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## Estimating technical efficiency in the Italian Municipalities

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### Abstract

The aim of the present work, conducted as part of the research activities of SOSE S.p.A., is to evaluate the technical efficiency of the services provided by General Register Offices in Italy for the year 2009; this estimation exercise has been carried out for the first time on all Italian municipalities separately for each sub-function, highlighting how the inefficiency is due essentially to chronic misalignments in optimal Local Authorities sizing.

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### 1. Introduction

The focus of public national account systems, in the last decades, is shifting to the need, both in the short term, but especially in the medium-long term, to build stable, flexible and proactive control spending systems, both at central level and, mainly, at local level (Blochliger et al., 2007) and to get spending perequation and account control systems that allow to maintain the levels of public service unchanged by minimizing the overspending due to *inefficiency*, incorrect allocations of production factors or chronic misalignments in optimal Local Authorities sizing.

Due to these needs, an innovative autonomy path for Local Authorities has started in Italy in 2009 linked to a fundamental change in the funding criteria. The statutory law on fiscal federalism (Law No. 42, May 5<sup>th</sup> 2009) and the determination of standard requirements for Local Authorities (Municipalities, Provinces and Metropolitan cities) issued through Legislative Decree No. 216, November 26<sup>th</sup> 2010, are allowing to modernize intergovernmental financial relations. This challenging reform has been partially completed, given that, at the end of 2013, SOSE has estimated most of the essential expenditure needs functions.

The main aim of this paper is to estimate the technical efficiency of the services provided by General Register Offices for the year 2009; in particular labour-capital inputs and outputs-services have been measured for each Italian Municipality through a specific questionnaire (FC01C) designed by SOSE in partnership with IFEL (see SOSE, 2010).

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Several papers in the last decades have been published on these issues (see *e.g.* Bollino et al., 2012, Boetti et al., 2011 and Worthington and Dollery, 2000); however the applications are limited by territorial extension or by lack of information about specific service output.

From a territorial point of view, in fact, previous studies have focused efficiency on two levels: (i) limited samples of Local Governments (*e.g.* De Borger and Kerstens, 1996; Athanassopoulos and Triantis, 1998; Worthington, 2000; Prieto and Zofio, 2001; Loikkanen and Susiluoto, 2005) or (ii) comparative analysis at international level. These levels of analysis are deeply influenced or by specific issues linked to the local supply/demand suffering the sample size bias drawbacks, or, in the matter of international analysis, related to different structures of the administrative decentralization; national level appear, therefore, as a good trade-off between local and international level.

The collected data used in our analysis, in conjunction with the expenditure information and supply/demand contextual factors, represent an unique, very recent and detailed database on all 6,702 municipalities of the Italian regions with ordinary statute.

In particular SOSE<sup>1</sup> has collected into a unitary and coherent framework extremely detailed information about the supply and demand specific factors; the inputs (personnel employed, instrumental allotments, local units used, ...); the output produced (services implemented); the procedures for the implementation of services and the expenditures and revenues. Previous info, finally, have been integrated with structural information extracted from official sources.

According to the Municipalities Financial Account<sup>2</sup> expenditure data for year 2010, the General Register Offices (for the ordinary statute regions Municipalities) account for the 6.50% of the General Administrative, Management and Control Functions total current expenditures and for the 1.61% of the six core functions expenditures identified by Legislative Decree 26 November 2010 n. 216 (see Table 1).

Table 1. Municipalities current expenditures - Italian regions with ordinary statute, year 2010

Current expenditures	MI. €	€ per capita	%
1 - General Administrative, Management and Control Functions	8435	164	24.82
1A - Tax Revenues and Tax Services	496	10	1.46
1B - Technical Office Services	1020	20	3.00
1C - General Register Offices Services	549	11	1.61
1D - Other General Services	6371	124	18.74
2 - Local Police	2635	51	7.75
3 - Public Education	4353	85	12.81
4 - Public Roads and Transit	4273	83	12.57
5 - Territory and Environment	7186	140	21.14
6 - Social Services	7107	139	20.91
Total essential functions	33989	663	100

Even if the General Register Offices services appear as a residual sector respect to the other ones, it has been chosen thanks to its convenient aspects: (i) services are qualitatively similar in all Municipalities without differences in terms of dimension; (ii) the production function appears as the same in every DMUs.

## 2. Methodology and application

In Italian municipalities the General Register Office provides registry front-office, registry back-office, migration, civil status, electoral and military services.

From an economic point of view, this estimation exercise has been carried out for the first time in Italy, separately for each sub-function. Usually, in fact, for lack of disaggregated data there is no information on the separability of inputs and it is necessary to evaluate simultaneously a plurality of outputs versus a plurality of inputs. In our case

<sup>1</sup> This document does not necessarily reflect the official opinion of SOSE - Soluzioni per il Sistema Economico S.p.A. and commits only the authors.

<sup>2</sup> In Italian "Certificati di Conto Consuntivo" (CCC), Ragioneria Generale dello Stato.

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