ABSTRACT

Infrastructure Local Expenditure Needs: a proposal for Italian municipalities

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Background: In many developed and developing countries the measurement of public sector needs is an important policy issue. The European Commission (2008) recognises that monitoring Central and Local governments’ efficiency and spending is a necessary condition to improve the quality of public finances thereby achieving a sustained long-run economic growth.

Law No. 42 of 5 May 2009 (Enabling Law on fiscal federalism, Law 42/09) and the implementing provisions issued by Legislative Decree No. 216 of 26 November 2010 (Decree 216/10) regarding the valuation of the Current Standard Expenditure Needs (Current SEN) of the local Italian authorities municipalities and provinces) marked the beginning of a radical reform of intergovernmental relations.
Unfortunately, current SEN methodology cannot be used directly to monitor capital SEN in the provision of local services. The capital gap between standard and actual expenditure for each service provides a good reference point to judge the level of expenditure of each municipality, but the crude comparisons between actual infrastructural service levels and the standard ones it’s not easy essentially for two reasons: (i) the first one is linked with the complexity of the evaluation of infrastructural level into each local authorities (which can of course be quantitatively and qualitatively different) and secondly (ii) the physical gap must be translated into monetary terms according to criteria of cost.

The Italian legislation on fiscal federalism, moreover, provides that a comparison of the infrastructure service levels with the corresponding service standards shall be effected using appropriate indicators to measure any deviations. Actually, it is easy to find in literature several contributes about current expenditure connected to local services, but it is hard to find significant proposals for public capital expenditure estimation.

**Objectives:** The present paper is aimed to fill this lack proposing a quantitative procedure – by the way of a non compensative robust composite indicator methodology - concerning two objectives: i) the evaluation of the physical gap between the effective infrastructural endowment and the infrastructure needs deduced from the factors of demand generation; ii) the conversion in monetary terms of this gap.

**Methods:** In order to guarantee robustness and non compensability to the infrastructural endowment estimation, we have used the Vidoli et al. (2014) approach based on the integration of Benefit of the Doubt (BoD) by directional distance function.

**Results and Conclusion:** In this first and experimental work we have focused the model and its application on the local transport infrastructure at the level of the Italian provincial capitals (about 100 municipalities). The most interesting result concerns the situation of the largest municipalities, different according as their location in the Center and the North of Italy (endowment of local public transport essentially fulfilled against the corresponding needs) or in the South (more or less considerable deficit in the considered infrastructure).

**Main references**


