EUROPEAN COMMISSION

Brussels, 31.7.2020
C(2020) 5406 final

PUBLIC VERSION

This document is made available for information purposes only.

Subject: State Aid SA.57891 (2020/N) – Italy
COVID-19: Direct grants to Italian companies engaging in international activities and operations

Excellency,

1. PROCEDURE

(1) By electronic notification of 2 July 2020, Italy notified a scheme for limited amounts of aid ("Direct grants to Italian companies, in particular SMEs, engaging in international activities and operations introduced by Article 72, Para 1, Letter d), of Law Decree of 17 March 2020, no. 18, converted with amendments into Law of 24 April 2020, no. 27 following the amendment made by Article 48, Para 1, Letter a), n. 2), of Law Decree of 19 May 2020 no. 34", "the measure") under the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak, as amended ("the Temporary Framework").[1] By e-mails of 10 and 27 July 2020, the Commission services requested supplementary information, which the Italian authorities provided by e-mails respectively of 20 and 28 July 2020.

[1] Communication from the Commission - Temporary framework for State aid measures to support the economy in the current COVID-19 outbreak, 19 March 2020, OJ C 91I, 20.3.2020, p. 1, as amended by Communication from the Commission C(2020) 2215 final of 3 April 2020 on the Amendment of the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak, OJ C 112I , 4.4.2020, p. 1, by Communication from the Commission C(2020) 3156 final of 8 May 2020 on the Amendment of the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak, OJ C 164, 13.5.2020, p. 3 and by Communication from the Commission C(2020) 4509 final of 29 June 2020 on the Third amendment to the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak, OJ C 218, 2.7.2020, p. 3.

Onorevole Luigi Di Maio
Ministro degli Affari esteri e della Cooperazione Internazionale
P.le della Farnesina 1
I - 00194 Roma

(2) Italy exceptionally agrees to waive its rights deriving from Article 342 of the Treaty on the Functioning of the European Union ("TFEU"), in conjunction with Article 3 of Regulation 1/1958[2] and to have this Decision adopted and notified in English.

2. DESCRIPTION OF THE MEASURE

(3) Italy considers that the COVID-19 outbreak has started to affect the real economy. The measure forms part of an overall package of measures and aims to ensure that sufficient liquidity remains available in the market, to counter the liquidity shortage faced by undertakings because of the outbreak, to ensure that the disruptions caused by the outbreak do not undermine the viability of the undertakings and thereby to preserve the continuity of economic activity during and after the outbreak.

(4) Italy confirmed that the aid under the measure is not conditioned on the relocation of a production activity or of another activity of the beneficiary from another country within the EEA to the territory of the Member State granting the aid. This is irrespective of the number of job losses actually occurred in the initial establishment of the beneficiary in the EEA.

(5) The compatibility assessment of the measure is based on Article 107(3)(b) TFEU, in light of sections 2 and 3.1 of the Temporary Framework.

2.1. Objective of the measure

(6) The measure aims to tackle the economic difficulties that Italian companies, in particular small and medium-sized enterprises (SMEs), that engage, or intend to engage, in international operations currently face due to the COVID-19 outbreak. This is illustrated by the significant decrease of export flows that already occurred in the first months of 2020 and by further reduction expected for the rest of the year[3]. Against that background, the measure will provide to those Italian

[2] Regulation No 1 determining the languages to be used by the European Economic Community, OJ 17, 6.10.1958, p. 385.

[3] The Italian Government had to introduce a number of measures of containment to limit the spread of the pandemic. Reference is made to the following acts: Law Decree No. 6 of 23 February 2020, with further implementing provisions in the Decrees of the President of the Council of Ministers of 23 February 2020, 25 February 2020, 1 March 2020, 4 March 2020, 8 March 2020,9 March 2020, 11 March 2020, 26 April 2020 and 10 April 2020. As from 17 May 2020, the restrictions imposed have been progressively lifted (see Decrees of the President of the Council of Ministers of 17 May 2020). However, on 14 July 2020, Italy prolonged the state of emergency until 31 July 2020 (see Decree of the President of the Council of Ministers of 14 July 2020). According to the Italian authorities, in March 2020, the impact of COVID-19 and contagion-containment measures triggered a drop of 16.6% in economic activity as compared to February 2020, bringing the production index back to the levels of 42 years ago. In the first quarter of 2020, industrial production is expected to decline by 5.4%, the biggest drop in 11 years. For the second quarter of 2020, during which there was the closure of around 60% of manufacturing companies, the fall in activity could reach -15%. Consequently, the GDP of Italy already dropped by 4.7% in the first quarter of 2020 as compared to the previous quarter and by 4.8% in 2020 as compared to 2019. Banca d'Italia has already estimated, in the light of the available information, that GDP could drop by 9.2% by the end of 2020. Banca d'Italia estimates a total decrease of Italian goods and services by 13.5% in 2020. Imports followed a similar path, registering a decrease of more than 17%. It made those assumptions in the frame of central scenario characterized by: a gradual resumption of economic activities that will go back to normal relatively quickly by the second half of 2020; the fall of global trade set to be around 12% in 2020.

companies the necessary liquidity in order to preserve the continuity of economic activities during and after the outbreak, as well as to foster future recovery of their activities in a post COVID-19 environment. The Italian authorities claim that, given the current economic situation and the widespread lack of liquidity, in the absence of support measures, those companies will not be inclined to pursue their business. Thus, their situation could further aggravate and their possible recovery could be more difficult (if not impossible) to achieve.

2.2. The nature and form of aid

(7) The measure provides aid in the form of direct grants, whose total nominal value remains below EUR 800 000 per undertaking (in gross figures).

2.3. Legal basis

(8) The legal basis for the measure is Article 72, para 1, letter d), of Law Decree of 17 March 2020, no. 18, converted with amendments into Law of 24 April 2020, no. 27 (hereinafter, "Decreto Cura Italia") following the amendment made by Article 48, Para 1, letter a), n. 2), of Law Decree of 19 May 2020 no. 34 (hereafter, "Decreto Rilancio").

2.4. Administration of the measure

(9) The aid will be granted directly through the "Fondo per la Promozione Integrata" (FIP), allocated to the budget of the Ministry of Foreign Affairs and International Cooperation.

2.5. Budget and duration of the measure

(10) The estimated budget of the FIP allocated to the financing of the measure is up to EUR 300 Million.

(11) Aid may be granted under the measure as from its approval by the Commission until no later than 31 December 2020.

2.6. Beneficiaries

(12) The direct grants under the measure will be provided in connection with interventions carried out under the "394 Fund"[4], which allows support[5] to companies, for the internationalization of Italian businesses. As a result, only companies willing to pursue initiatives in the international area in the current economic situation – as proven by their request for funding under the 394 Fund – may apply for and receive aid under the measure.

---

4 A revolving fund established by Article 2, Para 1, of Law Decree no. 251 of 28 May 1981, converted into Law no. 394 of 29 July 1981, as amended by Article 6, Paragraph 1, of the Law Decree no. 112 of 25 June 2008, and following modifications. The 394 Fund is managed by SIMEST S.p.A., a company owned by Cassa Depositi e Prestiti S.p.A. through SACE S.p.A..

5 In the form of subsidised loans under Commission Regulation (EU) No 1407/2013 of 18 December 2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid (OJ L 352, 24.12.2013, p.1) ("*de minimis* Regulation").

The measure, however, is not export aid, i.e. it does not promote export activity and is not directly linked to elements such as the quantities exported or to the establishment and operation of a distribution network[6] but provides grants to support the liquidity of the recipient undertakings willing to pursue initiatives in the international arena.

(13) The final beneficiaries of the measure are undertakings registered in Italy, i.e. with registered office (*"sede legale"*) in Italy, intending to carry out international operations as defined under the 394 Fund[7], that find themselves facing a sudden shortage or even unavailability of liquidity due to the COVID-19 outbreak.

(14) Although the regime is open to all undertakings, SMEs (as defined under Annex I of the General Block Exemption Regulation ("GBER")[8]) will be the main beneficiaries of the aid (a quota of 70% of the interventions have to be reserved to SMEs).

(15) Aid may not be granted under the measure to undertakings, whatever their size, that were already in difficulty within the meaning of the GBER[9] on 31 December 2019.

2.7. Sectoral and regional scope of the measure

(16) The measure is open to all undertakings in all sectors, except agriculture, fishery, aquaculture, banking and financial sector.

(17) It applies to the whole territory of Italy. For beneficiaries active in the processing and marketing of agricultural products,[10] the aid is conditional on not being partly or entirely passed on to primary producers and is not fixed on the basis of the price or quantity of products purchased from primary producers or put on the market by the undertakings concerned.

2.8. Cumulation

(18) The Italian authorities confirm that the aid will be granted in line with the cumulation rules applicable under the Temporary Framework. The aid granted under the measure will be cumulated with subsidized loans that are granted under Fund 394 within the threshold of the *de minimis* Regulation, provided the provisions and cumulation rules of that Regulation are respected.

---

6 As defined in Article 1(2)(c) GBER.

7 See Article 6 of the Law Decree no. 112 of 25 June 2008.

8 Commission 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, OJ L 187 of 26.6.2014, p. 1.

9 As defined in Article 2(18) of Commission Regulation (EU) No 651/2014.

10 As defined in Article 2(6) and Article 2(7) of Commission Regulation (EC) No 702/2014 of 25 June 2014 declaring certain categories of aid in the agricultural and forestry sectors and in rural areas compatible with the internal market in application of Articles 107 and 108 of the Treaty on the Functioning of the European Union, OJ L 193, 1.7.2014, p. 1.

They further confirm that the total amount of aid granted per undertaking in nominal value, including the *de minimis* aid, will not exceed the overall cap of EUR 800 000 set under section 3.1 of the Temporary Framework.

(19) The Italian authorities also confirm that aid granted under the measure may be cumulated with aid granted under other measures approved by the Commission under other sections of the Temporary Framework provided the provisions in those specific sections are respected.

(20) The Italian authorities confirm that if the beneficiary receives aid on several occasions or in several forms under the measure or aid under other measures approved by the Commission under section 3.1 of the Temporary Framework, the overall maximum cap per undertaking, as set out in point 22(a) of that framework, will be respected.

2.9. Monitoring and reporting

(21) The Italian authorities confirm that they will respect the monitoring and reporting obligations laid down in section 4 of the Temporary Framework (including the obligation to publish relevant information on each individual aid above EUR 100 000 granted under the measure on the comprehensive national State aid website or Commission's IT tool within 12 months from the moment of granting[11]).

3. ASSESSMENT

3.1. Lawfulness of the measure

(22) By notifying the measure before putting it into effect, the Italian authorities have respected their obligations under Article 108(3) TFEU.

3.2. Existence of State aid

(23) For a measure to be categorised as aid within the meaning of Article 107(1) TFEU, all the conditions set out in that provision must be fulfilled. First, the measure must be imputable to the State and financed through State resources. Second, it must confer an advantage on its recipients. Third, that advantage must be selective in nature. Fourth, the measure must distort or threaten to distort competition and affect trade between Member States.

(24) The measure is imputable to the State, since it is administered by the FIP, allocated to the budget of the Ministry of Foreign Affairs and International Cooperation, and it is based on the Article 72, para 1, letter d), of Decreto Cura Italia following the amendment made by the Decreto Rilancio. It is financed through State resources, since it is financed by public funds.

[11] Referring to information required in Annex III to Commission Regulation (EU) No. 651/2014.

(25) The measure confers an advantage on its beneficiaries in the form of direct grants. The measure thus relieves those beneficiaries of costs that they would have had to bear under normal market conditions.

(26) The advantage granted by the measure is selective, since it is awarded only to certain undertakings, in particular undertakings intending to carry out international operations under the 394 Fund, excluding agriculture, fishery, aquaculture, banking and financial sector.

(27) The measure is liable to distort competition, since it strengthens the competitive position of its beneficiaries. It also affects trade between Member States, since those beneficiaries are active in sectors in which intra-Union trade exists.

(28) In view of the above, the Commission concludes that the measure constitutes aid within the meaning of Article 107(1) TFEU. The Italian authorities do not contest that conclusion.

3.3. Compatibility

(29) Since the measure involves aid within the meaning of Article 107(1) TFEU, it is necessary to consider whether that measure is compatible with the internal market.

(30) Pursuant to Article 107(3)(b) TFEU the Commission may declare compatible with the internal market aid "*to remedy a serious disturbance in the economy of a Member State*".

(31) By adopting the Temporary Framework on 19 March 2020, the Commission acknowledged (in section 2) that "*the COVID-19 outbreak affects all Member States and that the containment measures taken by Member States impact undertakings*". The Commission concluded that "*State aid is justified and can be declared compatible with the internal market on the basis of Article 107(3)(b) TFEU, for a limited period, to remedy the liquidity shortage faced by undertakings and ensure that the disruptions caused by the COVID-19 outbreak do not undermine their viability, especially of SMEs*".

(32) The measure aims at mitigating liquidity problems at a time when the normal functioning of credit markets is severely disturbed by the COVID-19 outbreak and that outbreak is affecting the wider economy and leading to severe disturbances of the real economy of Member States.

(33) The measure is one of a series of measures conceived at national level by the Italian authorities to remedy a serious disturbance in their economy. The importance of the measure to ensure that sufficient liquidity remains available in the market is widely accepted by economic commentators and the measure is of a scale, which can be reasonably anticipated to produce effects across the entire Italian economy. Furthermore, the measure has been designed to meet the requirements of a specific category of aid ("*Limited amounts of aid*") described in section 3.1 of the Temporary Framework.

(34) The Commission accordingly considers that the measure is necessary, appropriate and proportionate to remedy a serious disturbance in the economy of a Member State and meets all the conditions of the Temporary Framework. In particular:

- The aid takes the form of direct grants (recital (7)).

  The overall nominal value of the direct grants will not exceed EUR 800 000 per undertaking; all figures used must be gross, that is, before any deduction of tax or other charges (recital (7)). The measure therefore complies with point 22(a) of the Temporary Framework;

- Aid is granted under the measure on the basis of a scheme with an estimated budget as indicated in recital (10). The measure therefore complies with point 22(b) of the Temporary Framework;

- Aid will not be granted to undertakings under the measure that were already in difficulty on 31 December 2019 (recital (15)). The measure therefore complies with point 22(c) of the Temporary Framework;

- Aid will be granted under the measure no later than 31 December 2020 (recital (11)). The measure therefore complies with point 22(d) of the Temporary Framework;

- Aid granted to undertakings active in the processing and marketing of agricultural products is conditional on not being partly or entirely passed on to primary producers and is not fixed on the basis of the price or quantity of products purchased from primary producers or put on the market by the undertakings concerned (recital (17)). The measure therefore complies with point 22(e) of the Temporary Framework.

(35) The Italian authorities confirm that the monitoring and reporting rules laid down in section 4 of the Temporary Framework will be respected (recital (21)). The Italian authorities further confirm that the aid under the measure may only be cumulated with other aid, provided the specific provisions in the sections of the Temporary Framework are respected and the cumulation rules of the relevant Regulations are respected (recitals (18) *et sequitur*).

(36) The Commission therefore considers that the measure is necessary, appropriate and proportionate to remedy a serious disturbance in the economy of a Member State pursuant to Article 107(3)(b) TFEU since it meets all the relevant conditions of the Temporary Framework.

4. CONCLUSION

The Commission has accordingly decided not to raise objections to the aid on the grounds that it is compatible with the internal market pursuant to Article 107(3)(b) of the Treaty on the Functioning of the European Union.

The decision is based on non-confidential information and is therefore published in full on the Internet site: http://ec.europa.eu/competition/elojade/isef/index.cfm.

Yours faithfully,

For the Commission

Margrethe VESTAGER
Executive Vice-President