INVITALIA

Agenzia nazionale per l'attrazione
degli investimenti e lo sviluppo d'impresa SpA

Incentive Programmes

Invitalia is the Italian national agency for inward investments and economic development. Its mission is to promote the country's competitiveness – in particular in the Southern Regions – and support growth in strategic sectors.

Its main objectives are:

- *Supporting inward investments*
- *Boosting innovation and growth*
- *Improving the economic opportunities in the Regions.*

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Incentive Programmes

Introduction

The incentive programmes run by the European Union and national and local institutions help sustain regional development and enhance local competitiveness by supporting business, strengthening initiatives already under way or being launched, providing enterprises with support services and promoting and sustaining research, innovation and training.

National investment incentives include a range of measures designed to encourage:

- Creation of new production plants (units) and expansion of existing ones (e.g. Development Contracts)
- Investments to revive industrial areas (e.g. Law 181/89)
- Technology, research and innovation (e.g. Industria 2015, the Technology Innovation Fund – FIT, Innovation Contracts, and the Research Incentive Fund – FAR)

Other opportunities are offered by the European cohesion policy for 2007-2013, focused on boosting growth and employment in Member States on a regional basis.

The European cohesion policy focuses on (pays particular attention to) specific priority areas including knowledge and innovation, transport, environment protection, human capital, entrepreneurship, and economic modernisation.

In order to strengthen Italy's subsidies effectiveness and impact, the Italian Government has merged the planning of both national and European funds: over the 2007-2013 period, considerable investment incentives will be available in Italy, mostly in the Country's Southern Regions.

The EU policy, set within a seven-year framework, is implemented through national, regional and inter-regional Operational Programmes, which plan expenditure under the Structural Funds, namely:

- European Regional Development Fund (ERDF), which finances infrastructure development and productive investments oriented to increase employment levels, with special emphasis on enterprise support; and
- European Social Fund (ESF), aimed at enabling the unemployed to access the labour market, mainly by supporting training programmes.

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Table 1 Distribution of Structural Funds in Italy by sector

European Regional Development Fund 2007-13	%
Culture	2.9 %
Energy	9.1 %
Environmental protection and risk prevention	11.2 %
Improving access to employment and sustainability	0.4 %
Improving human capital	1.5 %
Improving the social inclusion of less-favoured persons	0.2 %
Increasing the adaptability of workers and firms, enterprises and entrepreneurs	0.0 %
Information society	7.7 %
Investment in social infrastructure	5.2 %
Mobilisation for reforms in the fields of employment and inclusion	0.2 %
Research and technological development (R&TD), innovation and entrepreneurship	29.5 %
Strengthening institutional capacity at national, regional and local level	0.7 %
Technical assistance	2.8 %
Tourism	3.3 %
Transport	18.7 %
Urban and rural regeneration	6.6 %

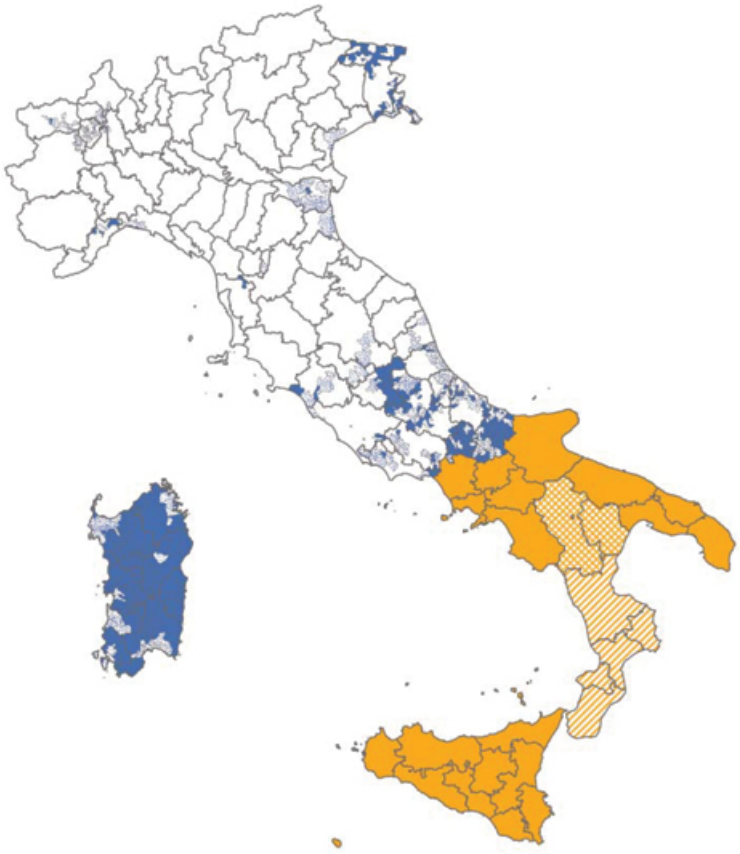
European Social Found 2007-13	%
Improving access to employment and sustainability	34.2 %
Improving human capital	34.0 %
Improving the social inclusion of less-favoured persons	8.7 %
Increasing the adaptability of workers and firms, enterprises and entrepreneurs	15.2 %
Mobilisation for reforms in the fields of employment and inclusion	1.5 %
Strengthening institutional capacity at national, regional and local level	2.8 %
Technical assistance	3.6 %

Eligible Areas for Incentives

European funds are intended to finance regional policy over the 2007-2013 period with three new objectives, namely:

- The "Convergence" objective (areas under Art. 87.3.a), aiming to speed up the convergence process in the EU less developed Member States and Regions by improving growth and employment conditions;
- The "Regional Competitiveness and Employment" objective (areas under Art. 87.3.c), aiming to anticipate economic and social changes, and promote innovation, entrepreneurship, environment protection and labour market development, including the regions not covered by the "Convergence" objective; and
- The "European Territorial Cooperation" objective, designed to improve crossborder, trans-national and interregional cooperation in sectors involved in urban, rural and coastal development, as well as to promote the development of economic relations and networking of small and medium-sized enterprises (SMEs).

Figure 1 - EU Regional Policy Objective Areas for 2007-2013



Legenda

- Areas eligible under Art. 87.3.a (2007-13): statistical effect
- Areas eligible under Art. 87.3.a (2007-13): with reduction
- Areas eligible under Art. 87.3.a (2007-13)
- Areas eligible under Art. 87.3.c (2007-13): total municipalities
- Areas eligible under Art. 87.3.c (2007-13): partial municipalities

Aid: Beneficiaries and Intensity

Regardless of the type of financial aid – whether drawing on European or national funds – the size of the subsidy may not exceed the level set by the European Union, consistently with geographical area and size of business concerned (see Tables 2-3). The business size (micro,

small or medium) is established on the basis of specific parameters fixed by the European Union, shown in the table below.

Table 2 - EU Parameters for Defining Micro, Small and Medium-Sized Enterprises

		Medium-Sized Enterprise	Small Enterprise	Micro Enterprise
	Employees - fewer than (number)	250	50	10
and/ or	Turnover not exceeding (million euros)	50	10	2
	Balance sheet total not exceeding (million euros)	43	10	2
	Independence requirements	No more than 25% of the share capital and voting rights to be held by an enterprise or jointly by several enterprises not meeting the definition for a small or medium-sized enterprise.		

Businesses that do not meet the above parameters are considered as “large enterprises”.

Where aid is small and with no significant impact on competition among Member States, the de-minimis rule applies: the enterprise may be granted a maximum of € 200,000 over three years with no requirement to provide the European Commission[1] with prior notice.

The following table provides a breakdown of incentives available for investments in Italy.

[1] In accordance with Commission Regulation (EC) 1998/2006 of 15 December 2006, the rules governing State Aid do not apply to minor aid (de minimis). The overall sum of de minimis aid granted to the same undertaking shall not exceed €200,000 over three financial years.

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Table 3 - Aid intensity

Areas in 87.3.a)	LE	ME	SE	LE	ME	SE
	until 31.12.2010			01.01.2011 to 31.12.2013		
Calabria	40%	50%	60%	30%	40%	50%
	until 31.12.2013					
Campania, Apulia, Sicily	30%	40%	50%			
	until 31.12.2010			01.01.2011 to 31.12.2013*		
Basilicata	30%	40%	50%	20%	30%	40%

Areas in 87.3.c)	LE	ME	SE	LE	ME	SE
	until 31.12.2010			01.01.2011 to 31.12.2013		
Sardinia	25%	35%	45%	15%	25%	35%
	until 31.12.2013					
Abruzzo, Friuli Venezia Giulia, Lazio, Molise	15%	25%	35%			
Lazio	-	25%	35%			
Emilia Romagna, Lazio, Liguria, Piedmont, Valle d'Aosta, Veneto	10%	20%	30%			
Lazio, Marche, Tuscany, Umbria	-	20%	30%			

Areas in 87.3.c) being phased-out	LE	ME	SE
	until 31.12.2008		
Abruzzo, Emilia Romagna, Lazio, Liguria, Lombardia, Marche, Molise, Piedmont, Tuscany, Umbria, Valle d'Aosta, Veneto	10%	20%	30%

* Unless the Region's relative per capita GDP has fallen below 75% of the EU-25 average based on the three-yearly average indicated in the latest Eurostat data

Support Measures

The main forms of subsidies include:

- Capital grants – The financial aid is granted in two or three instalments and paid directly to the enterprise following the presentation of all documentation regarding the costs borne in implementing the investments. Beneficiaries will not be required to return the received amount
- Operating grants – Include grants to cover operating expenditures
- Interest-rate subsidies – In the form of lower-than-market interest rates on the loan obtained
- Tax credits – A form of tax relief for new investments (tangible and intangible assets) and employment. It consists in a reduction in tax liabilities to be calculated on the basis of parameters defined by law
- Equity participation – Aimed at providing support to enterprises operating in industrial and service sectors for initiatives involving new facilities, expansion and modernisation operations in given geographical areas
- Guarantees – The State or another entity covers the cost of guarantees that the beneficiary is required to pledge in order to obtain a medium/long-term loan.

Procedures

Incentives to foster enterprise development are awarded compliantly with three different procedures:

- Automatic – Applying to measures not requiring prior project assessment. No technical, economic or financial evaluation of the expenditure programme is required before the measures can be activated. The support is approved provided the applicant meets the requirements rendering it eligible for the programme (e.g. tax credits)
- Assessment-based – Applying to broader and more complex investment programmes which will undergo technical, economic and financial viability evaluation (profitability, financial plan for covering expenses, future cash flows, objectives to be achieved, etc.) in consideration of the objectives being pursued.

  Such subsidies may be awarded either via “tender” procedures based on merit rankings, or on the basis of “first come, first served” mechanisms, where no comparative assessment of

the investment programmes is conducted and cases are examined in chronological order of receipt of applications and as long as funds are available (e.g. Law 181/89)

– Negotiated – Applying to projects involved in broader territorial or sectoral development programmes. The content of the programmes to be implemented are agreed upon with the competent public administration, defining total investment and details of financial support within the framework of a full-fledged multilateral, programmed negotiation (e.g. Development Contracts).

Incentives

The national investment support system offers a variety of incentives (including tax relief) to support investments in productive activities research and development and training programmes.

Incentives for industrial development

Development Contracts

Within the broader effort to simplify the tools for attracting private investment –crucial for strengthening the Country's productive capacity – Invitalia has assumed (as per Article 43 of Legislative Decree 112/2008, ratified by Law 133/2008) responsibility for managing "Development Contracts", a measure aimed at implementing a development programme in relevant sectors of the economy:

- industrial sector (activities aimed at the production of goods and services);

- tourism sector (activities aimed at the development of business opportunities);

- business sector (activities aimed at the strengthening and qualification of distribution strategy).

The Agency handles all the stages of the procedure, from receipt and assessment of applications to distributing the incentives.

Subsidies are available to companies of all sizes, including those with foreign headoffices (with a permanent representation in Italy) which implement investment projects to:

- set up new productive units;

- expand existing productive units;

- diversify the production by developing new products;

- modify the production process of an existing productive unit

combined, where appropriate, with industrial research and experimental development closely related to the main development project.

The development project may also include the construction of relevant infrastructure facilities, whose costs will be subsidized by public resources.
The incentives are granted in the form of grants related to assets (capital grants), contribution to expenses (operating grants), subsidized loans, interest rate subsidies, and any combination between them.
The term and conditions for access to the incentives are available at:

http://www.invitalia.it/site/ita/home/competitivita-delle-imprese/contratti-di-programma.html

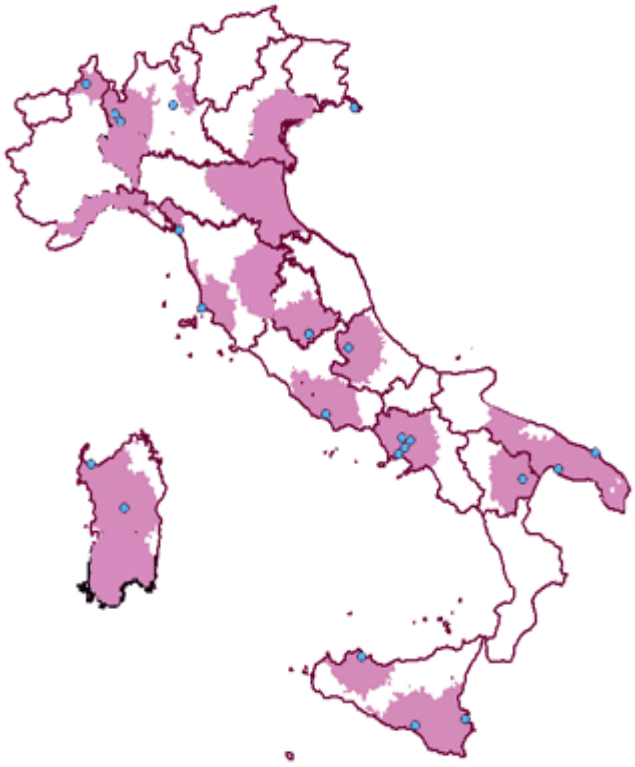
Law 181/89

Law 181/89 establishes a support mechanism for re-industrialising and revitalising industrial areas. The funds are managed directly by Invitalia, responsible for assessing projects and distributing the envisaged funds.

In order to apply for the subsidies, it is necessary that the shareholders of the beneficiary company invest at least 30% of the planned overall investment via their own capital. Investments involving the building of new production facilities, and/or operations of expansion, modernisation, relocation, restructuring and reactivation of existing facilities – only when generating new jobs – are eligible for support.

Subsidies are available to companies of all sizes operating in mining, manufacturing, power generation and service industries and those active in the processing and marketing of agricultural products, and investing in subsidised areas under Law 181/89 are eligible (Figure 2).

Figure 2 - Subsidies under Law 181/89 – Eligible Areas



A full list of the eligible municipalities and related gross grant equivalent (GGE) may be consulted on line at:

http://www.invitalia.it/on-line/ita/Home/CompetitivitadelleimpreseRilancioareeindustrialiLegge18189/Dovesiapplica.html

The subsidies consist of grants to cover up to:

- 25% of eligible investments in Central and Northern Italy
- 40% of eligible investments in Southern Italy.

Initiatives may also obtain soft loans covering up to 30% of eligible investments.

Grants and subsidised financing are awarded providing that Invitalia acquires a temporary minority stake in the beneficiary company, which can be repurchased over a five-year period.

Incentives for technological innovation and research

Industry 2015

Inspired by Italy's new industrial policy, the programme establishes strategic guidelines to ensure development and competitiveness of the Country's economic system, and defines new tools aimed at encouraging investment – i.e. Industrial Innovation Projects, Enterprise Networks, and the Fund for Corporate Finance.

Industrial Innovation Projects

Such support measures are aimed at promoting investment in high-innovation programmes within strategic sectors for Italy's development – i.e. energy efficiency, sustainable mobility, new technologies for living, new technologies for Italian export industries, and innovative technologies for cultural heritage.

Enterprise Networks

An enterprise network is a form of contractually-based coordination among enterprises. It is specifically designed for SMEs seeking to achieve critical mass and greater market power without being forced to merge under the control of a single entity.

Fund for Corporate Finance

The Fund for Corporate Finance is intended to make it easier for enterprises (notably SMEs) to obtain credit and risk capital. The Fund will support operations involving the adoption of new credit risk mitigation instruments and private equity initiatives proposed by banks and/or financial intermediaries. The criteria and priorities for carrying out the deals are determined in accordance with guidelines established by Italy's Ministry for Economic Development (MiSE).

Research Incentive Fund

Created via Legislative Decree 297/99, the Fund supports applied research programmes for development of new products, production processes and services, and in order to promote existing technologies. It is administered by Italy's Ministry for Education, University and Research (MIUR).

Research and development activities thus financed fall within the following categories:

- Industrial Research – defined as "research or studies aimed at acquiring new knowledge for development of new products, production processes or services, or to significantly improve existing products, production processes or services.

It includes the creation of complex components for complex systems required for industrial research, specifically designed for validation of generic technologies"

- Experimental Development – which consists in the acquisition, combination, organisation and use of existing scientific, technological, commercial and other knowledge and skills to produce plans, projects or designs for new, modified or improved products, processes or services. This can include any other activity aimed at conceiving, planning and documenting new products, processes and services which may include the preparation of designs, drawings, plans and other documentation not intended for commercial use. Experimental development also includes the construction of prototypes for commercial purposes and pilot programmes for technological or commercial testing, whereby the prototype is the finished commercial product, and its manufacturing cost is too high for it to be used only for demonstration or validation purposes.

Territorial Research and Development Initiatives

The aim is to enhance competitiveness of high-export productive areas through research and development, in order to strengthen key technologies, products and innovative processes.

To such end, the Italian Government has developed a policy focused on the formation of technology districts. At present, the formally approved districts throughout the Country are 29, specialising in different areas (e.g. nanotechnologies, wireless technologies, biotechnologies, logistics, cultural heritage, mechatronics).

Seventh Framework Programme

The Seventh Framework Programme for Research and Technological Development (FP7) is the EU primary tool for funding research over the 2007-2013 period. The Programme is aimed at research centres, scientific or technological organisations, governments and companies. Any organisation operating in one of the EU Member States may take part in the Programme, which provides for a variety of grants covering up to 100% of eligible investment costs (for further information on the Seventh Framework Programme, please see the Contact Points listed at: http://cordis.europa.eu/fp7/ncp_en.html).

Competitiveness and Innovation Framework Programme (CIP)

The Competitiveness and Innovation Framework Programme (CIP) aims to encourage the competitiveness of European enterprises (notably, small and medium-sized enterprises) by supporting innovation activities by granting better access to financing, delivering regional

support services and promoting better use of information and communication technologies (ICT) to develop the information society. The Programme also promotes energy efficiency and use of renewable energy (For more information, visit http://ec.europa.eu/cip/index_en.htm).

Training incentives

Human capital development is essential for enterprises to grow, as continuous career training addresses the need for personnel ready to face the ever-changing labour market.

Law 236/93

Law 236/93 funds individual and corporate training programmes throughout Italy. Projects may either involve training needed within an enterprise as part of an overall transformation process, or individual training required to improve personal skills. Projects regarding training in technological and organisational innovation, safety and quality and environmental protection will be eligible, primarily whereby the projects are aimed at improving enterprise competitiveness and raise employment levels. The programme is run by local bodies in charge of publishing calls for applications.

European Social Fund

The European Social Fund (ESF) is implemented through specific Regional Operational Programmes. Applications for training programme funding are submitted in response to calls for applications either through Italy's Ministry of Labour, Health and Social Policy or through regional governments' labour offices.

Each project (or set of projects submitted either jointly or in response to the same call) shall be presented via the application forms available from the regional or provincial governments, following the directions contained in the call.