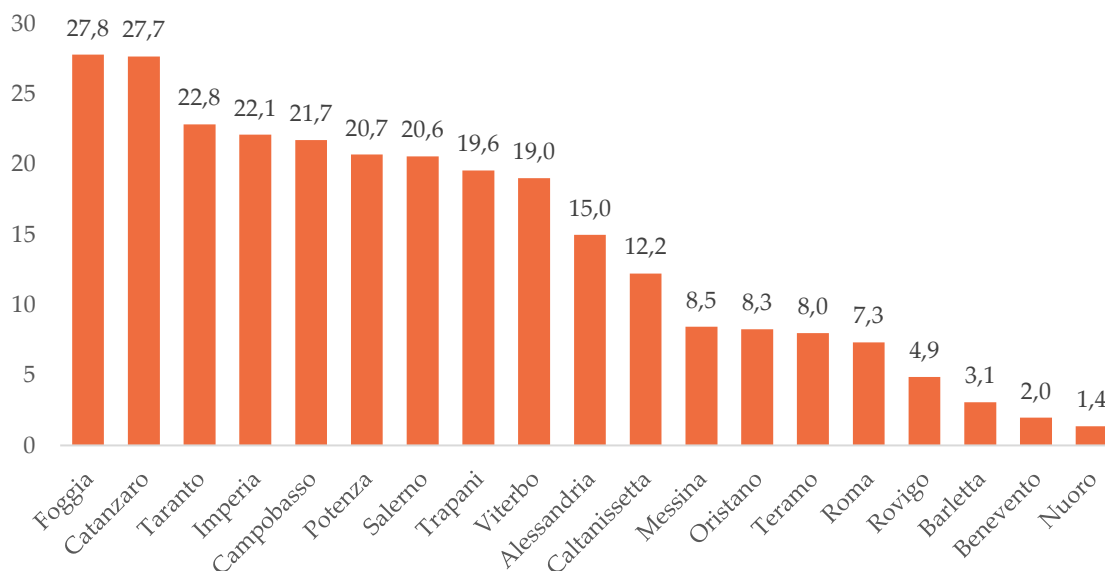
*See what is specified about the result of Palermo on page 3: The PTI is the one indicated by the Municipality on its website, but it is not plausible for the reasons explained there.

Source: Administrative Capacity Index (REP Centre) – data processing from the Transparency section (AT) on municipal websites.

Figure 2 highlights that even some municipalities in the North, such as Imperia and Rovigo, and in the Centre, such as Rome and Viterbo, also experience payment delays.

It is worth noting that among the late-paying municipalities in the South, Nuoro, Benevento, and Barletta have only minor delays, ranging from just 1 to 3 days.

Figure 2 – Provincial Capital Municipalities that pay with a delay of less than one month from the due date - PTI 2023 (years)



Source: Administrative Capacity Index (REP Centre) – data processing from the Transparency section (AT) on municipal websites.

Finally, focusing on the most virtuous Municipalities, it becomes evident that to find one from Southern Italy, one must scroll far down the ranking shown in Table 2. In total, excluding Crotone and Palermo for the reasons mentioned earlier, there are 11 Municipalities across various Southern Regions with a 2023 payments timeliness indicator ranging from -14.4 days in Cagliari to -2.2 days in Pescara.

Table 2. Provincial Capital Municipalities that pay before the due date – PTI 2023 (years)

	Municipality	ITP 2023		Municipality	ITP 2023
1	Palermo	-65,5	36	Lecce	-11,5
2	Grosseto	-21,8	37	Sondrio	-11,0
3	Pordenone	-21,8	38	Pesaro	-11,0
4	Padova	-21,5	39	Firenze	-10,8
5	Forlì	-20,7	40	Ferrara	-10,7
6	Verona	-20,0	41	Verbania	-10,6
7	Savona	-19,0	42	Gorizia	-10,3
8	Novara	-18,9	43	Asti	-10,3
9	Modena	-18,8	44	Monza	-10,3
10	Lucca	-18,7	45	Udine	-9,8
11	Cuneo	-18,6	46	Brindisi	-9,8
12	Venezia	-18,4	47	Brescia	-9,6
13	Siena	-17,7	48	Avellino	-8,9
14	Pistoia	-17,6	49	Matera	-8,4
15	Bologna	-16,3	50	Treviso	-8,4
16	Torino	-16,2	51	Belluno	-8,4
			52	Pavia	-8,2

17	Ascoli Piceno	-15,7
18	Parma	-15,7
19	Vercelli	-15,6
20	Arezzo	-15,0
21	Cagliari	-14,4
22	Trieste	-14,1
23	Bari	-14,0
24	Cremona	-13,7
25	Livorno	-13,3
26	Frosinone	-13,0
27	Bolzano	-13,0
28	Macerata	-13,0
29	Piacenza	-13,0
30	Mantova	-12,9
31	Genova	-12,8
32	Ancona	-12,4
33	Bergamo	-12,0
34	Pisa	-11,9
35	Ravenna	-11,6

53	Milano	-8,1
54	La Spezia	-7,7
55	Biella	-7,6
56	Lecco	-6,5
57	Lodi	-6,3
58	Massa	-5,9
59	Prato	-5,9
60	Ragusa	-5,9
61	Varese	-5,4
62	Siracusa	-5,0
63	Enna	-4,4
64	Aosta	-4,3
65	Carbonia	-4,0
66	Reggio nell'Emilia	-4,0
67	Vicenza	-4,0
68	Fermo	-3,9
69	Rimini	-3,8
70	Pescara	-2,2
71	Latina	-2,1

*See what is specified about the result of Palermo on page 3: The PTI is the one indicated by the Municipality on its website, but it is not plausible for the reasons explained there.

Source: Administrative Capacity Index (REP Centre) – data processing from the Transparency section (AT) on municipal websites.

An improving trend (also) thanks to performance-based incentives.

Over the years, there has been a growing focus by Public Administrations on meeting supplier payment deadlines, stimulated in some cases by initiatives to link this goal to the annual performance-based rewards for public employees, as seen with the Region of Lombardy. Connecting payment timeliness to performance objectives has proven effective when implemented.

For this reason, Legislative Decree 13/2023⁹ introduced specific annual payment timing objectives within performance evaluation systems, which are now assessed for determining the result-based pay

⁹ See Article 4-bis, paragraph 2, of Decree-Law No. 13/2023, converted into Law No. 41/2023: “Public administrations referred to in Article 1, paragraph 2, of Legislative Decree No. 165 of March 30, 2001, within the framework of the performance evaluation systems provided for by their respective regulations, shall assign, by integrating the respective individual contracts, specific annual objectives to the managers responsible for the payment of commercial invoices as well as to the top managers of their respective structures. These objectives shall relate to compliance with the payment deadlines established by current regulations and shall be evaluated, for the purpose of recognizing performance-based remuneration, at a rate of no less than 30 percent”.

for managers responsible for commercial invoice payments and senior managers in Public Administration departments.

Looking at the values of the indicator for 2022 and 2023, it is possible to observe a reduction in payment times for about half of the sample, indicating improved administrative and accounting management.

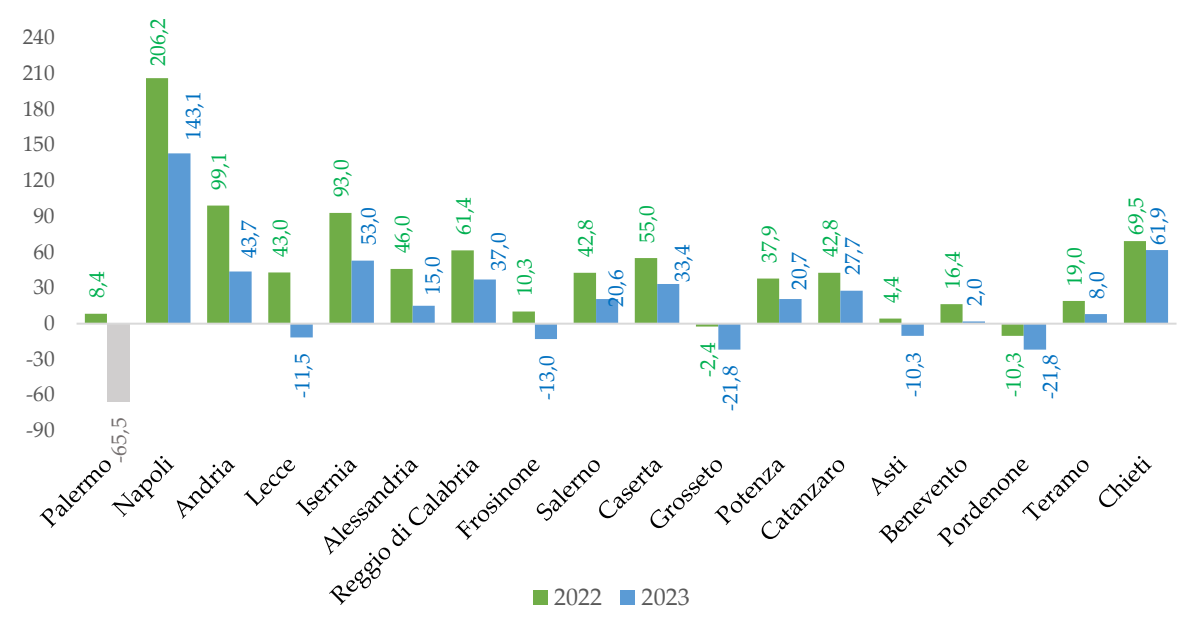
Palermo shows the most significant change, going from a delay of about 8 days to an advance of over 2 months; however, as noted earlier, this data is questionable.

Naples has experienced a substantial reduction of over two months in its PTI, from 206.2 days to 143.1 days, confirming the positive trend from 2022 to 2023.

For Andria¹⁰ and Lecce, the indicator improved by nearly two months: in Andria, payment times decreased from 99.1 days in 2022 to 43.7 days in 2023, while in Lecce, the improvement was even more pronounced, going from 43 days to -11.5 days, resulting in a negative PTI, meaning payment was made ahead of the due date.

An additional 14¹¹ Municipalities saw a reduction in their PTI of more than a week over the two-year period, yielding varied results. For example, Isernia, Reggio di Calabria, and Caserta showed improvement, though their PTI remained above 30 days of delay. On the other hand, Municipalities such as Frosinone, Grosseto, Asti, and Pordenone showed the desired advance in supplier payment times (see Figure 3) compared to initial delays in 2022.

Figure 3 – Provincial Capital Municipalities with a chronological trend improvement of more than 7 days (2022-2023) - PTI



* See the details regarding Palermo's result on page 3: the ITP is the one indicated by the Municipality on its website, but it is not plausible for the reasons explained.

Source: Administrative Capacity Index (REP Centre) – data processing from the Transparency section (AT) on municipal websites.

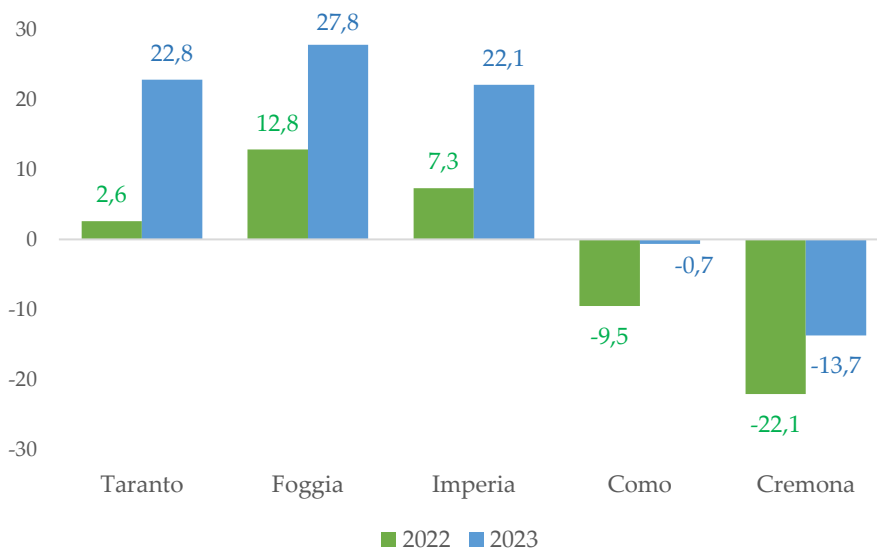
¹⁰ The value related to the Municipality of Andria refers to the weighted average delay time.

¹¹ They are added to Palermo, Naples, Andria, and Lecce, which have already been commented above.

The reduction in the indicator for an additional 30 Provincial Capitals is a more modest but still positive result. Meanwhile, the PTI for Macerata, Sondrio, and Vicenza remains largely stable, with values of -13, -11, and -4 days, respectively, all of which reflect a virtuous advance in payments compared to invoice due dates, a trend confirmed in the two-year period under review.

Finally, 33 Municipalities out of 109 saw a worsening of their PTI. Among these, five Municipalities experienced an increase in delay of more than a week. Taranto stands out with the highest increase, going from 2.6 to 22.8 days of delay. Following, at a distance, there are Foggia and Imperia, each with an additional two weeks of delay compared to the previous year. Lastly, Como and Cremona, while still managing to pay invoices ahead of the due date, showed a slight deterioration in their performance compared to the previous year (see Figure 4).

Figure 4: CP municipalities with a chronological trend worsening by more than 7 days (2022-2023) - ITP



Source: Administrative Capacity Index (REP Centre) – data processing from the Transparency section (AT) on municipal websites.