

The **financial strength of a Municipality** plays a decisive role in defining its administrative capacity, thereby contributing to the **overall strengthening of public governance**, and from there, to the stability and growth of a Country.

For this reason, the Administrative Capacity Index (Public Rating)¹, developed annually by REP, a company of Fondazione Etica, analyzes, among other things², the economic-financial management capacity of all Italian Municipalities through a series of nine indicators that compose the "budget" macro-area: in detail, collection capacity, spending capacity, per capita debt, use of treasury advances, recognized and financed off-balance-sheet debts, the impact of personnel expenditure on current expenditure, capital expenditure, financial autonomy, and per capita financial pressure.

The combined analysis of these indicators constitutes a useful tool to qualify the financial reliability of an Institution, from **a diagnostic and improvement perspective**.

Through consultation with the Transparent Administration section of municipal websites and the main dedicated databases³, the information

needed to investigate the aforementioned variables was collected for the 7,904 Italian municipalities

The analysis was organized into clusters based on the number of citizens: five clusters were provided to make a more appropriate assessment of the dimensional characteristics of the Municipalities, to avoid, for example, comparing Bellino (Cuneo) with 100 inhabitants and Mazara del Vallo with 50,039 inhabitants⁴.

The comparison between small villages, as well as between large cities, has often revealed diversified scenarios.

Summary of overall results

The comprehensive comparative evaluation of the 2022 balance sheet indicators of Italian Municipalities provides a picture of a **Country with multiple speeds** in the management of financial resources.

First of all, the results of the analysis seem to **confirm the stereotype that the North is more efficient than the South**. Indeed, with an overall Index of the budget macro-area with a national average score of 63 out of 100, the Municipalities

¹ For more information about the Administrative Capacity Index, see the methodology summary in the Appendix, and consult the following link: <https://centrorep.it/en/>

² The Administrative Capacity Index includes six macro areas of analysis: Budget, Governance, Personnel Management, Services and relations with citizens, Procurements and relations with suppliers, Environment. The main databases consulted include those of the MEF, ANAC, ISTAT and ISPRA.

³ The most relevant database is the OpenBDAP one, on the portal of the State General Accounting Office.

⁴ The municipalities were classified into five clusters in relation to the size of the resident population: Cluster 1-Municipalities with up to 2.000 citizens (3.552 Entities); Cluster 2-Municipalities with citizens between 2.001 and 5.000 (1.985 Entities); Cluster 3-Municipalities with citizens between 5.001 and 20.000 (1.858 Entities); Cluster 4-Municipalities with citizens between 20.001 and 60.000 (412 Entities); Cluster 5-Municipalities with 60.001 citizens and over (97 Entities). Since the list of Municipalities may change from year to year due to potential mergers of municipalities or the establishment of new municipalities, it was decided to take into consideration the number of Municipalities reported by ISTAT at the same closing date as the budget data, i.e. 31.12.2022.

of Northern Italy prove to be the most performing, reaching an average score of 70. The Municipalities of Central and Southern Italy with the Islands follow, with average scores of 59 and 55 respectively.

However, if the population size of the Municipalities is considered as a discriminating factor, an unexpected fact emerges: **as the population size increases, the average overall score decreases**, going from 65 in cluster 1 to 58 in cluster 5. The contraction seems to be attributable to the less brilliant results of the Municipalities in Central-Northern Italy, which, in the category of over 60.000 citizens, achieve the lowest performance among all size clusters, as shown in Figure 1.

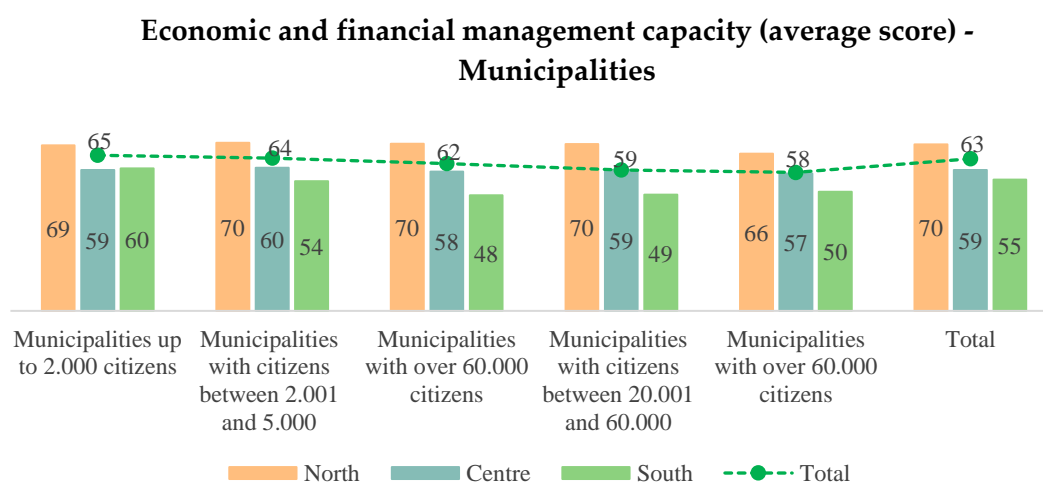
The combined analysis of the **two variables, geographic and demographic**, details and **highlights the differences between the three territorial aggregates**: if the Municipalities of Northern Italy present, within the various demographic classes, with average scores ranging between 66 and 70 points, the Municipalities of Central and Southern Italy are positioned at lower levels, with values ranging between 57 and 60 for Central Italy and between 48 and 60 for Southern Italy. As shown in Figure 1, the lowest score in the North (66) is higher than the corresponding average lowest score in the

Center (57) and in the South (48). The same occurs for the highest score, with 70 in the North and 60 in the Center and South.

Particularly, **it is in the Municipalities with populations between 5.001 and 60.000 citizens that the most significant differences between Northern and Southern Italy are found**: the gaps between the scores attributed to the two geographic aggregates, over 20 points in favour of the Northern Municipalities, represent a clear signal of the massive presence of Municipalities in precarious financial conditions in the South and in the Islands. It is worth noting, in this regard, that in **Southern Italy almost 200 Municipalities with these characteristics are in a condition of rebalancing or financial distress**.

An opposite trend is recorded in the smallest Municipalities (up to 2.000 inhabitants), where the distances between North and South reach the minimum (9 points). This appears to be due to the **unexpectedly good performance of the small Southern Municipalities**, which report an average of 60 points, higher than the general average of all Southern Municipalities (55 points). This is the only case, among the five clusters considered, where the Southern Municipalities exceed the average result of the Central Municipalities (59 points).

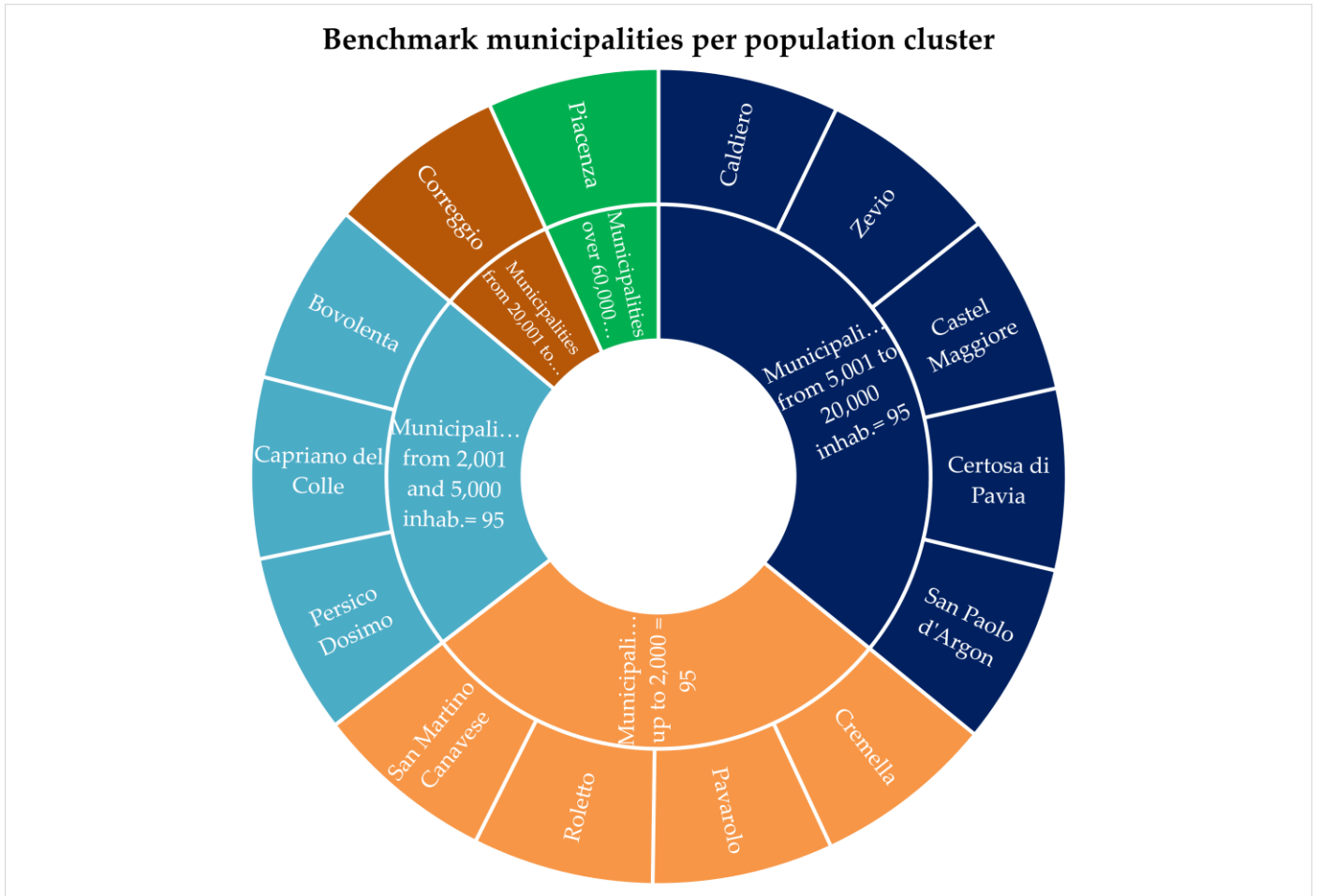
Figure 1



Source: Administrative Capacity Index – Data reprocessing on OpenBDAP data (2022)

Concerning the benchmark Municipalities, it is noted that those with the highest score for each cluster all belong to the North. The following figure

shows the Municipalities with the best budgetary performance in the respective demographic cluster.



Source: Administrative Capacity Index – Data reprocessing on OpenBDAP data (2022)