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Heterogeneous fiscal decentralisation in Italian regions

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Abstract. The fiscal decentralisation process in Italy is marked by persistent asymmetries between special statute regions and ordinary statute regions, reflecting historical, geographical, and economic differences. In this paper, we examine the country's multi-level governance structure of fiscal decentralisation using the new OECD's REGOFI and MUNIFI datasets in combination with official statistical sources. The analysis confirms that special statute regions exhibit greater fiscal autonomy and lower dependence on central transfers than ordinary regions. At the municipal level, however, the pattern reverses. Municipalities in ordinary regions are demonstrating greater fiscal autonomy. The north–south development gap exacerbates these asymmetries further, with richer regions showing higher revenue autonomy. Recent advocacy for greater regional autonomy risks intensifying such territorial divides and disparities, potentially leading to congestion and under-provision of basic and essential public services. Our findings contribute to the broader literature on fiscal decentralisation by providing valuable insights for policy interventions aimed at adopting a balanced approach that addresses the existing asymmetries, promoting regional cohesion and ensuring equitable service provision in Italy.

1. Introduction

Devolution refers to transferring decision-making powers, responsibilities, and resources from the central government to local or regional authorities to guarantee more responsive and locally tailored public goods and services (Oates, 1972).[1] In this context, allocating public resources can give subnational units greater autonomy over budget allocation, resulting in more efficient and responsive outcomes (Martinez-Vazquez et al., 2017). As higher regional autonomy may lead to innovative approaches and pilot programmes, this kind of decentralisation is seen to foster modernisation and "laboratories" (Rose-Ackerman, 1980). Theory suggests that the autonomy proposal could result from voluntary exchange between regional and central governments rather than war or secession threats, enabling the successful management of a multilevel governance structure (Fiorillo et al., 2021).

From an equity perspective, however, the decentralisation of responsibility and provision of certain policy domains (e.g., healthcare) could lead to inequalities in public sector activities, which could be problematic, especially if equality for all citizens throughout the national territory is guaranteed by the Constitution (Bird, 2003; Sacchi and Salotti, 2016).[2]

In Italy, the evolution of the decentralisation process reveals a persistent and institutionalised asymmetry (Congleton; 2006; Allain-Dupré et al., 2020). The coexistence of special and ordinary regimes, divergent fiscal capacities, and differentiated political demands produces a territorially fragmented governmental structure. Far from being transitional, asymmetry has become the defining feature of Italian multi-level governance: a negotiated equilibrium in which constitutional principles of autonomy, solidarity, and efficiency remain in continual tension.

In this paper, we present decentralisation indicators based on recently published data from the OECD. Specifically, we utilise the REGOFI and MUNIFI datasets (October 2025 version), which provide detailed insights into regional and municipal government finances across OECD countries (OECD, 2024). These datasets provide a comprehensive view of budgetary items at the subnational level, enabling a detailed analysis of fiscal decentralisation (Gianelle et al., 2025). We explore the advanced features of these datasets, with a particular focus on municipal

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[1] Intuitively, the rationale is the desire for the government to be accountable to citizens with heterogeneous preferences and needs across local jurisdictions. In this context, the devotion of public resources can give local authorities greater autonomy over budget allocation and healthcare provision, resulting in more efficient and responsive services.

[2] For instance, decentralizing health function can result in divergent outcomes, leading to disparities between regions, where some areas can achieve better health targets due to more favourable socio-economic conditions or higher resource management (Ferrario and Zanardi, 2011).

and regional data for Italy. This granularity is important because it allows us to reveal the unique fiscal dynamics within different tiers of subnational government, enabling us to conduct an in-depth investigation into how fiscal responsibilities and resources are allocated and managed. This approach improves our understanding of fiscal decentralisation, offering valuable insights into the complexities of multi-level governance in Italy.

Our analysis reveals several key findings. Firstly, we observe a stark contrast in fiscal capacities between regions with special and ordinary statutes, highlighting the significant impact of constitutional distinctions on regional fiscal autonomy. Secondly, we identify a persistent north–south development divide, with southern regions and municipalities relying more heavily on intergovernmental transfers and generating less revenue independently. Additionally, we find that municipal governments are better able to diversify their revenue sources beyond taxes, with non-tax revenues playing a more significant role at the municipal level. Furthermore, our examination of vertical fiscal imbalances and per capita expenditure sheds light on the complexities of public service provision across Italy's regions and municipalities. These findings contribute to a nuanced understanding of Italy's decentralisation dynamics, offering valuable insights into the challenges and opportunities presented by the country's multi-level governance structure. Note that we aggregate municipal data at the regional level to maintain regional boundaries when presenting the results, revealing the unique fiscal dynamics within different tiers of subnational government.

The remainder of this paper is structured as follows: Section 2 provides an overview of the decentralisation process in Italy, focusing on the development of regional autonomy and the disparities between regions with special and ordinary statutes. Section 3 uses the Regional Authority Index (RAI) and traditional quantitative decentralisation indicators to present an international comparison of decentralisation, thereby contextualising Italy's experience within a broader framework. Section 4 uses empirical evidence from the OECD's new REGOFI and MUNIFI datasets (supplemented with ISTAT and Eurostat data where necessary) to analyse fiscal dynamics at regional and municipal levels in Italy. This includes a detailed examination of revenue composition and vertical fiscal imbalances, as well as their implications for public service delivery. Finally, Section 5 summarises the key findings, discusses their policy implications and suggests areas for future research.

2. The institutional path of decentralisation in Italy: Balancing symmetry and asymmetry

Italy's approach to decentralisation is notable in Europe due to its multidimensional and persistent asymmetry, which has resulted in significant regional heterogeneity. Since adopting the Constitution in 1948, Italy has sought to balance maintaining national unity with acknowledging differentiated regional autonomy. Initially, five regions — Sicily, Sardinia, Trentino-Alto Adige, Friuli-Venezia Giulia and Aosta Valley — were granted special statutes, conferring broader legislative and fiscal powers upon them as Special Statutory Regions (SSRs). This asymmetry was justified by factors such as linguistic minorities, insularity, and border conditions. The remaining fifteen Ordinary Statute Regions (OSR) were not established until 1970, which cemented an enduring dualism between the special and ordinary regimes (Fabbrini, 2005). This historical context is key to understanding the complexities of Italy's decentralisation process and the challenges it presents.

A decisive shift occurred in the 1990s with the adoption of the Bassanini reforms (Law 59/1997 and Legislative Decree 112/1998). These reforms introduced the principles of subsidiarity, differentiation, and adequacy, thereby redefining the vertical allocation of functions between different levels of government. The reforms were strongly influenced by the European Union's cohesion and regional policies, which emphasised the empowerment of subnational institutions as key actors in multi-level governance (Keating, 2008).

The 2001 constitutional reform of Title V marked the second and most significant stage of decentralisation in Italy. This reform aimed to reduce regional disparities by extending legislative and fiscal powers to all regions (Giarda, 2004). It redefined Article 117, introducing concurrent competences and residual powers for the regions, and enshrined the principle of fiscal autonomy in Article 119. In practice, however, the reform resulted in a more complex and conflictual asymmetry.[3] While special statutory regions retained their privileged status, ordinary regions acquired new formal competencies without equivalent administrative or financial capacity. As scholars have noted, decentralisation in Italy has thus evolved into a system of variable geometry, where constitutional design and fiscal reality diverge sharply (Baldini and Baldi 2014; Lagravinese et al., 2018).

This institutional heterogeneity has given rise to significant territorial disparities. Northern regions, with their stronger economic bases and administrative capacity, have generally exercised their competencies more effectively, particularly concerning healthcare,

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[3] In fact, disputes over areas of responsibility between the State and regions have often been brought before the Constitutional Court, which has played a key role in defining the practical limits of regional autonomy.

infrastructure, and industrial policy (Del Monte et al., 2022; Ferrario et al., 2023). In contrast, many southern regions continue to rely heavily on central transfers and have chronic weaknesses in public administration. These differences have reinforced the perception that decentralisation has exacerbated rather than reduced interregional disparities and household income inequality (Bordignon and Turati 2013; Sacchi and Salotti, 2014). Empirical evidence on public spending and service delivery suggests that the gap between the north and the south persists despite constitutional symmetry in competencies (Martinez-Vazquez et al., 2020).

In the 2010s, the debate over 'differentiated autonomy' under Article 116(3) reignited regional tensions. Wealthier northern regions, such as Lombardy, Veneto, and Emilia-Romagna, advocated for greater autonomy in policy domains such as education, infrastructure, and taxation. It has been argued that devolving further powers to regions with high administrative capacity and ample resources would enhance efficiency and accountability. However, opponents argue that excessive differentiation could undermine national solidarity and cohesion (Cepiku 2021), as well as exacerbating territorial inequalities (Baldini and Baldi 2014; Bank of Italy, 2023).

Recent developments have further complicated this landscape. The National Recovery and Resilience Plan (PNRR), which was adopted in response to the Covid-19 pandemic, has temporarily strengthened central coordination of investment and policy implementation to address negative externalities (Lago-Peñas et al., 2022). This has been interpreted as a form of 'partial recentralisation' driven by European accountability requirements (Maino and Ferrera 2022). This shift contrasts with recent demands for increased regional autonomy and power over specific public functions, such as healthcare. The asymmetry inherent in the institutional and fiscal setting is still evident: a few special statutory regions retain substantial revenue-sharing privileges, while many ordinary regions are subject to more strict budgetary constraints and surveillance. This duality sustains a decentralised yet uneven state (Fabbrini, 2022), characterised by a hybrid system oscillating between uniformity and differentiation.

In sum, Italy's decentralisation process has been non-linear, oscillating between the expansion and retrenchment of regional powers. The Italian experience shows that institutional decentralisation is not a *one-time reform*, but an ongoing process of negotiation between constitutional principles, political interests, and fiscal constraints. This dynamic is emblematic of the broader European challenge of reconciling unity and diversity within multi-level governance (Salotti et al., 2025).

3. Regional authority and fiscal decentralisation: international comparisons and measurements

In this section, we present an international comparison of decentralisation, examining two complementary perspectives. The first is based on the Regional Authority Index (RAI) and considers the administrative features of decentralisation. The second is based on traditional quantitative decentralisation indicators and considers subnational shares of revenues and expenditures.

Specifically, we use the RAI because it provides a qualitative assessment of regional governance. It focuses on the self-rule and shared rule dimensions to determine the extent of regional authority and influence within the national policy framework, respectively (Hooghe et al., 2016; Shair-Rosenfield et al., 2021). We then analyse quantitative standard indicators that measure the fiscal dimensions of decentralisation, specifically the proportions of subnational revenues and expenditures relative to the general government.
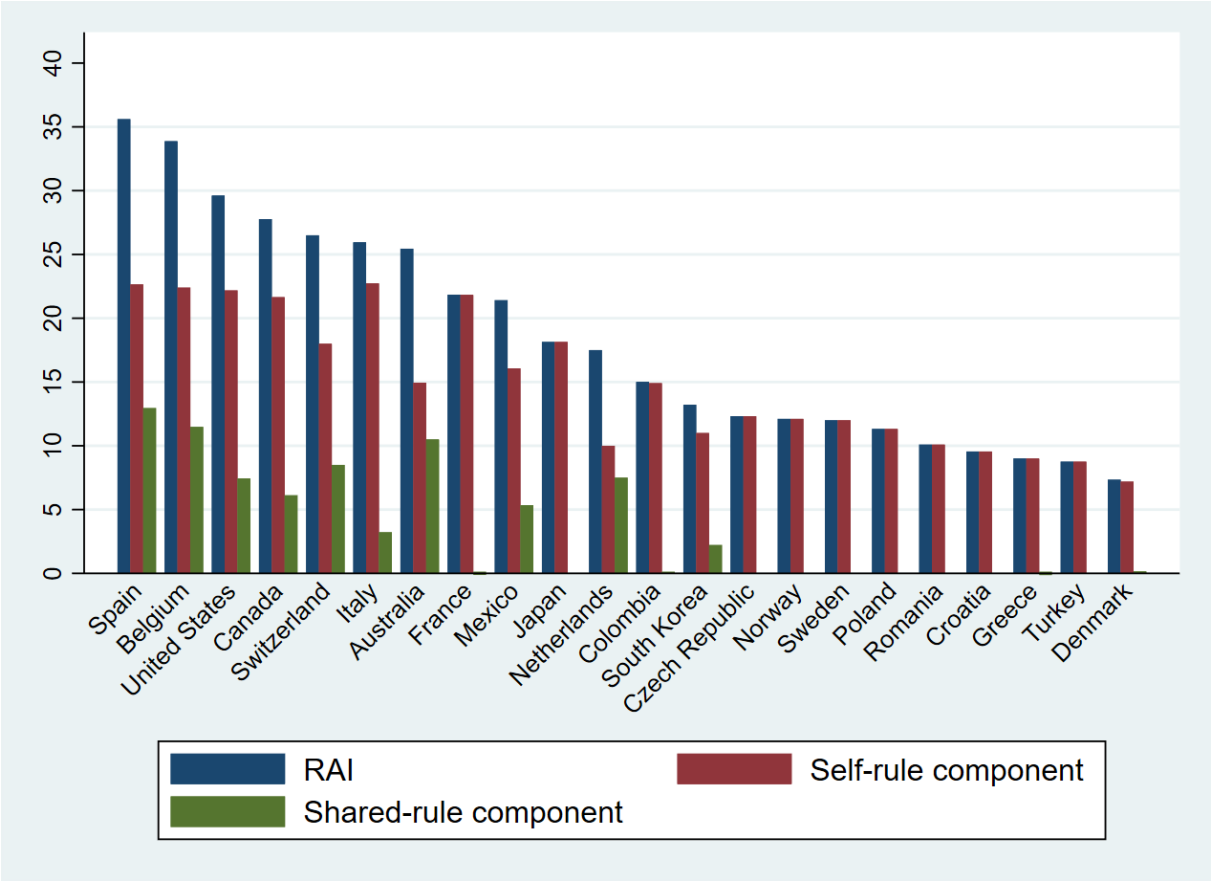
By integrating these two approaches, we offer a comprehensive understanding of how decentralisation manifests itself in different countries. This dual analysis allows us to explore the relationship between institutional settings and intergovernmental fiscal relations, shedding light on the complexities and variations in decentralisation processes worldwide. This is also useful for gaining a better understanding of the Italian situation, which is explored in more detail later in the paper.

3.1 Regional authority: a qualitative approach

Approaches that focus on institutional and administrative autonomy typically rely on information collected from experts in regional and local governance (e.g., Marks et al., 2008; Ivanyna and Shah, 2014; Ladner et al., 2023). The RAI provides a thorough evaluation of regional governance in terms of law-making, institutional depth, policy scope, fiscal autonomy, territorial autonomy, representation and elections, executive control and constitutional reform, determining the degree of regional authority and the manner in which power is shared between central and regional governments. Regions with high *self-rule*, for example, exhibit greater fiscal and administrative independence, while those with significant *shared-rule* may play a more active role in national decision-making. Figure 1 provides an international overview based

on the RAI and its two components (*self-rule* and *shared-rule*) for 22 OECD countries, Italy included, observed in the last year available (2018).[4]

Figure 1 - *RAI and its main components in 22 OECD countries* (year 2018)

Source: Authors' elaborations on Hooghe et al. (2016) & Shair-Rosenfield et al. (2021).

Italy's relatively high RAI score, which is quite similar to that of federal countries and notably higher for *self-rule* than for *shared rule*, can be explained by several factors. As stated in Section 2 above, five of its twenty regions have special status and substantial self-governing powers. Furthermore, the 2001 Constitutional reform of Title V has enhanced regional autonomy in legislative and fiscal matters. This has given the Italian regions significant control over internal affairs, such as healthcare, education, and infrastructure, resulting in a high score for *self-rule*. However, the influence of regions on national policymaking is limited due to the central government's control over key policy areas, as well as the lack of strong regional

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[4] The countries are as follows, indicating whether they are federal (and quasi-federal) countries (F) or EU member states (EU): Denmark (EU), Sweden (EU), Australia (F), Japan, Colombia, Canada (F), Mexico (F), Norway, Spain (EU, F), Switzerland (F), Belgium (EU, F), South Korea, the USA (F), the Czech Republic (EU), the Netherlands (EU), Poland (EU), Romania (EU), Turkey, Italy (EU), Croatia (EU), France (EU) and Greece (EU).

representation in national decision-making bodies. While fiscal autonomy contributes to the high *self-rule* score, it does not translate into significant *shared rule*, as the central government predominantly influences national budgetary decisions in a framework of European fiscal governance.
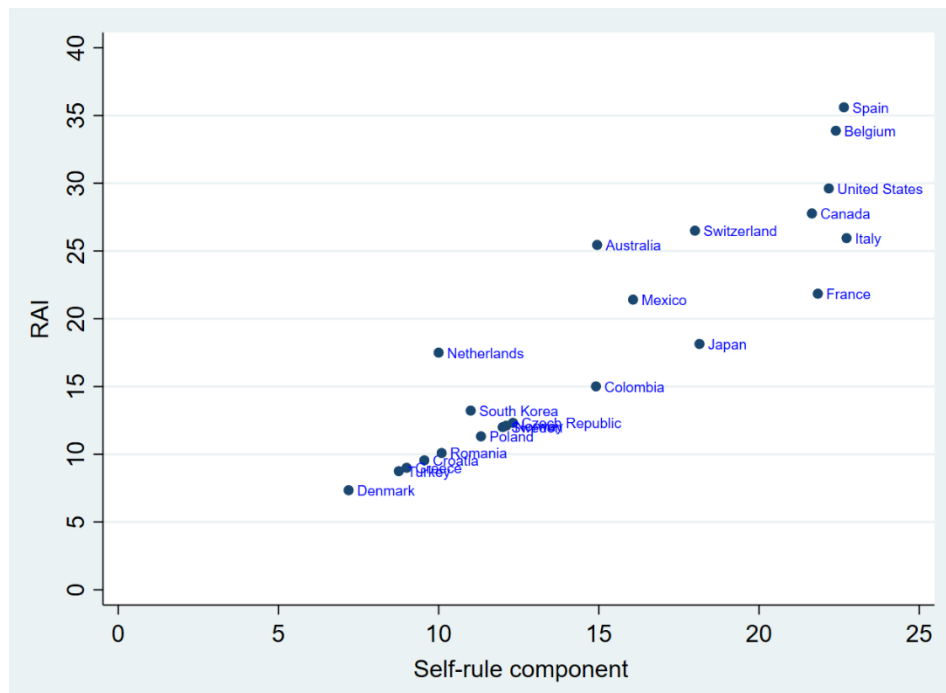
To further examine the relationship between regional authority and its components, we present two scatterplots comparing countries based on their RAI scores and the *self-rule* and *shared-rule* dimensions. The first scatterplot (panel (a) of Figure 2) shows the overall RAI score on the vertical axis and the *self-rule* score on the horizontal axis. In the second scatterplot, the vertical axis reports the RAI, but the horizontal axis represents the *shared-rule* score (panel (b) of Figure 2). Both panels refer to the most recent data available, which is the year 2018.

Figure 2 reveals a distinctive dualism in Italian regionalism. High *self-rule* indicates significant regional control over policy competencies and resources, and Italy is located in the top right-hand corner of the scatterplot in panel a) due to its high RAI and *self-rule* values. Conversely, regional participation in national decision-making (*shared-rule*) remains comparatively limited, as shown in panel b).
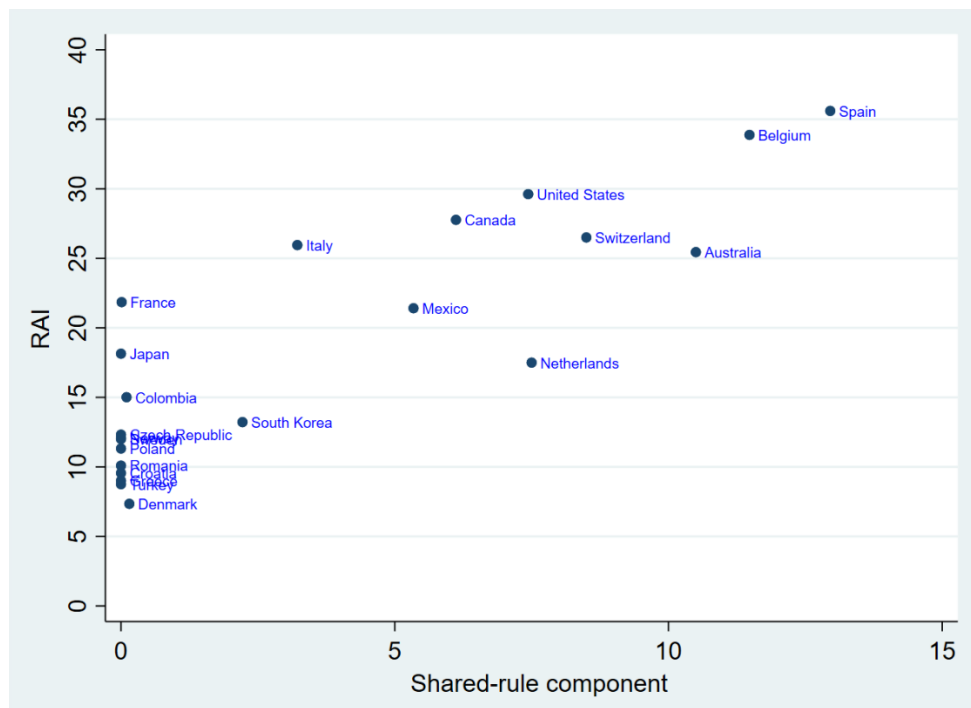
More generally, the scatterplot identifies two groups of countries: one with low *shared-rule* values and one with high *shared-rule* values. Italy belongs to the former group and has the highest RAI value in it. This imbalance highlights the centrifugal nature of Italy's decentralisation model: regions have policy autonomy over their policies, yet limited influence over national coordination mechanisms. This asymmetry in vertical power relations has been identified as a key source of intergovernmental tension and policy fragmentation (Cepiku 2021).

Figure 2 - RAI self-rule and shared-rule component in 22 countries (2018)
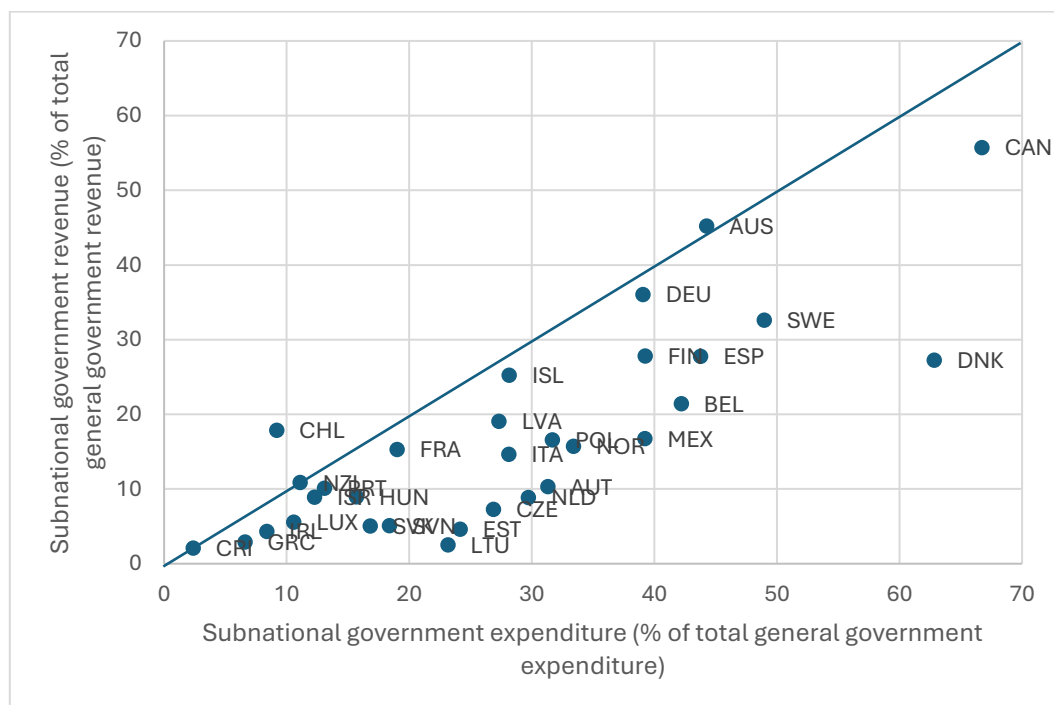
Panel a)

Panel b)

Source: Authors' elaborations on Hooghe et al. (2016) & Shair-Rosenfield et al. (2021).

3.2 Expenditure and revenue decentralisation: a quantitative approach

In most quantitative studies, fiscal decentralisation is typically measured by the proportion of subnational revenues (or taxes) and expenditure relative to the general government's (Ebel and Yilmaz, 2003; Stegarescu, 2005; Liberati and Sacchi, 2013; Gemmell et al., 2013). Empirical analyses usually rely on data from official sources such as the International Monetary Fund (IMF) and the Organisation for Economic Co-operation and Development (OECD) (Blume and Voigt, 2011; Blöchliger, 2015; Dougherty et al., 2019).

   Figure 3 is constructed using this standard approach. Each observation represents an individual country to provide a comparative overview of how national systems allocate expenditure and revenue responsibilities across subnational tiers of government. The distribution of values highlights a substantial degree of cross-country heterogeneity. Most countries are positioned below the 45-degree line, meaning expenditure decentralisation values (on the horizontal axis) exceed revenue decentralisation values (on the vertical axis). This includes Italy.

Figure 3 - Expenditure and revenue decentralisation in 22 OECD countries
(% mean values, 2010-2021)

Source: Authors' elaborations on the OECD Fiscal Decentralisation Database.

This evidence confirms the asymmetry between the expenditure responsibilities for which subnational governments are held accountable and the revenue sources directly under their control, as highlighted by previous studies on OECD countries (e.g., Bird, 2003; Congleton; 2006; Martinez-Vazquez et al., 2017; Allain-Dupré et al., 2020). From a theoretical perspective, this outcome deviates from the canonical framework of fiscal federalism, which postulates that an optimal decentralisation process should involve the simultaneous transfer of expenditure responsibilities and revenue-raising powers (Martínez-Vázquez et al., 2024; Rodríguez-Pose and Vidal-Bover, 2024).

Additionally, the existence of such an asymmetry implicitly suggests the necessity of continuous fiscal transfers from the central government to subnational jurisdictions to finance their expenditure needs and close the fiscal gap. In fact, intergovernmental transfers represent an institutional mechanism that can be used to achieve equity, allocative efficiency, and territorial cohesion within multi-level governance systems (Lago et al., 2024), including in Italy, as we will show later. Thus, asymmetric decentralisation should be viewed not merely as a deviation from the ideal model of fiscal equivalence, but as an intrinsic feature of modern decentralised states.

4. Empirical evidence on Italian regions and municipalities: methodology and results

To fully understand Italy's decentralisation arrangements, it is important to examine regional and municipal data reflecting the practical implementation of fiscal decentralisation across the country. The process is characterised by a blend of administrative and fiscal autonomy granted to its regions and municipalities, with significant variations between regions with special statutes and those with ordinary statute. While national-level indicators provide a useful overview of the country's position in the international framework, constructing region- and municipality-specific indicators is crucial for a deeper understanding. Examining the financial and administrative responsibilities assigned to these local governments provides insight into the evolution of decentralisation and its impact on public service delivery, economic development and fiscal sustainability.

4.1 The REGOFI and MUNIFI databases

Our analysis uses budgetary data at regional and municipal levels taken from the new OECD's REGOFI and MUNIFI databases to provide a granular view of Italy's decentralisation

landscape.[5] These databases contain detailed data on subnational public finances based on country-level information, developed in close collaboration with national statistical institutes and other institutional partners. This ensures a high degree of reliability, consistency, and cross-country comparability (OECD, 2024). The information is complemented with public finance data retrieved directly from the Italian Statistical Institute (Istat), especially for the municipal level. Information on GDP per capita is taken from Eurostat.

On the revenue side, the databases report total tax receipts, disaggregated by major tax categories, including corporate income tax, property income tax, value-added tax (VAT), property tax, and other taxes. They also include non-tax sources of revenue such as grants and subsidies (both current and capital), user charges and fees, property income, and other income items (e.g., revenues on behalf of third parties, social contributions).

We proceed by calculating a set of common indicators of tax autonomy, fiscal dependence and the rate at which expenditure is covered by own revenue (vertical fiscal imbalance). To highlight asymmetries and account for the observed heterogeneity in the data, we use two interpretative dimensions that correlate with and partly explain the data. The first dimension is the statutory framework of regional autonomy, encompassing the long-term legislative and institutional context, which itself results from historical and geographical factors. The second dimension is economic development, taking into account current territorial disparities. By offering the most detailed picture possible of the interplay between these two dimensions, we aim to provide a comprehensive understanding of Italy's decentralisation dynamics.

Finally, we present preliminary evidence on the relationship between fiscal autonomy, status and levels of development and the intensity of per capita public spending. For each of the 21 Italian regional governments defined at the NUTS 2 level (19 regions and 2 autonomous provinces), we calculate the relevant indicators at either the regional or municipal level. In the latter case, we use aggregated figures for all municipalities in each region. We distinguish between two groups of regions: the six regions with special statute as defined in the Constitution, including the two autonomous provinces of Bolzano and Trento. The second group comprises the remaining 15 regions with ordinary statute. Some descriptive information is reported in Table A1 in the Appendix.

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[5] Due to data availability, all the data presented below are calculated as average values for the period 2017–2021.

4.2 Revenue and tax composition

In order to assess the impact of different revenue components on total revenue, we analyse the composition of subnational revenues, focusing on the varying degrees of control that subnational governments exert over these components. We calculate four indicators using regional government data and municipal data aggregated by region. The latter ensures comparability and consistency with Sections 2 and 3, which focus primarily on the regional level. The first indicator is denoted *RevNoTra* and is calculated as follows:

$$RevNoTra = \frac{All\ tax\ revenues + other\ own\ revenues}{Total\ revenues} = \frac{R11 + R13 + R14}{R1} \qquad (1)$$

The numerator of equation (1) essentially comprises all revenues except those originating from incoming transfers (primarily from other levels of government, as well as from enterprises, households, and non-governmental public entities), revenues on behalf of third parties, and social contributions where applicable. According to the nomenclature used in REGOFI and MUNIFI, this includes tax revenues (*R11*) and own-source non-tax revenues, such as user charges and fees (*R13*), as well as income from asset management (*R14*).

Note that tax revenues (*R11*) exclude VAT sharing, which in this paper is considered a transfer. On the other hand, *R11* includes the following relevant tax components: the corporate income tax CIT (*R111*, present only at regional level);[6] the personal income tax PIT (*R112*, limited to the surcharges applied at the regional and municipal levels); the property tax PT (*R114*, present only at the municipal level); and other tax revenues (*R115*), which may include the vehicle circulation tax or road tax paid to municipalities, for example. Therefore, the numerator includes revenues that subnational governments can *potentially* control to some extent, but not the resources received in the form of transfers or on behalf of third parties, that are usually beyond the control (and often beyond the forecasting and planning capabilities) of the receiving public administration. The denominator is simply the totality of revenues (*R1*).

Following the OECD's seminal classification of decision-making tax autonomy (OECD, 1999) and the recent literature (Martínez-Vázquez, 2008; Liberati and Sacchi, 2013; Gemmell et al., 2013; Mauri, 2024), we then define a refined revenue indicator by splitting the total tax

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[6] It should be noted that he degree of central control over corporate income tax varies internationally, but in most cases, this tax is characterised by centralised policymaking, administration and collection. A similar situation occurs for the Italian case.

revenues (*R11*) to focus solely on those tax revenues over which the subnational governments have some *actual* autonomy and power:

$$OwnRev = \frac{Own\ tax\ revenues + other\ own\ revenues}{Total\ revenues} = \frac{R112 + R114 + R115 + R13 + R14}{R1} \quad (2)$$

In addition to own revenues from user charges and fees (*R13*) and income from assets (*R14*), as in equation (1), the numerator of equation (2) only includes three components of tax revenues (*R11*): the PIT *(R112)*, the PT *(R114)* (only for municipalities), and other tax revenues (*R115*). The denominator is the same as in equation (1).
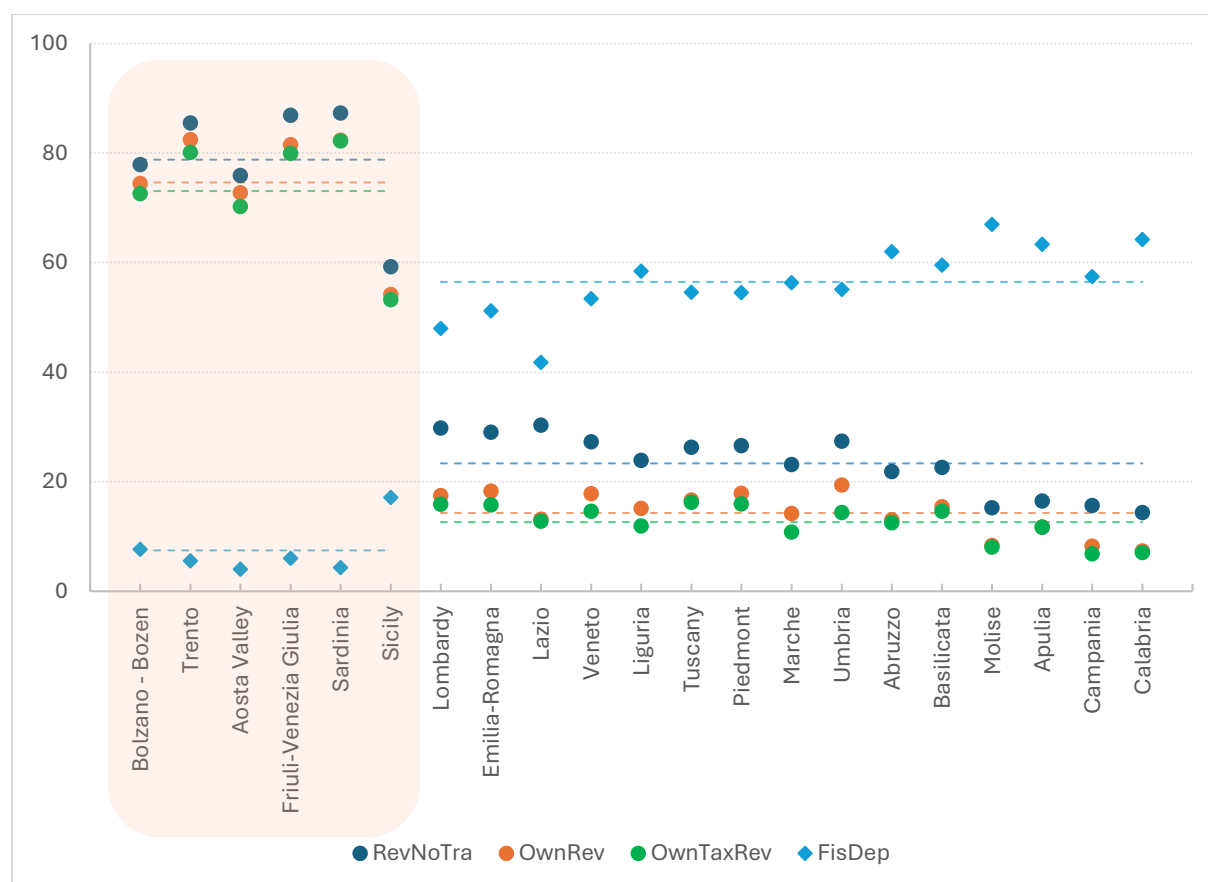
By further excluding non-tax revenues at the numerator (*R13* and *R14*), we can calculate a third indicator, which now only considers own tax revenues:

$$OwnTaxRev = \frac{Own\ tax\ revenues}{Total\ revenues} = \frac{R112 + R114 + R115}{R1} \quad (3)$$

Finally, equation (4) defines a measure of fiscal dependence to take into account the role of intergovernmental transfers in a decentralised institutional setting, measured as follows:

$$FisDep = \frac{Total\ transfers\ received\ from\ other\ levels\ of\ government}{Total\ revenues} =$$
$$\frac{Gov.transfers\ received}{R1} \quad (4)$$

Figure 4 - Revenue composition of the Italian regional governments

Source: Authors' elaborations on data from the OECD REGOFI and MUNIFI databases (Oct. 2025), ISTAT and EUROSTAT.
Note: The indicators are shown on a scale of 0 to 100, which enables them to be interpreted as percentages. The six regions with special statute are shown on the left, and the regions with ordinary statute are shown on the right. Within these two groups, the regions are ordered from left to right according to their GDP per capita levels (average for the period 2017–2021, in current prices). This also reflects a geographical distribution from north to south as we move to the right along the axis. The dotted lines show the averages for each group of indicators in their respective colours.

Figure 4 shows the four indicators defined above for the 21 regional-tier governments. The Figure provides valuable insights into the fiscal situation across different regions, highlighting significant patterns and trends. The three primary revenue indicators — *RevNoTra*, *OwnRev* and *OwnTaxRev* — collectively illustrate a distinct dual pattern. Special statute regions, located on the left of the graph, demonstrate a notably higher range of 70% to 80% for these indicators. In contrast, ordinary statute regions on the right show a much lower range, averaging between 13% and 23%. This asymmetry is primarily driven by constitutional distinctions between these types of regions, highlighting the significant impact of legal frameworks on regional fiscal capacities.
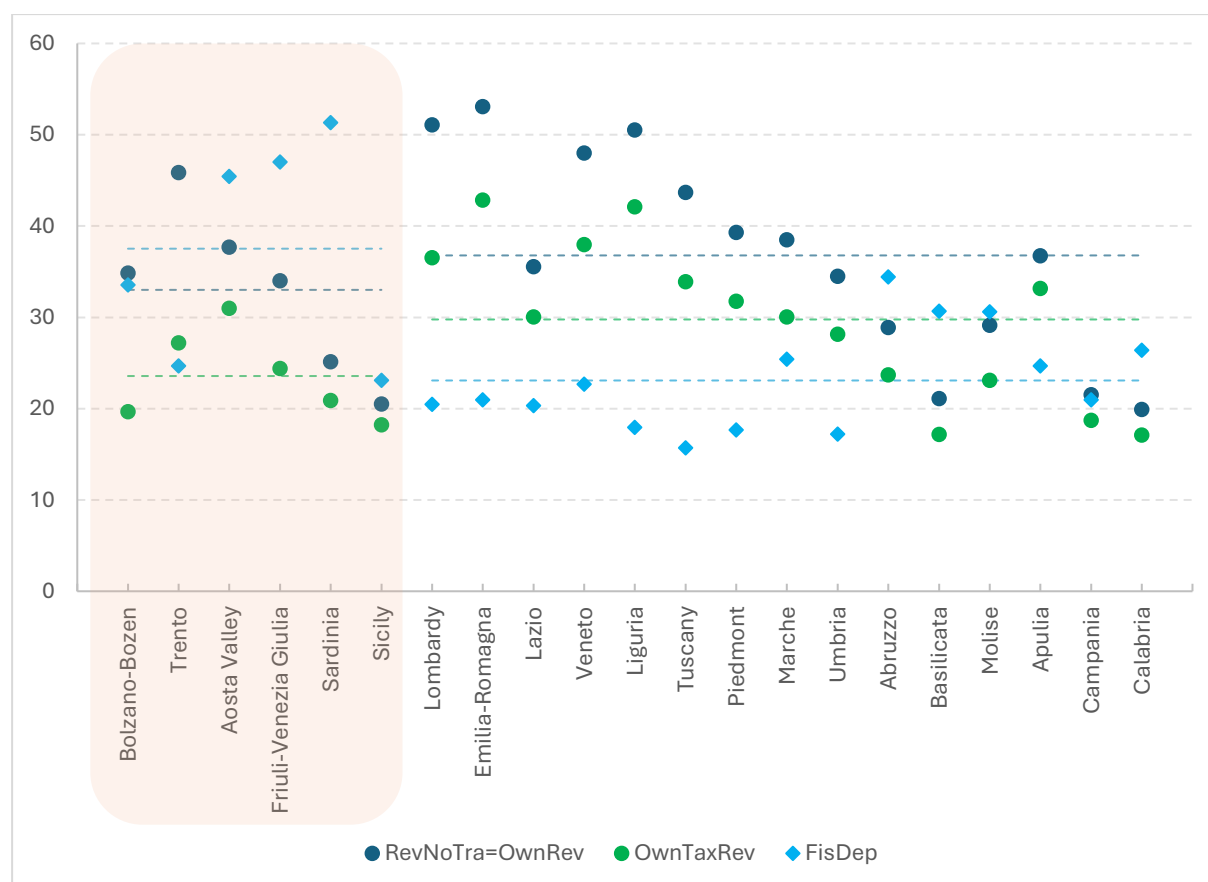
Along the north-south development axis, another noticeable trend emerges, albeit less pronounced and somewhat obscured within the data. Regions in "Mezzogiorno", the southernmost area in Italy, consistently display below-average values across all revenue indicators. This suggests that these regions rely less on their own revenue sources than wealthier, more developed regions do. For example, Campania, Calabria and Sicily, despite the latter having a special statute, demonstrate a lower reliance on their own revenues. Focusing solely on ordinary regions reveals a disparity of 10 percentage points for *RevNoTra*, seven for *OwnRev* and four for *OwnTaxRev* between northern and southern regions, indicating a clear north-south divide in fiscal autonomy and capability.

Furthermore, the figure shows that there is almost no difference between *OwnRev* and *OwnTaxRev*, represented by the orange and green dots, respectively. This proximity emphasises the minimal contribution of non-tax revenues, such as user fees, charges, and income from asset management, to the overall revenue mix. Specifically, these non-tax revenues account for an average of just 1.5% of total revenues in both special and ordinary statute regions. This underscores the predominant reliance on tax revenues (and transfers) within regional fiscal structures.

The fiscal dependence indicator (*FisDep*), which measures the proportion of intergovernmental transfers to regional revenues, shows an inverse pattern compared to the other three indicators. Special statute regions exhibit lower fiscal dependence at around 7%, whereas ordinary regions demonstrate significantly higher dependence at 56%. Furthermore, more developed regions tend to have lower fiscal dependence, whereas less developed regions in the Mezzogiorno display higher dependence.

Figure 5 illustrates the four indicators derived from equations (1) to (4) calculated using data from the municipalities within each of the 21 regional entities and then aggregated at the regional level. *RevNoTra* and *OwnRev* coincide by construction in this case, as the only difference between them is the corporate income tax (*R1I1*), which is not present at the municipal level.

Figure 5 - Revenue composition of the Italian municipal governments, by region

Note: The indicators are shown on a scale of 0 to 100, which enables them to be interpreted as percentages. The six regions with special statute are shown on the left and the regions with ordinary statute are shown on the right. Within these two groups, the regions are ordered from left to right according to their GDP per capita levels (average for the period 2017–2021, in current prices). This also reflects a geographical distribution from north to south as we move to the right along the axis. The dotted lines show the averages for each group of indicators in their respective colours.

Examining the own revenue components at the municipal level in Italy offers a contrasting perspective to the regional analysis. Unlike the regional data, the municipal data does not exhibit an immediately evident dual pattern that distinguishes regions based on their constitutional statute. On average, the relationship between ordinary and special statute regions is reversed, with ordinary statute regions averaging slightly above special statute regions in terms of their own revenue components. Overall, Figure 5 suggests that municipal fiscal capacities are moderately influenced by the constitutional distinction governing their region's statute, although this influence is not negligible. Other socio-economic and administrative factors may also play an important role.

A notable finding is the negative correlation between revenue shares and levels of development, which is evident in both groups of regions and across the entire set. This trend mirrors the patterns observed at the regional level and highlights the persistent north–south development divide. Among ordinary regions, there is a significant disparity between northern and southern municipalities, with differences of 22 percentage points for *RevNoTra* and 16 percentage points for *OwnTaxRev*. This stark contrast highlights the uneven distribution of fiscal capacities and economic development across Italy, with southern municipalities lagging behind their northern counterparts.

The figure also highlights the importance of revenues not derived from taxes, such as user fees, charges and income from asset management, at the municipal level. Unlike regional data, where these non-tax revenues were negligible, municipal data show that they constitute a significant proportion of total revenues. Specifically, these non-tax revenues account for an average of 10% of total revenues in special statute regions and 7% in ordinary regions. This suggests that municipal governments have a greater ability or necessity to diversify their revenue sources beyond taxes than regional governments do. This may reflect local needs, service provision or administrative strategies. Additionally, Figure 5 shows that user fees, charges, and income from asset management play a more relevant role in the more developed northern regions of the country, where the difference between *RevNoTra* and *OwnTaxRev* averages at 11 percentage points (irrespective of the regional statute). In southern regions, the difference is around four points. This, in turn, suggests that administrations that are already more dependent on fiscal transfers have limited capacity to leverage these types of own sources.

The fiscal dependence indicator at the municipal level also shows a different pattern to that seen in the regional analysis. In the municipal context, special statute regions exhibit high levels of fiscal dependence, with municipalities in these regions receiving a significant proportion of their funding from the regional government. Intergovernmental transfers represent far more than 40% of revenues for municipalities in Sardinia, Friuli and Aosta Valley, compared to an average of slightly more than 20% for ordinary regions. This indicates that municipalities in special statute regions are more dependent on regional transfers than municipalities in ordinary regions. Consequently, fiscal dependence at the municipal level does not correlate with regional development levels as measured by GDP per capita.

4.3 Revenues and expenditures dynamics: the vertical fiscal imbalances

We introduce two additional indicators designed to study the relationship between revenues and expenditure, as a means of analysing vertical fiscal imbalances (VFI) as labelled in the existing literature (de Mello, 2000; Sharma, 2012; Eyraud and Lusinyan, 2013). We propose two VFI indicators: the first one considers all own revenues, while the second considers only own tax revenues.
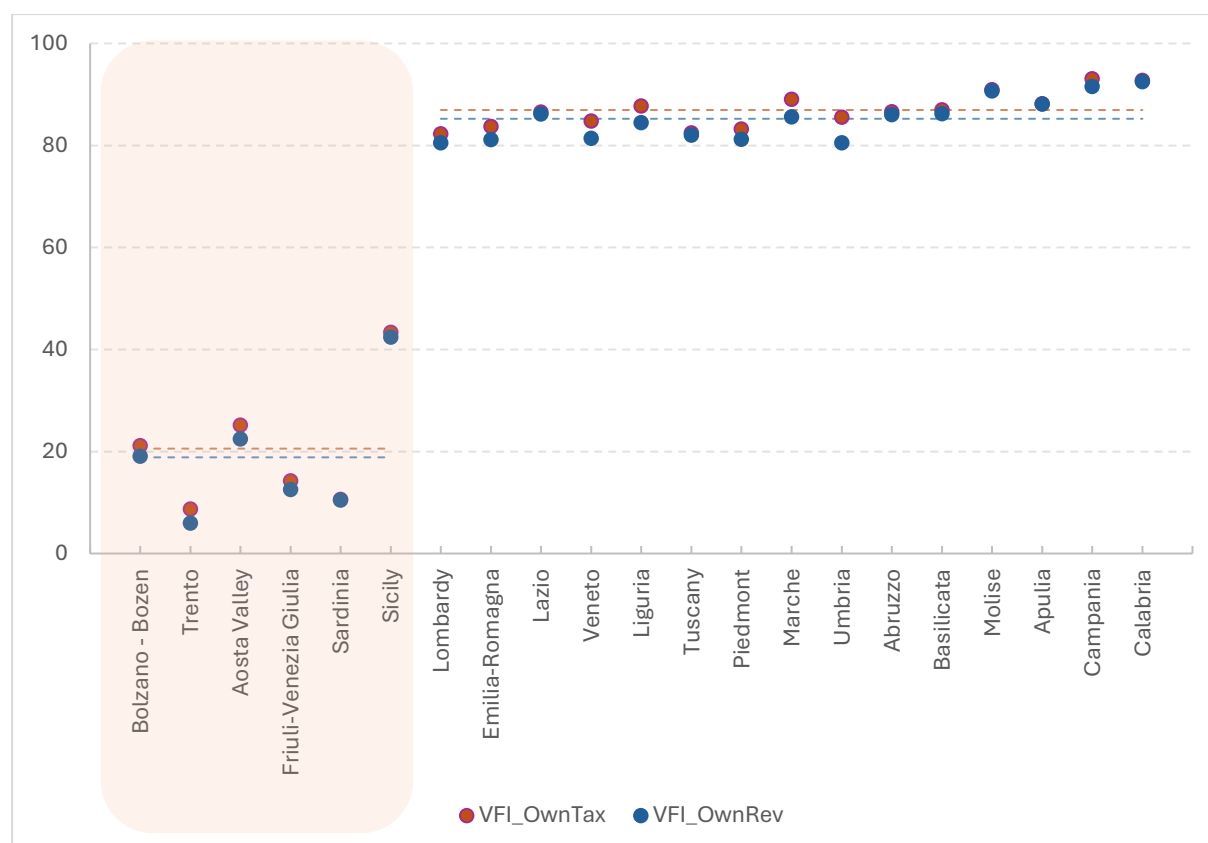
$$VFI\_OwnRev = 1 - \frac{Own\ tax\ revenues + other\ own\ revenues}{Total\ expenditure} =$$

$$1 - \frac{R112 + R114 + R115 + R13 + R14}{E1} \qquad (5)$$

$$VFI\_OwnTax = 1 - \frac{Own\ tax\ revenues}{Total\ expenditure} = 1 - \frac{R112 + R114 + R115}{E1} \qquad (6)$$

The numerator of equation (5) is the same as that of equation (2), and the numerator of equation (6) is the same as that of equation (3). The denominator is subnational expenditure (*E1*), as defined in the REGOFI and MUNIFI and Istat databases. These two indicators measure the degree of fiscal dependence of regional or municipal governments by comparing their revenue-generating capacity with their expenditure responsibilities. A lower value of *VFI_OwnRev* or *VFI_OwnTax* suggests that a region has a greater ability to finance its spending through its own revenue sources, indicating lower vertical fiscal imbalance and greater fiscal autonomy. Conversely, a higher value implies that the government examined relies more heavily on transfers from higher levels of government to meet its expenditure needs, indicating higher vertical fiscal imbalance and lower fiscal autonomy.

The dual pattern that was evident in Figure 4 is visible again in Figure 6, with the VFI indicators showing a stark contrast between special and ordinary statute regions. Specifically, special statute regions have an average VFI indicator of around 20%, indicating a relatively high degree of fiscal autonomy and self-sufficiency. In contrast, ordinary statute regions exhibit much higher VFI values, averaging at more than 85%. This divide is even slightly more pronounced than that observed in Figure 4, emphasising the significant impact of constitutional distinctions on regional fiscal capacities.

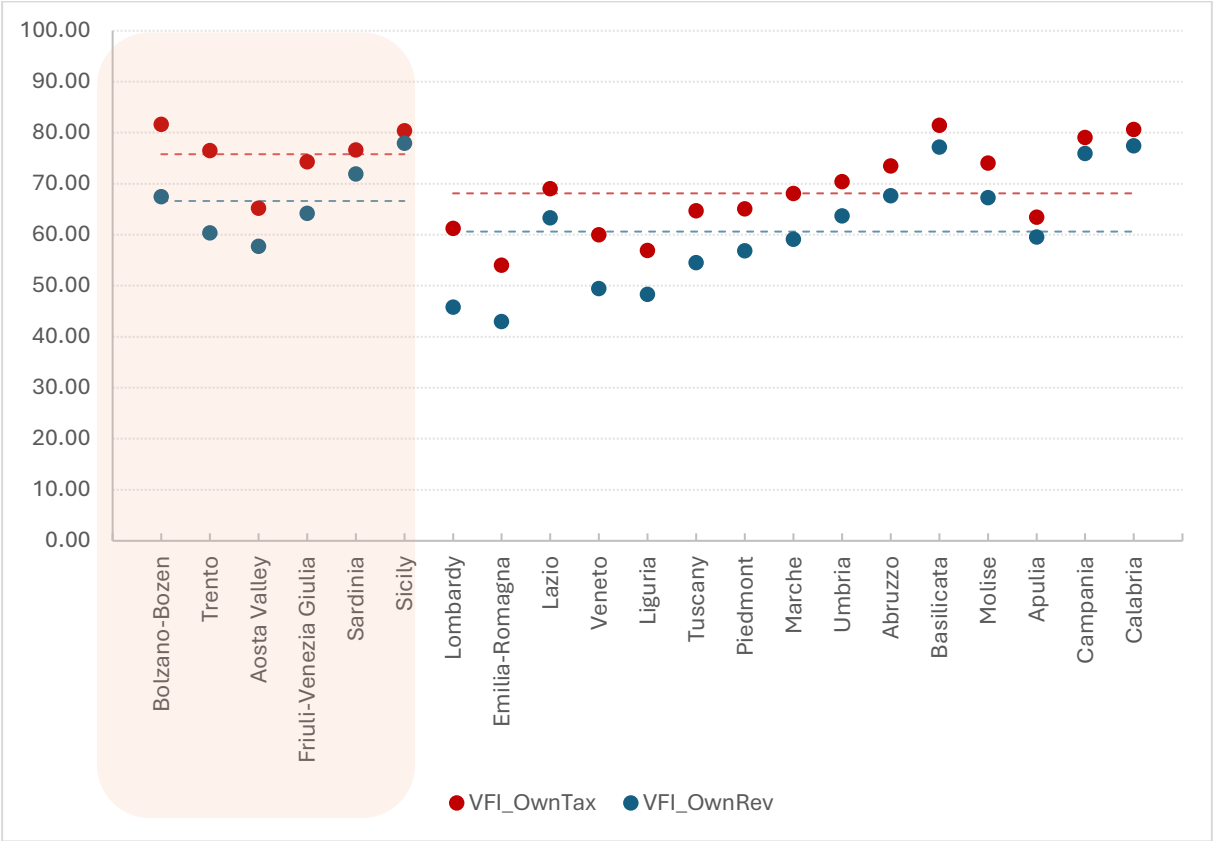Figure 6 - Vertical fiscal imbalances indicators, regional governments

Note: The indicators are shown on a scale of 0 to 100, which enables them to be interpreted as percentages. The six regions with special statute are shown on the left, and the regions with ordinary statute are shown on the right. Within these two groups, the regions are ordered from left to right according to their GDP per capita levels (average for the period 2017–2021, in current prices). This also reflects a geographical distribution from north to south as we move to the right along the axis. The dotted lines show the averages for each group of indicators in their respective colours.

Beyond the constitutional divide, the figure also highlights the influence of the development divide, although this trend is less pronounced. There is a positive correlation from left to right, with regions in the Mezzogiorno consistently showing above-average values for both VFI indicators. This suggests that less developed regions rely more heavily on transfers from higher levels of government to meet their expenditure needs. Regions such as Campania and Calabria, as well as Sicily (despite its special statute), exhibit particularly high VFI values, with their own revenues covering only 7–8% of total expenditure in Campania and Calabria. Among ordinary regions, the disparity between the north and south is evident, with differences of 7 percentage points for *VFI_OwnTax* and 5 percentage points for *VFI_OwnRev*.

Additionally, the figure shows that there is almost no difference between the two VFI indicators. This proximity underscores the marginal contribution of non-tax own revenues,

including user fees, charges, and income from asset management, to the overall revenue composition (as already observed above). This observation emphasises the predominant reliance on tax revenues (and transfers) within regional fiscal structures, suggesting that efforts to enhance fiscal autonomy should focus on expanding the tax base or improving tax administration rather than relying on non-tax revenue sources.

Figure 7 - Vertical fiscal imbalances, municipal governments, by region

Source: Authors' elaborations on data from the OECD REGOFI and MUNIFI databases (Oct. 2025), ISTAT and EUROSTAT.
Note: The indicators are shown on a scale of 0 to 100, which enables them to be interpreted as percentages. The six regions with special statute are shown on the left, and the regions with ordinary statute are shown on the right. Within these two groups, the regions are ordered from left to right according to their GDP per capita levels (average for the period 2017–2021, in current prices). This also reflects a geographical distribution from north to south as we move to the right along the axis. The dotted lines show the averages for each group of indicators in their respective colours.

The VFI indicators calculated with municipal data are shown in Figure 7. They reveal continuities and divergences with the evidence emerging for the regional government level. Notably, the dual pattern based on the regional constitutional statute is not immediately evident when considering municipal expenditure covered by its own revenue sources. On average, the relationship between ordinary and special statute regions has reversed, with municipalities in

ordinary statute regions averaging below those in special statute regions in terms of VFI indicators. This confirms that municipal fiscal capacities are moderately influenced by the constitutional distinction governing their region's statute, and that other factors also play a role.

The figure also reveals negative correlations between the VFI indicators and the levels of development in both groups of regions and across the whole set; the correlation is strongest in the case of *VFI_OwnRev*, at -0.7.[7] For ordinary statute regions, this correlation is as stark as in the regional government case, underscoring the persistent north–south development divide in Italy. Among ordinary regions, there is a significant disparity between northern and southern municipalities, with differences of 22 percentage points for *VFI_OwnRev* and 16 percentage points for *VFI_OwnTax*. This substantial gap indicates that southern municipalities face greater fiscal challenges and rely more heavily on external transfers to meet their expenditure needs than their northern counterparts do.

Moreover, the figure highlights the importance of own revenues not derived from taxes at the municipal level. Unlike regional data, where their own non-tax revenues were negligible, municipal data show that they are significantly lower *VFI_OwnRev* compared to *VFI_OwnTax*. Specifically, the *VFI_OwnRev* indicator is nine percentage points lower than *VFI_OwnTax* in special statute regions, and seven percentage points lower in ordinary regions. This discrepancy suggests that municipalities have a greater ability or necessity to diversify their revenue sources beyond taxes, potentially reflecting local needs, service provision or administrative strategies. This finding highlights the importance of considering a wide range of revenue sources when evaluating municipal fiscal capacity and autonomy. As noted for Figure 5, Figure 7 shows that user fees, charges, and income from asset management play a more relevant role in the more developed northern regions of the country, where the difference between the two VFI indicators averages at 11 percentage points (irrespective of the regional statute). In southern regions, the difference is less than four points. This, in turn, confirms that administrations that are already more dependent on fiscal transfers have limited capacity to leverage these types of own sources.

4.4 Public services to citizens: evidence across territories

This section analyses per capita expenditure (*PCExp*, obtained by dividing total public expenditure, *E1*, by population) at the regional and municipal levels (aggregated by region),

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[7] Please note that the regions on the x-axis in Figure 7 are listed in descending order of GDP per capita from left to right. This means that the positive trend observed in the chart actually indicates a negative correlation.

separately considered.[8] Figure 8 shows the per capita expenditure of the regional government and the aggregate municipal government by region.

Figure 8 - Per capita public expenditure, regional and municipal governments

Note: The six regions with special statute are shown on the left, and the regions with ordinary statute are shown on the right. Within these two groups, the regions are ordered from left to right according to their GDP per capita levels (average for the period 2017–2021, in current prices). This also reflects a geographical distribution from north to south as we move to the right along the axis. The dotted lines show the averages for each group of indicators in their respective colours.

At the regional level, per capita expenditure is notably higher than at the municipal level, primarily due to healthcare spending, which constitutes the largest proportion of regional expenditure. Special statute regions have significantly higher per capita expenditure, averaging 2.5 times that of ordinary statute regions. However, there is substantial variability within the

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[8] Note that summing the two levels would result in an unconsolidated figure that would likely overestimate the actual expenditure.

group of special statute regions. For example, territories such as Bolzano, Trento and Aosta Valley spend around 2.5 times more per capita than Sicily. Conversely, Sicily's per capita expenditure is comparable to that of ordinary regions, suggesting that developmental factors and administrative efficiencies may influence expenditure patterns. There does not appear to be a clear correlation between per capita expenditure and development levels in ordinary regions. This suggests that regional service provision, as measured by per capita expenditure, is not influenced by development level, at least in nominal terms.

By contrast, municipal per capita expenditure shows a high degree of stability across all regions, with no clear correlation to statutory characteristics or levels of development. This suggests that municipal spending may be influenced more by local needs and administrative practices than by constitutional distinctions or economic development. The uniformity of municipal per capita expenditure across regions reveals that municipal service provision is not influenced by development level, at least in nominal terms.

We could speculate that the complex, multi-level architecture of subnational finance that we have examined so far proves itself to be effective in guaranteeing a level of public services that is independent of development levels. However, it is important to note that this chart only provides a preliminary descriptive overview. Further in-depth analysis is required to uncover the underlying mechanisms and factors driving these expenditure patterns, particularly concerning the efficiency with which nominal expenditure is transformed into actual services, and the quality of service provision in general.

5. Concluding remarks

This paper provides a comprehensive analysis of fiscal decentralisation in Italy, using the latest OECD REGOFI and MUNIFI data, supplemented with ISTAT and Eurostat data where necessary. Our findings highlight the ongoing asymmetry in Italy's fiscal decentralisation process, which is influenced by the existence of special and ordinary regimes, varying fiscal capacities, and different political demands. This asymmetry has significant implications for public service delivery, economic development and regional cohesion.

The constitutional statute of the regions is the main source of asymmetry in regional public finance: special statute regions have much higher fiscal autonomy and self-sufficiency than ordinary statute regions. At the regional level, the proportion of own revenues to total revenues is, on average, five times higher in special-statute regions (75%) than in ordinary-statute regions (14%). Consequently, fiscal dependence is seven times higher in ordinary regions (56%) than

in special regions (7%), and the level of vertical fiscal imbalance is more than five times higher in ordinary regions. Also, when considering the development gap along the north-south geographical axis, we observe a significant asymmetry across regions, with more developed ones showing almost double the revenue autonomy and lower vertical fiscal imbalance.

At the municipal level, the constitutional divide observed at the regional level is much less pronounced, and the pattern is reversed. Municipalities in ordinary statute regions marginally outperform those in special statute regions in terms of own revenues and vertical fiscal imbalance. This results in a distinct pattern of 'autonomous regions and dependent municipalities' versus 'dependent regions and autonomous municipalities'. Non-tax revenue, such as user charges and fees, plays a significant role only at the municipal level, accounting for up to 10% of revenue. Notably, such revenues crucially depend on the level of development: this suggests sub-national governments that are already more dependent on fiscal transfers have limited capacity to leverage these types of own sources.

Per capita expenditure, a proxy for service provision, is higher at the regional level due to healthcare management. Special statute regions generally have higher per capita expenditure, but there is considerable variability within this group. The 'very special' regions of Bolzano, Trento and Aosta Valley spend significantly more than Sicily, which is more similar to ordinary regions. This highlights a further dimension of heterogeneity in service provision. Meanwhile, per capita municipal expenditure remains fairly consistent across regions, indicating that the complex and asymmetric architecture of subnational finance effectively reduces disparities in expenditure development, except in the 'very special' regions.

From a policy perspective, the practical risk of significant differentiated autonomy is abandoning policies that favour convergence towards common healthcare service standards and intensifying territorial divides and disparities. For instance, it is reasonable to anticipate an exacerbation of patient mobility towards the central and northern regions of the country, which would have negative consequences for the citizens of these regions due to congestion issues (Bordignon et al., 2024). Therefore, there are compelling reasons to suggest that differentiated autonomy could produce the paradoxical outcome of displeasing everyone.

Our analysis contributes to the broader literature on fiscal decentralisation by demonstrating the usefulness of the REGOFI and MUNIFI datasets, in combination with official statistical sources, in revealing intricate fiscal dynamics at a subnational level. Future research should continue to explore the political and institutional factors shaping Italy's fiscal decentralisation landscape, as well as potential policy interventions to mitigate the effects of asymmetry.

Comparative analyses with other OECD countries could provide valuable context for understanding the unique challenges and opportunities Italy faces in pursuing efficient and equitable fiscal decentralisation.

In light of ongoing debates about modernising Italy's public administration and allocating fiscal responsibilities, our findings highlight the importance of recognising and addressing asymmetries in Italy's fiscal decentralisation process. A more balanced and equitable approach could foster greater regional cohesion, promote more inclusive economic development and ensure consistent service standards across Italy.

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Appendix

Table A1 – Descriptive information on 19 Italian regions and 2 autonomous provinces.

NUTS2 region	Constitutional statute	Geographical position	GDP per capita (euro, current)	Population (thousands)
Bolzano-Bozen	S	North	47,362	531
Trento	S	North	38,417	543
Aosta Valley	S	North	38,008	125
Friuli-Venezia Giulia	S	North	31,980	1,207
Sardinia	S	South	21,444	1,613
Sicily	S	South	18,122	4,893
Lombardy	O	North	39,564	9,993
Emilia-Romagna	O	North	36,204	4,448
Lazio	O	Centre	34,444	5,756
Veneto	O	North	33,398	4,876
Liguria	O	North	31,899	1,530
Tuscany	O	Centre	31,511	3,698
Piedmont	O	North	31,319	4,316
Marche	O	Centre	27,758	1,513
Umbria	O	Centre	25,902	871
Abruzzo	O	South	25,247	1,295
Basilicata	O	South	22,749	555
Molise	O	South	21,529	301
Apulia	O	South	19,208	3,967
Campania	O	South	19,043	5,708
Calabria	O	South	17,462	1,897
TOTAL			1,765 (billion euro, current)	59,636

Source: Authors' elaborations on European Commission ARDECO database, OECD REGOFI-MUNIFI database, Istat.
Note: data are annual averages over the period 2017-2021.