EUROPEAN COMMISSION

Brussels, 12.10.2017
C(2017) 6836 final

PUBLIC VERSION

This document is made available for information purposes only.

Subject: State Aid SA.48248 (2017/N) - Italy - Evaluation plan of the aid scheme for large investment projects "*Contratti di Sviluppo*"

Sir,

1. PROCEDURE

(1) By electronic notification of 26 February 2015, Italy submitted a summary information sheet pursuant to Article 11(a) of the Commission Regulation (EU) No 651/2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty[1] (hereinafter "GBER") on a national aid scheme for large investment projects "*Contratti di Sviluppo*" (hereinafter: "the aid scheme"). This submission was registered as SA.41081 (2015/X).

(2) By electronic notification of 22 May 2017, Italy submitted a summary information sheet pursuant to Article 11(a) of the GBER on the amendment of the aid scheme, increasing its yearly budget from EUR 140 million to EUR 450 million. This submission was registered by the Commission as SA.48248 (2017/X).

(3) As a result of this budget increase, the average annual budget started exceeding EUR 150 million and therefore the aid scheme became a large scheme in the meaning of Article 1(2)(a) of the GBER. Under this provision, aid schemes are exempted only for a period of six months after their entry into force, unless a longer period of exemption is authorised by the Commission following the

[1] OJ L 187, 26.6.2014, p. 1.

S.E. On. ANGELINO ALFANO
Ministro degli Affari esteri e della Cooperazione Internazionale
P.le della Farnesina 1
I - 00194 Roma

assessment of an evaluation plan for the scheme to be notified by the Member State concerned.

(4) In order to obtain that prolongation, Italy notified on 26 May 2017 an evaluation plan for the scheme, which was registered by the Commission as State aid case number SA. 48248 (2017/EV). By letter of 4 July 2017 the Commission asked for supplementary information. Telephone conferences between the Italian authorities and the Commission services took place on 17 July and 1 August 2017. On 4 August 2017 Italy provided the requested supplementary information, and on 11 September 2017 Italy submitted an amended evaluation plan.

2. DETAILED DESCRIPTION OF KEY ELEMENTS OF THE NOTIFIED EVALUATION PLAN

(5) As required by Article (2)(16) of the GBER, and in line with best practices[2], the notified plan contains the description of the following main elements: the objectives of the aid scheme to be evaluated, the evaluation questions, the result indicators, the envisaged methodology to conduct the evaluation, the data collection requirements, the proposed timing of the evaluation including the date for submission of the final evaluation report, the approach for the selection of the independent body conducting the evaluation, and the modalities for ensuring the publicity of the evaluation.

2.1. Objectives of the aid scheme to be evaluated

(6) The duration of the aid scheme is from 30 January 2015 to 31 December 2020. The average annual budget from 2017 until 2020 amounts to EUR 450 million, while the average annual budget for years 2015 and 2016 was EUR 140 million. Detailed principles for granting aid within the framework of the aid scheme are specified in Article 43 of Decree Law 25 June 2008, n.112, converted into Law n. 133 of 6 August 2008, as subsequently amended [3]. According to Italy, the official decision to increase the scheme's budget was taken by the Interministerial Committee CIPE on 1 December 2016, and formally entered into force on 14 April 2017 when the decision (*Delibera CIPE No 52/2016)* was published in the Official Journal of the Republic of Italy (*G.U.R.I.*)[4].

(7) According to the Italian authorities, the scheme aims at strengthening the national productive system by attracting new investments and by favouring large investment projects, especially in less developed areas in Southern Italy. The scheme supports investment projects in different economic sectors (industry, tourism, commerce) addressing various policy objectives of relevant public interest (as innovation, infrastructural and territorial development, environmental

[2] See Commission Staff Working Document on Common methodology for State aid evaluation, Brussels, 28.5.2014, SWD(2014) 179 final.

[3] As amended by Decree of the Minister for Economic Development of 9 December 2014, published in the Official Journal G.U.R.I. of 29/1/2015, n. 23, and by Decree of the Minister for Economic Development of 8 November 2016, published in G.U.R.I. of 21/12/2016, n 297.

[4] G.U.R.I. n.88 of 14/04/2017

protection) in order to foster growth and employment in line with a national industrial innovation development plan (*Piano Industria 4.0*)[5].

(8) The scheme supports investments by undertakings, or networks of undertakings ("*reti di imprese*"), for development programmes (*programmi di sviluppo*) in: (i) industrial activities, (ii) environmental protection activities, and (iii) tourism activities, including, within certain limits, also commercial activities. Supported investment projects may also include RD&I activities linked to the development programme, e.g. for industrial research, experimental projects and innovation of processes and organisation. The scheme has therefore multiple objectives: reinforcing the economic and industrial system, as well as strategic entrepreneurial activities in economically less developed areas, improving the innovation capacity of undertakings, the access to financing, and the promotion of environmental protection. On the latter, the scheme aims at improving sustainability and resource efficiency, e.g. by promoting energy saving and/or the use of renewables.

(9) The Italian authorities declare that the investment projects in industrial and tourism activities are supported under the scheme in line with the conditions set in the Guidelines for Regional State aid for 2014-2020 [6], and in compliance with aid intensities set in the Italian regional aid map[7] for the period from July 2014 to December 2020. In non-assisted areas, public support for these investment projects is limited to SMEs. Aid for RD&I and environmental protection projects is available for all types of undertakings under the conditions provided for in Articles 25, 29, 36, 37, 38, 40 and 47 of the GBER. Aid under the scheme is granted in form of subsidized loans, interest subsidies, and direct grants, also combined.

(10) The aid scheme is managed by the national development agency *Invitalia* under the guidance and control of the Ministry for Economic Development. Potential beneficiaries apply for aid under the scheme to *Invitalia* using the dedicated electronic platform at www.invitalia.it. After having verified the project's and beneficiary's eligibility and the availability of the budget, *Invitalia* consults the concerned regional authority. If the regional authority does not issue a negative opinion, *Invitalia* opens a negotiation with the beneficiary/ies on the technical and financial feasibility of the development programme. In case of positive outcome, the development programme is approved and the aid is granted. The granting act is then subscribed by the participants. Aid is paid out in instalments depending on the advancement of works. The final instalment is paid out after the Ministry has verified the final report of the programme.

(11) The Italian authorities exclude, in principle, the existence of constraints or risks likely to affect the implementation of the aid scheme.

2.2. Evaluation questions and result indicators

(12) The notified plan explains the issues to be addressed by the evaluation.

---

5 As presented on the website: http://www.mise.gov.it/index.php/it/industria40

6 OJ C 209, 23.7.2013, p. 1

7 SA.38930 (2014/N), OJ C 369 of 17.10.2014, p.6.

(13) The evaluation questions address both the direct and indirect impacts (in terms of both positive and negative externalities) of the scheme. The result indicators are linked to the evaluation questions and to the objectives of the scheme. More specifically, the effects of the scheme will be analysed in terms of:

- direct effects of the measure on beneficiary undertakings, on investments (in tangible and intangible assets), on production efficiency, on employment, and on innovation capacity (patents);

- indirect effects (so-called *second round* effects) on beneficiary undertakings in terms of improving their business performance, likelihood of survival, and access to credit. In addition, the additional effects of the aid scheme will be assessed in view of the geo-location of beneficiaries;

- territorial effects in the municipalities where the beneficiary firms operate, notably in terms of employment and local productive units;

- qualitative and quantitative effects of the development programmes in the tourism sector;

- existence of possible negative effects due to the coexistence of different (alternative) support measures in the same geographic area. Does the scheme lead to unintended distortive sectoral effects or to negative effects on businesses that do not benefit from the aid scheme? Does it lead to crowding out effects on neighbouring municipalities and employment areas?

(14) The evaluation will also take into account issues related to the proportionality and appropriateness of the aid scheme, both in terms of volume of resources allocated in relation to the real market needs, and in terms of aid intensities. And finally, the additionality created by the aid will be analysed in relation to the different nature of investments (i.e. the three different types of supported investments).

2.3. Envisaged methodology to conduct the evaluation

(15) The Italian authorities intend to use qualitative and quantitative methods to assess the impact of the aid, for both a descriptive and counterfactual analysis. Given the nature of the aid to be measured and the expected limited availability of the data, the Italian authorities intend to apply different counterfactual techniques for the evaluation.

(16) Both the direct and indirect causal impact of the aid scheme will be identified by employing econometric methods, more specifically regression analysis of the type "*matching - Difference-in-Differences*" (M-DID) and of "*Regression Discontinuity Design*" (RDD). Using the data mentioned in the following section 2.4, a robust control group (of non-beneficiaries) will be built.

(17) The selection of the control group will be made using matching techniques. For the identification method based on *matching - Difference-in-Differences* the matching will be performed using different variables observed in the pre-treatment period. It will be carried out using "*nearest neighbour*" methods on the basis of control variables such as data from balance sheets (e.g. value-added/turnover, profitability), data on the characteristics and status of companies

(e.g. information on the size, sector, geographic location of the company) and financial data (e.g. debt/equity and debt/turnover ratios).

(18) Once the control group has been selected, the *Difference-in-Differences* method will allow to estimate the effects of the scheme. This technique by exploiting the longitudinal nature of the data available, should allow to account for unobservable differences between companies benefitting from the aid scheme and the (non-beneficiary) companies belonging to the control group, provided that these differences remain constant over time. Italy further explains that estimates will be subject to robustness checks, including the application of the "*geographic nearest neighbour matching*", in order to assess possible shortcomings in the assumptions underlying the method.

(19) As an additional approach, the Italian authorities also plan to implement the *Regression Discontinuity Design* method, in order to estimate the effects generated by the scheme. This methodology will exploit the discontinuity related to: (i) the availability of a limited budget for the predecessor scheme in the past programming period, resulting in a group of undertakings which did not benefit of the scheme as the financial resources were exhausted, and in particular analysing those undertakings which did not apply again for aid under the new scheme; and (ii) the different aid intensities for large firms and for SMEs, i.e. exploiting the discontinuity between medium and large companies to estimate the impact of the scheme on beneficiaries.

(20) Moreover, in order to verify the scheme's additional effects also at geographic level, Italy intends to apply the "*Propensity Score Matching*" (PSM) method, using municipalities and local labour systems (*Sistemi Locali del Lavoro*) as "single analysis units". The aim is to produce an estimate of the differential effect comparing beneficiary and non-beneficiary areas. In this case, the municipality in which a project will be implemented is associated to the closest municipality in terms of geographical distance and of observable features (number of inhabitants, number of enterprises, geographical location, unemployment rate, labour productivity, etc.). The additional effects will therefore be identified taking into account the average differences of each matching. In order to deal with distortions in the selection due to the presence of unobservable characteristics, the evaluation will identify two different control groups, one based on comparable observable characteristics (in terms of number of inhabitants, number of enterprises, geographical location, unemployment rate, labour productivity), and the other based on areas benefitting of the scheme in future.

(21) Concerning the in-depth analysis on projects related to the tourism sector, given their expected limited number, it will be carried out on the basis of case studies, in order to highlight the particularities of those projects and their territorial impact.

(22) Finally, with regard to the assessment of the possible impacts due to the overlap with other aid schemes, the Italian authorities propose to supplement the counterfactual analysis with a theory-based methodology aimed at assessing, through an economic analysis of efficiency and effectiveness, the peculiarities of the scheme's procedures and objectives compared with other aid schemes.

2.4. Data collection requirements

(23) In order to implement the proposed methodologies, multiple information databases (Chambers of Commerce, Istat, balance sheets for incorporated companies) will be used in order to collect the necessary data concerning:

a) Beneficiaries (identification and dimension of the enterprise, legal form, sector of activity, geographic location);

b) Investment projects (total costs, eligible costs, timing and type of project);

c) Balance sheet data of both beneficiaries and non-beneficiaries

d) Municipalities concerned by the development programmes (extension, number of inhabitants, level of unemployment, number of undertakings, etc.)

(24) Italy declares that this type of information is available at the individual level for undertakings, and at aggregated level for Municipalities, and is annually updated.

(25) The Italian authorities state that dedicated questionnaires could also be used to obtain information in case it could not be obtained from the official information sources cited above.

2.5. Proposed timing of the evaluation, including the date of submission of the final evaluation report

(26) The Italian authorities intend to focus the evaluation of the impact mainly to the first two years of implementation of the measure, i.e. 2015-2016, but will also use data of the predecessor scheme for the previous period 2011-2014 in order to increase the critical mass of available data. The data collection will be followed by an analysis of the collected information, and by the production of an intermediate report containing an analysis on the theory of change produced by the scheme and a monitoring of the scheme's state of implementation. This intermediate report will be available by May 2018. Further data on the implementation of the scheme will be collected until July 2019. An evaluation report of the scheme's impact for the period 2015-2016, and of its implementation in the period 2017-2019, will be produced by October 2020, and presented to stakeholders. A final report will be submitted to the Commission by December 2020.

(27) However, after the submission of the final report, the Italian authorities commit to conduct further evaluation exercises with reference to the period 2017-2019.

2.6. Independent body selection to conduct the evaluation, or criteria for its selection

(28) The evaluation body will be selected in accordance with national legislation, Public Procurement Code – Legislative Decree No 50/2016, and EU legislation on the procurement of works, services and supplies. The award of the contract to an evaluation body will be based on the technical quality and financial conditions of

the bids. The procurement procedure is expected to take some five months from the date of adoption of the present decision.

(29) In accordance with the provisions in Article 42 of the Public Procurement Code (Legislative Decree No 50/2016), the tender will prevent possible conflicts of interest in the award procedure so as to avoid any distortion of competition and to ensure equal treatment for all bidders.

(30) For the purpose of ensuring the quality and reliability of the evaluation, the body selected will be functionally independent both of the Ministry of Economic Development, which grants the aid, and the governmental agency *Invitalia* providing the technical assistance in the management of the aid scheme.

(31) The suitability and skill criteria for the entities invited to take part in the procedure outlined above must include: (i) proven experience in the field of evaluating public policies and national/regional operating programmes, particularly in the area of aid to businesses, demonstrated by a list of services provided in the field over the previous five years; (ii) proven experience in economic-statistical analysis and applied research, demonstrated by a list of services provided in the field over the previous five years; (iii) suitable capacity for the management and processing of data.

(32) Those entities invited to take part in the procurement procedure will be asked to put together a suitable evaluation team with proven experience in the evaluation of public policies and specific skills in economic and statistical/econometric analysis. The skills and experience criteria, along with a breakdown of the responsibilities of team members will be specified over the course of the procurement procedure in order to ensure quality, timeliness and coordination in the evaluation activities.

2.7. Modalities for ensuring the publicity of the evaluation

(33) The outcome of the evaluation of the aid scheme will be made public on the websites of the Agency *Invitalia*, of the National Operational Programme for Undertaking and Competitiveness (*PON Impresa e Competitività*) and of the National Development and Cohesion fund (*Fondo Sviluppo e Coesione*). It may also be published subsequently in other forms, as specific contributions on the findings of the evaluation exercise in publications by the Agency *Invitalia*.

(34) In addition, the involvement of stakeholders of the scheme will be ensured by the organization of technical panels and other events.

(35) The evaluation results will constitute a solid background for assessing ex ante future aid schemes at national and regional levels. The Agency *Invitalia* will inform the Ministry of Economic Development of the outcome of the study, who will make use of it to highlight potential improvements to consider when developing similar aid measures or a follow-up to the aid scheme.

(36) The collected data will remain at the disposal of the Agency *Invitalia* and the Ministry of Economic Development for future studies and consideration in greater depth. Such data may be made available on request to academic institutions or

other authorities granting aid to businesses in order to ensure that the impact of such aid can be measured in a similar and consistent manner.

3. ASSESSMENT OF THE EVALUATION PLAN

(37) The correct application of the GBER is the responsibility of the Member State. The present decision on the evaluation plan does not assess whether the aid scheme to be evaluated was put into effect by the Member State in full respect of all applicable provisions of the GBER. It does therefore neither create legitimate expectations, nor does it prejudge the position the Commission might take regarding the conformity of the aid scheme with the GBER when monitoring it, or assessing complaints against individual aid granted under it.

(38) Pursuant to Article 1(2)(a) GBER, only aid schemes[8] in the meaning of Article 2(15) GBER, if their average annual State aid budget exceeds EUR 150 million, should be made subject to evaluation. The Commission notes that the current annual average budget of the aid scheme concerned (i.e. EUR 450 million) exceeds EUR 150 million as set in Article 1(2)(a) GBER. Chapter I and section 1 (Article 13), section 4 (Article 28) and section 5 (Article 31) of Chapter III of the GBER constitute the legal basis for the aid scheme to benefit from the exemption from notification provided for in Article 108(3) of the TFEU.

(39) As the Commission explained in recital 8 of the GBER, the evaluation of large schemes is required *"[I]n view of the greater potential impact of large schemes on trade and competition"*. The required *"[E]valuation should aim at verifying whether the assumptions and conditions underlying the compatibility of the scheme have been achieved, as well as the effectiveness of the aid measure in the light of its general and specific objectives and should provide indications on the impact of the scheme on competition and trade."* State aid evaluation should in particular allow the direct incentive effect of the aid on the beneficiary to be assessed (i.e. whether the aid has caused the beneficiary to take a different course of action, and how significant the impact of the aid has been). It should also provide an indication of the general positive and negative effects of the aid scheme on the attainment of the desired policy objective and on competition and trade, and could examine the proportionality and appropriateness of the chosen aid instrument.[9]

(40) In the light of these considerations, Article 2(16) of the GBER defines as evaluation *plan "a document containing at least the following minimum elements: the objectives of the aid scheme to be evaluated, the evaluation questions, the result indicators, the envisaged methodology to conduct the evaluation, the data collection requirements, the proposed timing of the evaluation including the date of submission of the final evaluation report, the description of the independent*

---

[8] Schemes under Sections 1 (with the exception of Article 15), 2, 3, 4, 7 (with the exception of Article 44), and 10 of Chapter III of this Regulation (Article 1(2)(a) GBER). 'Aid scheme' means any act on the basis of which, without further implementing measures being required, individual aid awards may be made to undertakings defined within the act in a general and abstract manner and any act on the basis of which aid which is not linked to a specific project may be granted to one or several undertakings for an indefinite period of time and/or for an indefinite amount (Article 2(15) GBER).

[9] See Staff Working Document referred to in footnote 2 above.

body conducting the evaluation or the criteria that will be used for its selection and the modalities for ensuring the publicity of the evaluation."[10]

(41) The Commission considers that, as described in section 2 of this decision, the notified evaluation plan contains these minimum elements outlined in Article 2(16) of the GBER.

(42) The evaluation plan gives a concise description of the key objectives of the scheme concerned and provides sufficient information to understand the underlying "intervention logic". The scope of the evaluation is defined in an appropriate way.

(43) The evaluation questions are designed in a way as to assess the direct effect of the scheme on the beneficiaries compared to non-beneficiaries in order to measure the incentive effect of the scheme. The evaluation questions addressing indirect impact are linked to the specificities of the aid scheme, both in terms of objectives and aid instruments. The Commission notes that the evaluation plan includes also suitable analyses focused on the presence of possible negative effects and on proportionality and appropriateness.

(44) The evaluation plan identifies and justifies result indicators that integrate the evaluation questions for the aid scheme concerned, and explains the data collection requirements and availabilities necessary in this context. The data sources to be used for the evaluation are described clearly and in detail. The Commission notes that the evaluation body will be able to take advantage of several different databases, gathering a more complete set of information.

(45) The evaluation plan sets out and explains the main methods that will be used in order to identify the impacts of the scheme, and discusses why these methods are likely to be appropriate for the scheme in question. The proposed evaluation methodology sufficiently allows identifying the likely causal impact of the scheme itself.

(46) The proposed timeline of the evaluation is reasonable in view of the characteristics of the scheme concerned and the relevant implementation periods for projects supported under the scheme.

(47) The proposed criteria for the selection of the evaluation body on the basis of an open tender meet the independence and skills criteria.

(48) The proposed modalities for the publication of the evaluation results are appropriate and ensure transparency. In particular, the Commission takes note of the commitment to disseminate and make publicly available the results of the evaluation report to stimulate policy debate.

(49) In view of the above, the Commission considers that the evaluation plan meets all requirements laid down in the GBER, is established in line with the common methodology proposed in the Staff Working Document, and is suitable given the specificities of the large aid scheme to be evaluated.

[10] Further guidance is given in the Staff Working Document referred to in footnote 2 above.

(50) The Commission notes the commitment made by the Italian authorities to conduct the evaluation according to the plan described in the present decision and to inform the Commission of any element that might seriously compromise the implementation of the plan. The Commission also notes the commitment by the Italian authorities to fulfil the obligation to submit the final evaluation report by 31 December 2020 (preceded by an intermediate report to be available by May 2018).

(51) Therefore, pursuant to Article 1(2)(a) of the GBER, the Commission decides that the exemption for the aid scheme for which the evaluation plan was submitted is prolonged beyond the initial six months until 31 December 2020.

(52) Alterations to this scheme, other than modifications which cannot affect the compatibility of the scheme under the GBER or cannot significantly affect the content of the approved evaluation plan, are, pursuant to Article 1(2)(b) of the GBER, excluded from the scope of the GBER, and must therefore be notified to the Commission.

4. CONCLUSION

After having assessed the evaluation plan notified by Italy, the Commission has accordingly decided:

- Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty will continue to apply to the aid scheme until 31 December 2020.

- This Decision will be published.

If this letter contains confidential information which should not be disclosed to third parties, please inform the Commission within fifteen working days of the date of receipt. If the Commission does not receive a reasoned request by that deadline, you will be deemed to agree to the disclosure to third parties and to the publication of the full text of the letter in the authentic language on the Internet site: http://ec.europa.eu/competition/elojade/isef/index.cfm.

Your request should be sent electronically to the following address:
European Commission,
Directorate-General Competition
State Aid Registry
B-1049 Brussels
Belgium
Stateaidgreffe@ec.europa.eu
Fax No: + 32 2 296 12 42

Yours faithfully
For the Commission

Margrethe VESTAGER
Member of the Commission