

Local government and political turbulences: evidence from municipality commissionerhip in Italy

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Abstract

Purpose – In the debate on the determinants of the local government financial performance, much of the literature has focused on political factors, such as mayor profile, political ideology, political fragmentation and incumbent elections. Rather than examining how politicians behave under political interests, This paper aims to observe financial performance in the absence of electoral incentives, focusing on municipality commissionerhip established by Italian law.

Design/methodology/approach – Using a sample of Italian municipalities commissioned between 2017 and 2020, the study compares trend across and after the commissionerhip adopting the paired Wilcoxon signed-rank test on selected financial measures encompassing 2016–2022. The assessment of the financial performance involved four main dimensions: i) autonomy, ii) liquidity, iii) operating performance and iv) collection efficiency.

Findings – The findings confirm an overall improvement, which confirms that even in a limited timeframe, a commissioner can implement decisions that lead to more efficient financial performance. However, the most significant improvements were observed particularly after the commissionerhip, suggesting that the influence of the commissioner extends beyond their tenure. The financial dimensions most impacted were autonomy, liquidity and collection efficiency.

Originality/value – While many studies explored the incidence of turbulences such as Covid-19, this study focuses on the effects of political turbulences, exploring what occurs when an independent commissioner replaces political representative, and whether this change mitigates politician-driven inefficiencies. Indirectly, the study contributes to the broader understanding of the incidence of political factors affecting local government financial performance and offers insights into their scale and implications.

Keywords Local government, Financial performance, Political factors, Municipality commissionerhip, Italy

Paper type Research paper

Introduction

In the realm of New Public Management (NPM), the financial performance of local governments is considered a core element of accountability and transparency (Carmeli, 2002; Potter, 2005),



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servicing as both a managerial and political measure of effectiveness (Chapman, 2008; da Cruz and Marques, 2014; Puron-Cid and Gil-Garcia, 2022). Attempting to understand the drivers of financial performance, prior literature concentrates either on fiscal autonomy (Kappeler and Vällilä, 2008; Grisorio and Prota, 2015) or on political determinants (Fiva and Natvik, 2013; Goeminne and Smolders, 2014), often failing to consider both types of factors at the same time. In this debate, the political determinants, meant as internal factors related to politics, mayor profile, elections and periods around the elections, were extensively explored (Fiva and Natvik, 2013; Goeminne and Smolders, 2014). A case study analysis conducted by Guarini (2016) pointed out how politicians orient public opinion by opportunistically using financial information. The study explains three main approaches:

- (1) creating a perception of the financial crisis to justify claims for additional transfers and for constraints to be bypassed;
- (2) depicting a government in lousy shape to blame the incumbent coalition and obtain a political advantage; and
- (3) explaining the need for cutbacks in spending. The political scenario was also concerned about the reliability of financial information (Domingos et al., 2022).

In that regard, recent studies in the Portuguese context found that municipalities are likely to engage in earnings management practices because of political competition and reelection (Ferreira, 2024; Ferreira et al., 2020). To address associated criticalities, external specialists could enhance the usefulness of accounting information (Budding and Helden, 2022; Buylen and Christiaens, 2015; Faber and Budding, 2022).

Addressing the call by Goeminne and George (2019) for further explorations on the determinants of financial performance at local governments, this study involves a sample of Italian local governments in the hands of a commissioner. According to Italian law, municipality commissionership is established when the mayor and the entire council are replaced by an independent commissioner appointed by the Prefetto (the local representative of the Internal Affairs Ministry), because of specific circumstances or severe political issues.

While the macroeconomic turbulences, such as those coming from COVID-19, have been extensively explored recently (Ahrens and Ferry, 2020; Grossi et al., 2020; Padovani et al., 2022), the incidence of political turbulences has been focused on the mediating role of political incentives, ideological orientations and electoral cycles. Therefore, much is known about how politicians seek to influence financial variables for their own benefit, while far less is understood about financial performance in their absence. To fill this gap, this study explores what happens to financial performance when those incentives are institutionally removed. Besides observing how local financial performance under this circumstance, it also introduces an underexplored paradoxical accountability challenge (Rana et al., 2025), providing insights for theories typically grounded in the assumption of electoral competition.

Our findings reveal that the intervention of the commissioner is associated with an improvement in the financial performance of the local government. Such an improvement is observable particularly after commissionership finishes. The most affected dimensions are autonomy – mainly non-tax autonomy, liquidity and collection efficiency. As a combined effect of the increased performance in these dimensions, an overall improvement on the expenditure side is observed both during the commissionership and in the postcommissionership. Ultimately, the analysis offers an opportunity for a reflective discourse on the ends and means of governments (Dunn and Miller, 2007). Indeed, improving public administration performance requires strengthening accountability mechanisms (Pollitt and Bouckaert, 2011). As such, it is grounded in the critical tension between political accountability and financial sustainability in

local governments. From this perspective, this study embraces accountability as a mean to first-order objectives such as responsibility, trustworthiness, autonomy, democracy and pluralism (Brown and Dillard, 2013). Thus, the critical dialogic accounting and accountability, which addresses politics and power relations to foster transformative change (Tanima *et al.*, 2023), represents a valuable conceptual framework. In particular, dialogic accountability-based accounting (Dillard and Vinnari, 2019) – despite dealing with social and environmental accounting – promotes a conservative understanding of accountability as a mechanism to safeguard the interests of both the principal and the agent in an agency relationship. As observed in this study, the distance between the principal (citizens) and the agent (the major) can be overamplified by particular circumstances (as the commissionership), reinforcing the need for a dialogic approach. Finally, accordingly with Domingos *et al.* (2022), we also assume that the absence of political pressures in the budgeting process contributes to increasing the trustworthiness of accounting information.

The paper is organized as follows. Section 2 summarizes the primary evidence from the literature on financial performance at a local level and the relevance of political factors in explaining it. Section 3 introduces the hypothesis underlying the analysis. Section 4 addresses the methodology, explaining the method, the variables used and expected trends. Section 5 presents the main results, and Section 6 discusses the evidence achieved and gets back to the prominent literature that frames this study. Finally, Section 7 offers concluding remarks, opens up avenues for further research and points out the limitations of the study.

Research background

The literature on public sector accounting at a local level has been characterized by two main research strands. The first focused on identifying frameworks and financial ratios to assess the financial performance of local governments (Hrůza, 2015; Iacuzzi, 2022; Rivenbark and Roenigk, 2011; Turley *et al.*, 2015). The second aimed at assessing the most significant determinants that influence financial performance (Goeminne and George, 2019).

Within this second strand, several scholars have emphasized the need to further explore the role of political and institutional variables (Bastida *et al.*, 2009; Rodríguez Bolívar *et al.*, 2018). Particular attention is given to the role of the individual who governs the municipality and the mechanisms that rule the citizens' representativeness, reflecting the significant shift in public administration (Blau, 1963) that marked the transition from the traditional bureaucratic model to the NPM paradigm. As demonstrated by Brühlhart and Jametti (2019), when citizens have greater direct-democratic influence over tax decisions – rather than relying on delegated fiscal authority – policies tend to align with median voter preferences, leading to reduced public spending. In contrast, Craw (2008) suggested that under delegated authority, even accountability-enhancing institutions may unintentionally enable rent-seeking – as the art of manipulating public policy for pursuing self-interests – and distortions that drive government spending upward.

Following this perspective, a growing body of research has investigated how ruling political institutions affect the financial performance of local governments (Giroux and McLelland, 2003; Rodríguez Bolívar *et al.*, 2018; Walker and Boyne, 2006). Some studies have applied the lens of “partisan politics” theory to examine the magnitude of political ideology (Bastida *et al.*, 2022; Bräuning, 2005; Garcia-Sanchez *et al.*, 2012), including its implications for financial transparency (Krah and Mertens, 2020). According to this theory, left-wing parties are generally more inclined to increase public spending than their right-wing counterparts (Hibbs, 1994). However, empirical results remain mixed when ideology is tested against variables such as total spending, debt accumulation and fiscal policy (Garcia-Sanchez *et al.*, 2012; Białek-Jaworska and Kopańska, 2023).

Instead, [Rodríguez Bolívar *et al.* \(2018\)](#) focused on the political-institutional factors (i.e. the mayor profile) and their intersection with financial sustainability, finding that certain characteristics, such as the gender and professional background of the mayor, significantly influence fiscal outcomes. Specifically, municipalities led by women showed a negative association with financial sustainability, whereas mayors with an economic background were associated with more favorable fiscal outcomes. These findings were corroborated by [Cuadrado-Ballesteros *et al.* \(2022\)](#), who observed that female leadership fosters more optimistic revenue budgeting practices, ultimately worsening financial conditions. However, the authors also found that when women held a relatively high number of council seats, a shift toward more conservative budgeting was observed, improving the fiscal stance.

Further evidence from [Rodríguez Bolívar *et al.* \(2018\)](#) and [Navarro-Galera *et al.* \(2020\)](#) highlighted the influence of political-related factors, including political strength, fragmentation, ideological alignment across government levels and the number of years a party has been in power. These factors were found to positively affect financial sustainability. [Donatella \(2020\)](#) also emphasized the role of political competition, showing that financial performance is more likely to be adjusted in the presence of electoral pressure and rivalry between governing and opposition parties.

Still within the political domain, another stream of research has focused on financial performance within the political budget cycle. Originally formulated by [Nordhaus \(1975\)](#), this theory posits that politicians, motivated by reelection, may manipulate fiscal instruments, such as taxes, spending and borrowing, in the run-up to elections, capitalizing on voter myopia and limited responsiveness. Empirical studies have confirmed this behavior ([Brender and Drazen, 2008](#); [Drazen and Eslava, 2010](#); [García-Sánchez *et al.*, 2014](#); [Ramanna and Roychowdhury, 2010](#); [Repetto, 2018](#); [Shi and Svensson, 2006](#)), including in state-owned enterprises ([Capalbo *et al.*, 2021](#); [Inoue, 2020](#)).

The political budget cycle literature is grounded in the theory of asymmetric information between voters and politicians ([Rogoff and Sibert, 1988](#)). In this view, voters lack sufficient information to assess competence and therefore favor politicians who implement short-term, popular policies – such as tax cuts – regardless of long-term consequences. This informational asymmetry has led many scholars in this field to interpret findings through the lens of agency theory ([Jensen and Meckling, 1976](#)).

Accordingly, politicians can orient fiscal policies to pursue their own reelection interests ([Musgrave and Musgrave, 1976](#)). From the perspective of public choice theory, [Buchanan \(1967\)](#) argued that politicians shape voter preferences by increasing public spending and cutting taxes, with minimal concern for the costs associated with rising debt. By appearing to offer more services at lower costs. Using the same theoretical approach and emphasizing the concept of accountability, [Karatzimas and Griful Miquela \(2019\)](#) analyzed the effects of stringent fiscal rules in Catalan municipalities. They found that tighter constraints could reduce the capacity of politicians to appeal to voters, limiting their room for manipulations and their chances of reelection. In contrast, [Brender and Drazen \(2008\)](#) found evidence suggesting that voters tend to be fiscally conservative and may actually penalize expansionary fiscal policies, irrespective of the source of the resources employed. A broader consensus in the literature ([Benito *et al.*, 2021](#); [Bracco *et al.*, 2019](#); [Estrada and Bastida, 2023](#); [Ferraresi, 2021](#); [Rogoff, 1990](#); [Veiga *et al.*, 2007](#)) suggests that the more visible a policy measure is, the greater its potential influence on voter preferences. Main evidence from the relevant literature is summarized in [Table 1](#).

Indirectly, this body of literature also confirms the role of accounting information, fiscal rules and professional expertise in constraining opportunistic behavior and improving financial outcomes ([Budding and Helden, 2022](#); [García-Sánchez *et al.*, 2014](#); [Turley *et al.*, 2015](#)).

Table 1. Main evidence from the literature about the political determinants of the financial performance of local governments

Political determinant	Main evidence	Main reference(s)
Political ideology	Left-wing parties are generally more inclined to increase public spending; however, empirical findings are mixed regarding spending, debt, and fiscal policy	Hibbs (1994); Garcia-Sanchez <i>et al.</i> (2012); Białek-Jaworska and Kopańska (2023); Bastida <i>et al.</i> (2022)
Mayor profile	Female mayors are associated with lower financial sustainability; mayors with an economics background achieve better fiscal outcomes	Rodríguez Bolívar <i>et al.</i> (2018); Cuadrado-Ballesteros <i>et al.</i> (2022)
Council composition	A higher proportion of women in the municipal council is associated with more conservative budgeting and improved financial performance	Cuadrado-Ballesteros <i>et al.</i> (2022)
Political strength and fragmentation	Strong majorities, low political fragmentation, and ideological alignment across government levels positively affect financial sustainability	Rodríguez Bolívar <i>et al.</i> (2018); Navarro-Galera <i>et al.</i> (2020)
Political competition	Increased political competition leads to greater financial discipline	Donatella (2020)
Political budget cycle	Politicians may manipulate spending, taxation, and borrowing before elections to gain voter support; effects vary with policy visibility and institutional context	Nordhaus (1975); Brender and Drazen (2008); Drazen and Eslava (2010); Veiga <i>et al.</i> (2007); Rogoff (1990)

Source(s): Authors' elaboration

Taking all these insights together, the present study aims to propose an alternative perspective for understanding what happens under a specific and understudied form of political turbulence: the commissionership, which entails a temporary absence of political power and democratic representation. In the absence of competing and/or conflicting interests of the authors, the commissionership mechanism in Italy provides a unique quasi-experimental setting to observe how local financial performance evolves when political power and the associated incentives are suspended. Unlike similar mechanisms in other jurisdictions (i.e. Delegation spéciale in France, Comisión gestora in Spain, Staatskommissar/Beauftragter in Germany, State Takeover in the USA), Italian commissioners are involved throughout the entire budget cycle, significantly influencing the local financial management.

This phenomenon thus offers a valuable lens for assessing how the removal of elected political actors – along with their ideologies, strategic behaviors and accountability mechanisms – affects local financial performance. The temporary replacement of elected politicians with technocratic or bureaucratic actors may also alter accountability relationships and decision-making logics (Tanima *et al.*, 2023), prioritizing financial equilibrium over political responsiveness. This shift thereby raises critical questions regarding democratic legitimacy and stakeholder representativeness, which have been explored within critical and dialogic accountability literature (Roberts, 2002). Theoretically, the appointment of a commissioner might represent a step back to bureaucracy, grounded on criticisms moved to NPM and Neo-Weberian State (Dunn and Miller, 2007). Instead, it breaks the vicious circle

triggered by inappropriate political conduct, under the aim of reestablishing order and trust (Kuhlman, 2024). Similar mechanisms, like the State takeover in US financially distressed municipalities, where an emergency financial manager takes the control of decision-making, have shown an improved financial outcomes, although only for a limited time (Singla *et al.*, 2023).

Hypotheses development

The Italian public sector currently comprises 7.896 municipalities across 20 Regions. The Consolidated Text on the Organization of Local Authorities (Legislative Decree 267 / 2000, art. 141) introduced the commissionership of local governments, establishing the replacement of the mayor and the dismissal of the entire council. Accordingly, it is applied when one of the following circumstances occurs:

- Failure of the city council to act under the Constitution or relevant laws;
- inability to ensure the normal functioning of governmental bodies and services due to factors such as the permanent impediment, removal, disqualification or death of the mayor;
- resignation of the mayor;
- reduction of the city council to half of its members, with no possibility of filling the vacant position; and
- the financial documents were not approved on time.

The Prefetto appoints the commissioner to replace the entire city council. The law does not define strict expertise requirements for eligibility, but the designated person generally comes from the Prefettura (i.e. the cabinet of Prefetto). The commissioner administrates the municipality until the next election, running ordinary and extraordinary operating activities to maintain or improve the financial performance. Excluding strategic documents approved across the commissionership, the commissioner rarely takes strategic decisions from a long-term perspective.

Another circumstance – excluded for the purpose of this study – that leads to commissionership relates to corruption and the direct or indirect relationship of local administrators with organized crime. This can compromise the independence of the elective and administrative bodies, and the regular operation of the services entrusted to them. In this case, the Prefettura designates a three-member committee in force for a longer period.

As not moved by electoral interests, the commissioner would even make unpopular decisions to restore the financial stance, addressing either current revenues or expenditures. Raising the fiscal rate or fines could represent a measure to improve financial performance (Benito *et al.*, 2021). On the expenditure side, improvements could be achieved by reducing discretionary spending (Darmastuti and Setyaningrum, 2019), which is often characterized by voter-friendly expenses (Drazen and Eslava, 2010).

In accordance with these premises, we assume that commissionership contributes to achieving higher short-term financial performance, by increasing the available financial resources or by more efficiently employing them. By improving autonomy and operating performance, the commissioner positively contributes to overall efficiency. Thus, we posit that:

- H1.* Commissionership is positively associated with the local government financial performance either by increasing current revenues or reducing discretionary current expenditures, thus improving autonomy and operating performance.

A more accurate estimation of revenues and expenditures would, in turn, improve liquidity and collection efficiency, thereby contributing to improve overall financial performance. Therefore, we hypothesize that:

H2. Commissionership is positively associated with the local government financial performance by improving liquidity and collection efficiency.

Table 2 illustrates our assumption regarding the responsibility for overseeing the financial performance throughout the analyzed periods.

Therefore, we longitudinally analyzed and compared the variation in selected financial items to test the following subhypothesis, reflecting expected directions of change across administrative phases:

- $\Delta T_0 T_{-1}$: the variation between the period when the commissioner is designed and the last period of administration by the replaced mayor to test the *influence* of the commissioner. Under the hypothesis of *influence*, we assumed that the commissionership is moderately associated with an improvement of the financial performance through adjustments on the budgeted values made by the replaced politician.
- $\Delta T_1 T_{-1}$: the variation between the second period administrated by the commissioner and the period before the commissionership, when the municipality was administered by the replaced mayor, to test the commissioner *dominance*. Under the hypothesis of *dominance*, we assumed that the commissionership is more significantly positively associated with financial performance, through a broader intervention in financial statements.
- $\Delta T_1 T_0$: the variation across the commissionership periods to test the commissioner *dominant influence*. The *dominant influence* test aims to assess the broadness of its intervention, assuming that the financial performance in the second period of commissionership further improves.
- $\Delta T_2 T_1, \Delta T_2 T_0$: the variation between the first post-commissionership year, administrated by the newly elected mayor and the commissionership period to test the hypothesis of *inversion*. Under the hypothesis of *inversion*, the expectation is that the trends assumed throughout the commissionership are inverted when the politicians come back.
- $\Delta T_2 T_{-1}$: the variation before and after the commissionership to assess the *residual effect* of the commissioner. The test on the *residual effect* assumes that the improvement coming from the intervention of the commissioner can also be observed after the commissionership.

Table 3 summarizes the expected trend of the commissioner influence across the periods under investigation.

Table 2. Assignment of the final budget before, across, and after the commissionership

The year before the commissionership	The year of commissionership	The year after the commissionership	The politician-led year after the commissionership
T_{-1}	T_0	T_1	T_2
<i>Financial performance overseen by:</i> Politician	Commissioner	Commissioner	Newly elected politician

Source(s): Authors' elaboration

Table 3. Expected trends of the commissioner incidence

Dimension/ indicator	Expected commissionership incidence	$\Delta T_0 T_{-1}$	$\Delta T_1 T_{-1}$	$\Delta T_1 T_0$	$\Delta T_2 T_1$	$\Delta T_2 T_0$	$\Delta T_2 T_{-1}$
		Influence	Dominance	Dominant influence	Inversion	Inversion	Residual effect
Autonomy	Tax autonomy	+	+	+	-	-	+
	Non-tax autonomy	+	+	+	-	-	+
	Financial autonomy	+	+	+	-	-	+
Liquidity	Payment ratio	+	+	+	-	-	+
	Collection ratio	+	+	+	-	-	+
Operating performance	Current expenditure per capita	-	-	-	+	+	-
	Tax revenue coverage ratio	+	+	+	-	-	+
	Non-tax revenue coverage ratio	+	+	+	-	-	+
	Current expenditure incidence ratio	-	-	-	+	+	-
Collection efficiency	Revenue arrears incidence ratio	-	-	-	+	+	-

Source(s): Authors' elaboration

Methodology

The study involves a longitudinal, within-municipality comparative analysis on the Italian municipalities affected by a one-year commissionership period between 2017 and 2020 to explore the evolution of the financial indicators before, during and after the commissionership. The intra-municipality approach helps reduce the influence of unobserved time-invariant heterogeneity. Nevertheless, the observation period partly overlaps with the COVID-19 pandemic, reflecting a phase of overlapping macroeconomic and political turbulence.

To assess financial performance, we adapted the framework developed by [Turley et al. \(2015\)](#), involving performance measures for liquidity, autonomy, operating performance and collection efficiency. These dimensions are the most significant for the scope of commissionership, respectively representing:

- the ability to manage short-term cash flows;
- the ability to become financially autonomous that higher government levels;
- the ability to run and adequately cover current operations; and
- the ability to increase revenue collection, decreasing arrears.

Given the short-term horizon of the intervention of the commissioner, the dimension of solvency included in the [Turley et al. \(2015\)](#) framework has yet to be considered. However, the combination of several measures in our framework allows the assessment of cash solvency, as defined by [García-Sánchez et al. \(2014\)](#). [Table 4](#) illustrates the framework adapted from [Turley et al. \(2015\)](#), the financial indicators employed and the related formula.

The test of the afore-introduced hypotheses has been carried out using the paired Wilcoxon signed-rank test ([King and Eckersley, 2019](#)) on the financial measures for the periods before, during and after the commissionership. Each Wilcoxon test compares the first member of a pair with the second, seeking an association. The Wilcoxon statistic indicates the sign of the differences and their statistical significance. Involving four subsamples (respectively, municipalities commissioned in 2017, 2018, 2019, 2020), we assume that each hypothesis is confirmed (C) or rejected (NC) when the same trend is observed across all the subsamples. A partial confirmation (PC) or rejection (PNC) is assumed when the same trend occurs in three out of the four. In the remaining cases, it is impossible to ascertain any trend as the results are mixed across subgroups.

Table 4. Financial performance measurement framework

Indicator	Financial indicator	formula
Autonomy	Tax autonomy	$\frac{\text{Tax Revenue Assessment}}{\text{Current Revenue Assessment}}$
	Non-tax autonomy	$\frac{\text{Non – tax Revenue Assessment}}{\text{Current Revenue Assessment}}$
	Financial autonomy	$\frac{\text{Tax + Non – tax Revenue Assessment}}{\text{Current Revenue Assessment}}$
Liquidity	Payment ratio	$\frac{\text{Expenditure payment}}{\text{Expenditure commitment}}$
	Collection ratio	$\frac{\text{Revenue collection}}{\text{Revenue assessment}}$
Operating performance	Current expenditure per capita	$\frac{\text{Current Expenditure Commitment}}{\text{Population}}$
	Tax revenue coverage ratio	$\frac{\text{Tax Revenue Assessment}}{\text{Current Expenditure Commitment}}$
	Non-tax revenue coverage ratio	$\frac{\text{Non – tax Revenue Assessment}}{\text{Current Expenditure Commitment}}$
	Current expenditure incidence ratio	$\frac{\text{Current Expenditure Commitment}}{\text{Total Expenditure Commitment}}$
Collection efficiency	Revenue arrears incidence ratio	$\frac{\text{Revenue Arrears}}{\text{Revenue Assessment}}$

Source(s): Authors' elaboration

Financial data are obtained from the AIDA PA Bureau Van Dijk database, hence the available ratios within each dimension defined by [Turley et al. \(2015\)](#) were involved into the analysis. Data on commissioned municipalities, instead, were derived from the database provided by the Italian Minister of Internal Affairs. The sample was constructed based on several criteria. First, the change due to the accounting reform in 2016 rendered data from earlier years noncomparable. Second, data about commissionership and financial data for 2023 were not yet available at the time of the analysis. Third, to ensure internal consistency and avoid potential differences in policy implementation, only commissionership of uniform duration were included. To that regard, the focus was placed on commissionership lasting one year, as this duration not only reflects the legal norm, but also represents the most frequent and thus most representative scenario within the observed phenomenon. Another inclusion criterion was represented by the date of the commissioner delegation. Only municipalities whose commissioner was appointed by September were included. This choice was made as the budget cycle with the last adjustments ends in November, allowing the commissioner to intervene. Finally, the sample does not include all municipalities with missing financial information.

The final sample comprises 215 commissioned municipalities from 2017 to 2020, providing 2795 observations. [Table 5](#) details the number of commissioned municipalities per year of analysis and some descriptive data.

Table 5. Sample composition

Year of commissioner-ship	No. of municipalities commissioned	Population: Mean	Population: SD	Population: min	Population: max
2017	68	8.659	15.867	78	82.694
2018	56	8.460	13.084	124	71.217
2019	55	11.115	23.166	42	118.046
2020	36	10.872	21.625	194	116.244

Source(s): Authors' elaboration

Results

Results for the different financial dimensions are summarized in dedicated tables, each of which reports the Wilcoxon test comparing pairs of financial periods. A positive statistic indicates an improvement in the financial indicator in the period shown at the top of the table relative to the comparator period listed on the side.

Autonomy

Compared to the preceding elected administrations, the commissioner-ship period is generally associated with an overall improvement in financial autonomy across all subsamples. This positive trend is particularly evident – and statistically significant – in the 2020 group during the first year under the commissioner, confirming the hypothesis of commissioner influence. In contrast, evidence regarding commissioner dominance in the second year is more nuanced. Excluding the 2018 group, the second year of commissioner administration shows significantly higher levels of autonomy than the final political year, supporting not uniformly the hypothesis of dominance. When comparing the two commissioner years, results are again mixed: the 2017 and 2019 subsamples suggest a persistent influence, whereas 2018 and 2020 indicate a more temporary effect limited to the first year. The stronger effects observed in the second year are likely driven by a more substantive involvement of the commissioner in the budgeting process than the marginal intervention through budget amendments in the first year.

Following the end of the commissioner-ship, a partial inversion of the previous gains is observed, as autonomy declined in three subsamples out of four (2017, 2019, 2020). Nonetheless, a residual effect of commissioner-ship is confirmed across all the subsamples, with three of the four subsamples that provide a statistically higher level of autonomy in the first political year after the commissioner. Tax and non-tax autonomy follow similar dynamics, although the latter exhibits stronger statistical significance, reflecting its greater weight in current revenues. Non-tax revenues, in particular, play a central role in explaining the observed positive association between commissioner-ship and the improved autonomy and operating performance of the municipality.

Table 6 provides the results from the observation of autonomy trends for each subsample.

Liquidity

In terms of liquidity, moderate improvements are observed during the commissioner-ship period compared to the preceding political administration. On the revenue side, the collection ratio increased consistently across all subsamples, confirming the hypothesis of commissioner influence. On the expenditure side, the payment ratio also improved in most subsamples (2017, 2018, 2020), although results are not uniform enough to establish a robust dominance effect.

Table 6. Wilcoxon test statistics on the autonomy indicators

Time	Autonomy											
	2017			2018			2019			2020		
	T ₀	T ₁	T ₂	T ₀	T ₁	T ₂	T ₀	T ₁	T ₂	T ₀	T ₁	T ₂
<i>Tax autonomy</i>												
T ₋₁	-1.053	-0.221	-0.030	2.728**	-0.063	4.334**	-1.666	5.009**	3.118**	4.112**	4.100**	3.651**
T ₀		0.023	0.147	-1.858	-1.909	4.286**	5.420**	4.286**	4.286**	-0.983	-0.558	-0.558
T ₁			-0.482	4.974**	4.974**	-2.074*						0.430
<i>Non-tax autonomy</i>												
T ₋₁	3.556**	2.691**	2.257*	-0.823	-0.910	2.774**	1.729	4.635**	2.831**	4.441**	2.170*	0.702
T ₀		0.447	0.281	-0.215	-0.215	3.595**	4.021**	4.021**	1.319	-2.523*	-2.523*	-3.778**
T ₁			-0.447	3.495**	3.495**	-3.254**						-2.421*
<i>Financial autonomy</i>												
T ₋₁	0.848	1.994*	0.914	1.715	-0.771	6.310**	-0.460	5.877**	4.647**	5.172**	4.545**	4.140**
T ₀		1.090	-0.044	-2.347*	-2.347*	5.950**	5.788**	5.788**	5.050**	-1.905	-1.905	-2.237*
T ₁			-1.017	6.380**	6.380**	-3.907**						-0.990

Note(s): Significance level: 1% **, 5% *

Source(s): Authors' elaboration

Interestingly, while the impact of the commissioner on revenue collection appears generally positive, in three subsamples (except for 2019) a slight reduction occurs in the second year, suggesting that the initial administrative adjustment may have produced the strongest effect. After the commissionership, municipalities governed by newly elected officials continued to show enhanced liquidity performance, particularly in revenue collection and payment capacity, relative to the precommissionership period. This persistence indicates a moderate but tangible residual effect of the commissioner's intervention.

Overall, liquidity measures show moderate and less uniform improvements compared to other dimensions. While gains in collection ratios are observed in most subsamples, their magnitude appears limited, suggesting that commissionership contributes in particular to stabilizing short-term cash flows.

[Table 7](#) provides the results from the observation of liquidity trends for each subsample.

Operating performance

The short-term management orientation of the commissioner is reflected in a higher share of current expenditure during the commissionership, especially in the 2017–2019 subsamples (statistically significant for 2018). These results partially confirm the hypotheses of commissioner influence and dominance, suggesting a focus on maintaining operational continuity and short-term financial stabilization. The 2020 subsample shows the opposite trend, tempering the robustness of these findings.

Following the commissionership period, all subsamples display a decline in the ratio of current to total expenditure, indicating a rebalancing of spending priorities and rejecting the inversion hypothesis. In terms of current expenditure per capita, the evidence partially supports the dominance and residual-effect hypotheses. In most cases, expenditures per capita decreased during and after the commissionership period, confirming the effort to rationalize expenditures.

Regarding the financing structure, the tax revenue coverage ratio improved in most subsamples (2017, 2019 and 2020), confirming partial dominance and a residual strengthening of fiscal capacity. The non-tax coverage ratio provides even stronger evidence, as all the subsamples show increases during the commissionership, with statistically significant improvements in 2017, 2019 and 2020. These results confirm both the influence and dominance of the commissioner in enhancing non-tax revenue collection. After the commissionership, a partial decline in non-tax coverage is observed, yet a statistically significant residual effect persists, particularly in the 2018 group.

[Table 8](#) provides the results from the observation of operating performance trends for each subsample.

Collection efficiency

Among all dimensions, the clearest and most consistent improvement emerges in collection efficiency, with effects that persist beyond the temporary suspension of the political regime. Starting from the second commissioner year, municipalities exhibit a marked and lasting reduction in revenue arrears, confirming both the dominance and dominant-influence hypotheses. The 2019 subsample, in particular, records statistically significant improvements.

Although results for the first commissioner year are more heterogeneous, the overall pattern indicates that relative to the previous elected administration, the commissionership period led to a significant enhancement in revenue collection capacity and a decline in arrears. Such a result indicates improved enforcement and reduced over-budgeting of revenues. Importantly, these gains were largely sustained one year after the commissionership, demonstrating a meaningful residual effect of the intervention. This persistence is statistically

Table 7. Wilcoxon test statistics on the liquidity indicators

Time	2017			2018			2019			2020		
	T ₀	T ₁	T ₂	T ₀	T ₁	T ₂	T ₀	T ₁	T ₂	T ₀	T ₁	T ₂
<i>Liquidity</i>												
<i>Payment ratio</i>												
T ₋₁	0.216	-0.021	0.490	1.638	-0.270	2.321*	-1.254	0.990	1.117	1.870	2.010*	1.647
T ₀		-0.598	0.055		-2.573*	0.772		3.101**	2.614**		0.037	0.021
T ₁			0.405			3.435**			-0.470			-0.669
<i>Collection ratio</i>												
T ₋₁	1.109	0.127	1.408	2.519*	1.909	-620	3.302**	4.514**	2.559*	1.305	0.036	-0.755
T ₀		-1.291	-0.681		-0.599	-2.151*		1.962*	0.563		-1.819	-2.305*
T ₁			2.204*			-1.116			-1.426			1.071

Note(s): Significance level: 1% **, 5% *

Source(s): Authors' elaboration

Table 8. Wilcoxon test statistics on the operating performance indicators

Time	Operating performance											
	2017		2018		2019		2020					
<i>Current expenditure per capita</i>												
T ₋₁	0.843	-0.177	-0.208	-0.351	-0.873	-1.419	0.400	0.318	-3.124**	-0.786	-2.844**	-4.100**
T ₀		-0.121	-0.373		-0.041	-1.346		0.285	-2.390**		-2.262*	-4.069**
T ₁			-1.265			-1.713			-3.883**			-2.435*
<i>Tax revenue coverage ratio</i>												
T ₋₁	2.379*	1.638	2.241*	-0.435	-0.991	1.211	-0.864	0.793	1.422	0.993	1.628	2.305*
T ₀		0.302	1.327		-1.892	1.271		1.299	1.454		0.710	2.583*
T ₁			0.782			2.331*			0.234			0.604
<i>Non-tax revenue coverage ratio</i>												
T ₋₁	2.296*	1.921	1.062	1.299	0.717	2.889**	1.797	3.348**	1.670	3.390**	0.575	0.033
T ₀		0.327	-0.135		0.014	1.805		2.796**	-0.353		-1.535	-3.173**
T ₁			-0.960			2.997**			-2.339*			-1.037
<i>Current expenditure incidence ratio</i>												
T ₋₁	1.144	2.211	-0.726	2.180*	1.349	0.724	1.811	0.554	0.865	-1.608	-1.146	-2.449*
T ₀		-838	-1.824*		-1.086	-0.889		-1.257	-0.037		0.581	-0.784
T ₁			-2.268*			-0.285			0.755			-1.578

Note(s): Significance level: 1%**, 5% *

Source(s): Authors' elaboration

significant in three subsamples (2017, 2019, 2020). These results not only point out a more effective administration but also underline a higher reliability of the budgeting process throughout the commissionership.

Table 9 provides the results from observing collection efficiency trends for each subsample.

Table 10 summarizes observations across the subsamples compared to our hypotheses. Blank spaces represent inconsistencies among the subsamples that do not allow for defining a prevalent trend. While some inconsistencies prevent identifying a single dominant trend, the overall evidence suggests that the commissionership period contributed to enhanced financial autonomy, improved liquidity and greater collection efficiency, with some of these improvements enduring into the subsequent political administrations. Overall, residual effects appear more pronounced than influence and dominance effects, suggesting a level of materiality that persists at least throughout the budgeting period defined by the commissioner. More specifically, the following patterns emerge:

- Autonomy improves, especially non-tax autonomy, with effects extending beyond the commissionership period.
- Liquidity shows moderate but positive improvement, which underlines the short-time perspective of the commissioner.
- Operating performance improves, particularly in expenditure coverage ratios, showing better revenue-expenditures alignment.
- Collection efficiency revealed the strongest improvement through arrears reduction.

Discussion

To date, the debate on the political determinants impacting the financial performance of local governments has been concentrated on mayor profile, political ideology and fragmentation (Bracco *et al.*, 2019; Cuadrado-Ballesteros *et al.*, 2022; Curto-Grau and Zudenkova, 2018; Donatella, 2020; Rodríguez Bolívar *et al.*, 2018; Turley *et al.*, 2015). This study provides a new perspective, focusing on the commissionership of Italian municipalities and their impact on financial performance. This way, it aims to indirectly underscore the relevance of political factors, analyzing what happens in the absence of a political government. As electoral interests do not move the commissioner, it indirectly also enriches the literature on political budget cycles (Benito *et al.*, 2012; García-Sánchez *et al.*, 2014; Olejnik, 2022), by observing what happens when, close to the elections, the government is in the hands of a commissioner.

Some contrasting results across the subsamples hinder strong evidence about the magnitude of commissioner intervention on financial performance. However, it emerges that it matters, particularly ex-post, confirming the hypothesis of a residual effect across all the subsamples and for almost all of the financial measures adopted. In particular, significant and consistent evidence comes from financial autonomy, mainly driven by non-tax revenues and collection efficiency. The increase in non-tax revenues, in turn, enhances in the ability to autonomously finance current expenditures. The criticality of non-tax revenues to drive the overall improvement financial performance has already highlighted in the literature, with a specific focus on fines (Benito *et al.*, 2021; Bracco, 2018). In contrast, the decrease of the revenue arrears incidence ratio underlines the positive contribution of the commissioner in overcoming the collection issues identified by Bracco (2018). Furthermore, the improvement in the collection efficiency underlines the ability of the commissioner to reduce revenue over-budgeting, which supports the interests of politicians (Jorge *et al.*, 2023).

Table 9. Wilcoxon test statistics on the collection efficiency indicators

Time	2017			2018			2019			2020		
	T ₀	T ₁	T ₂	T ₀	T ₁	T ₂	T ₀	T ₁	T ₂	T ₀	T ₁	T ₂
<i>Revenue arrears incidence ratio</i>												
T ₋₁	0.095	-0.536	-2.162*	1.462	-0.567	-0.281	-1.396	-2.437*	-2.476*	-0.667	-1.076	-2.176*
T ₀		-0.709	-1.535		-1.550	-1.140		-2.536*	-2.015*		-1.340	-1.490
T ₁			-2.846**			-0.436			-1.426			-1.101

Note(s): Significance level: 1% **, 5% *

Source(s): Authors' elaboration

Table 10. Summary of observation

Expected commissionership incidence		$\Delta T_0 T_{-1}$	$\Delta T_1 T_{-1}$	$\Delta T_1 T_0$ Dominant influence	$\Delta T_2 T_1$	$\Delta T_2 T_0$	$\Delta T_2 T_{-1}$ Residual effect
		Influence	Dominance		Inversion	Inversion	
Autonomy	Tax autonomy					NC	C
	Non-tax autonomy	PC	PC		PNC	PC	C
	Financial autonomy	PC	PC		PC		C
Liquidity	Payment ratio	PC	C	PNC		NC	C
	Collection ratio	C	C	PNC		PC	
Operating performance	Current expenditure per capita		PC	PNC	NC	NC	C
	Tax revenue coverage ratio		PC	PC	PC	PC	C
	Non-tax revenue coverage ratio	C	C	PC	PC	PC	C
	Current expenditure incidence ratio	PNC	PNC	PC	PNC	NC	
Collection efficiency	Revenue arrears incidence ratio		C	C	NC	NC	C

Note(s): C = confirmed; PC = partially confirmed; NC = not confirmed; PNC = partially not confirmed

Source(s): Authors' elaboration

Due to legal temporal requirements in defining fiscal policies, the effect of commissionership on tax revenue is mainly observed after commissionership. In contrast with the hypothesis of inversion, indeed, a higher tax autonomy is observed in all subgroups when comparing the period administrated by the newly elected politician and the first period of the commissioner. However, adopting the lens of the political budget theory, this result confirms the political intervention following [Alesina and Paradisi \(2017\)](#), who found a reduction of tax rates close to the election. In addition, the intervention of the commission on the financial performance measured by autonomy could be seen in the before-after comparison, which confirms the hypothesis of a residual effect of commissionership on tax and non-tax revenues and overall financial autonomy.

On the expenditure side, the most robust result concerns the residual effect of commissionership on current expenditure per capita emerging in the before-after comparison. In terms of expenditure composition between current and capital, measured by the current expenditure incidence ratio, it is worth underlining the partial rejection of the hypothesis of inversion when comparing the newly elected mayor to the second year of commissionership and the rejection when comparing the newly elected mayor to the first year of commissionership. It indeed reveals that the politician who follows the commissioner does not tend to increase the incidence of the current ratio, confirming the growth of capital expenditure at the beginning of the government period, as found by [Gupta et al. \(2016\)](#) under the political budget cycle theory. As demonstrated by [Estrada and Bastida \(2023\)](#), the investment represents a visible expenditure item and is then politically sensitive to attract the preferences of voters. Integrating the study of [Kappeler and Väilä \(2008\)](#), the contribution of the commissioner to higher autonomy, seen ex-post, could sustain the newly elected politician in financing new investments.

Theoretically, the analysis conducted, focusing on the absence of political pressures, might represent one of the routes to travel the road between public finance and public choice that derives tax arrangements as one aspect of the emergent political equilibrium underlying the relevance of the political institution ([Brennan, 1984](#)). Furthermore, the evidence achieved should be read through the lenses of the agency theory and related accountability

relationships between the local governments and their internal and external stakeholders. The absence of political interests may represent a way to avoid the municipality accounting maze (Zimmerman, 1977), reducing the room for moral hazard (Gyorgy, 2012).

As for the political accountability that summarizes the problem of coherence between administrative action and the achievement of political targets (i.e. strategic effectiveness), it is clear that a commissioner should pave the path toward its recovery. At the same time, political accountability also deals with the relationship between achieving the strategic targets and their impact on citizens (i.e. political effectiveness), which measures the long-term effectiveness of political action. Thus, the traditional agency problem is further echoed by the presence of more than a dialogic accountability process (Roberts, 2002). This process, which emphasizes the relationship between the higher institutional level (the Central Government) and the commissioner on one hand, and between the commissioner and the citizens on the other, moves in the opposite direction, potentially undermining not only the empirical findings of this study but also broader evidence in the field. The findings clearly highlight the tension between technocratic forms of governance oriented toward financial stability even at the expense of democratic representation. From this standpoint, the commissionership could be interpreted as a hybrid form of governance designed to restore fiscal order when political government fails. This hybridity helps explain both the strengths and limitations of commissionership due to the democracy-accounting nexus. While a democratic perspective holds that accounting should adequately territorialize and subjectivize power by enabling citizens and governing bodies to better understand who is responsible for what (Murphie and Fright, 2023), there are nonetheless democratic risks inherent in adopting a conception of accountability grounded in trust-based accounting practices (Ferry *et al.*, 2024).

As some scholars have noted in State takeovers in the US (Nickels *et al.*, 2020; Singla *et al.*, 2023), while representing a potential way to reduce public resource waste and allow room for individual political interests, the government of a commissioner could undermine democratic stakeholder representativeness. Commissionership, on the one hand, is an example of risk for stakeholder representativeness when there is no systematic link between stakeholders and organizational governance (Jastram and Berberyan, 2023). On the other hand, it evokes the classical bureaucratic principles of legitimacy of authority and legality of administrative action. The need to replace elected officials with a commissioner underscores the failure of the ethical duty of the states-man – namely, the exclusive responsibility for their own decisions and actions (Weber, 1968). At the same time, the findings of this study may be interpreted as further evidence of the ongoing tension between the NPM and Neo-Weberian State paradigms. Neither framework appears to conceive alternative forms and contexts of rationality that are essential to sustaining democratic governance (Dunn and Miller, 2007). Commissionership could be seen as a hybrid form of governance between technocracy and participation (Ongaro and Nasi, 2024). It does not represent a mere return to bureaucracy, but rather highlights that when fiscal balance is severely compromised, or when an event – either directly or indirectly – undermines the trust-based relationship between citizens and political representatives, a temporary centralized guiding role of the State might be required. In such contexts, the absence of political representation facilitates the adoption of austerity measures aimed at restoring financial equilibrium, for which accounting serves as a neutral practice (Bracci *et al.*, 2015), enabling the implementation of essential, depoliticized decisions.

Concluding remarks, future research and limitations

This study tried to capture the performance trends of a sample of Italian local governments, when they are – for particular reasons – temporarily hollowed-out of their political representatives

previously democratically elected. Although prior research extensively covers political incentives during electoral cycles, there has been a lack of empirical insights into what happens when these incentives are suspended (i.e. when politicians are temporarily removed from governing). This study addressed that void.

A better financial performance is overall confirmed, signaling the positive incidence of the by-the-law designed commissioners. As discussed above, there have been many attempts, adopting many theoretical lenses, to identify the political aspects, drivers and determinants that influence the local government financial performance, that have provided contrasting evidence. Hence, this paper offers fresh insights analyzing well-explored financial dimensions in a particular setting, with the ambition to opening up an ancillary strand of research. Such a strand may have some usefulness in addressing some of the limits found in recent public management theories, such as the NPM and the Neo-Weberian State. In fact, scholars have clearly pointed out that these theories do not capture, at times, alternative forms of rationality (Dunn and Miller, 2007), combined with political representativeness. When these limits become visible, the dialogic accountability-based accounting (Dillard and Vinnari, 2019) is at risk and/or interrupted.

From a practical standpoint, this may be particularly valuable during financial crises that necessitate the implementation of unpopular measures, or in contexts where the trust relationship underpinning democratic representation is undermined. Moreover, these scenarios highlight the centrality of dialogic accountability within contemporary governance mechanisms, which underscores the interdependence of technical, hermeneutic and emancipatory interests. While democracy and empowerment remain the core values guiding action, financial information – both quantitative and qualitative – is instrumental for ensuring undistorted communication.

To enforce this evidence, further research should explore the intervention of the commissioner also from a qualitative perspective to identify the most sensitive financial measures, incorporating interviews to deeply deal with the balance between financial improvement and democracy. In addition, a natural development of this study might focus on the residual effect of commissionerhip to further explore its magnitude and length, comparing a sample of municipalities affected by commissionerhip to a sample of municipalities not affected.

Addressing the call by Cifuentes-Faura *et al.* (2023), further analysis can also focus on municipalities commissioned because of corruption or other forms of organized crime. A multiple case study could disentangle the relationship between the reasons behind the commissionerhip and its effect.

The analysis conducted is not free of limitations. Among the main limitations that might have affected the evidence collected, it is critical to underline that the analyses were carried out in the period 2016–2022. These data are, hence, profoundly impacted by COVID-19, which mainly affected non-tax revenues and expenditures. Furthermore, it limits the available actions, mainly coercive ones, that support collection capacity. Another limitation of the work could be retrieved in the length of the commissionerhip, which in the municipalities involved in the sample is within the year, limiting its impact on a long-term perspective. From a broader perspective, the generalizability of the findings is also constrained. The study focuses on a specific institutional context within Italy, limiting its scalability to other national or local frameworks. Furthermore, the analysis relies exclusively on quantitative financial ratios, omitting qualitative evaluations of the decisions made by the commissioner and their broader outcomes.

Despite these limitations, studies such as this can provide valuable insights for policymakers. Understanding the role and potential benefits of independent administrators or

consultants during periods of fiscal turbulence is essential. In jurisdictions where such figures have limited influence over the budget cycle, commissioners may still contribute to restoring financial equilibrium, although their overall impact on financial performance may be less pronounced. Moreover, it must be observed that potential clear protocols or support for incoming elected council's post-commissionership could help sustain the improvements. Because the data show continued improvement after the commissioner, it might imply that if new mayors capitalize on the reforms or maintain the commissioner's policies the benefits may persist. To conclude, regulators should consider the potential of independent commissioners as a short-term remedy for municipalities facing persistent financial or governance crises, while planning for the return to elected leadership to ensure sustainable improvements.

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