EUROPEAN COMMISSION

Brussels, 29.11.2021
C(2021) 8798 final

PUBLIC VERSION

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Subject: State Aid SA.100597 (2021/N) – Italy
COVID-19: Direct grants to SMEs engaging in international activities and operations for the digital and green transitions (RRF)

Excellency,

1. PROCEDURE

(1) By electronic notification of 8 November 2021, Italy notified aid in the form of limited amounts of aid "Direct grants to SMEs engaging in international activities and operations for the digital and green transitions" (the "measure") under the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak (the "Temporary Framework").[1] Italy provided additional information on 16 November 2021.

(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

[1] Communication from the Commission - Temporary framework for State aid measures to support the economy in the current COVID-19 outbreak (OJ C 91I, 20.3.2020, p. 1), as amended by Commission Communications C(2020) 2215 (OJ C 112I, 4.4.2020, p. 1), C(2020) 3156 (OJ C 164, 13.5.2020, p. 3), C(2020) 4509 (OJ C 218, 2.7.2020, p. 3), C(2020) 7127 (OJ C 340I, 13.10.2020, p. 1),C(2021) 564 (OJ C 34, 1.2.2021, p. 6) and C(2021) 8442 (OJ C 473, 24.11.2021, p. 1).

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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 pandemic affects 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 pandemic, to ensure that the disruptions caused by the pandemic do not undermine the viability of the undertakings and thereby to preserve the continuity of economic activity during and after the pandemic.

(4) Italy confirms 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. The nature and form of aid

(6) The measure provides aid in the form of direct grants.

2.2. Legal bases

(7) The legal bases for the measure are Article 11, paragraph 1, letter b), and paragraph 3, of Decree Law No. 121 of 10 September 2021, converted into Law No. 156 of 9 November 2021; Resolution of the *Comitato Agevolazioni*[3] (hereinafter, the "Committee") of 30 September 2021 and the Committee's Framework Decision of 30 September 2021 "*approving the investment policy and the relevant operative circular*"[4] (hereinafter, the "Framework Decision"). The Framework Decision (point 2) provides that grants can be awarded only once the Commission gives its preliminary approval.

2.3. Administration of the measure

(8) The Ministry of Foreign Affairs and International Cooperation is the authority responsible for the measure, while the Committee is the authority granting the aid

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

[3] Reference is made to the committee established under Article 1, paragraph 270, of Law No. 205 of 27 December 2017. The Committee is composed by (a) two representatives of the Ministry of Foreign Affairs and International Cooperation (one of them as chairman), (b) one representative of the Ministry of Economy and Finance, (c) one representative of the Ministry of the Economic Development, and (d) one representative designated by the Italian Regions, to be appointed through decree of the Ministry of Foreign Affairs and International Cooperation.

[4] Delibera Quadro del Comitato Agevolazioni del 30 settembre 2021 di approvazione della politica di investimento e delle correlate Circolari operative.

under the measure, based on the procedure and the preparatory assessment carried out by SIMEST S.p.A.[5]

2.4. Budget and duration of the measure

(9) The estimated budget of the measure is EUR 400 million.

(10) Aid may be granted under the measure as from the notification of the Commission's decision approving the measure until no later than 31 December 2021.

2.5. Beneficiaries

(11) The final beneficiaries of the measure are SMEs[6] with corporate headquarters registered in Italy. However, financial institutions are excluded as eligible final beneficiaries.

(12) Aid may not be granted under the measure to SMEs that were already in difficulty within the meaning of the GBER[7] on 31 December 2019.

2.6. Sectoral and regional scope of the measure

(13) The measure is open to undertakings engaging in international activities and operations for the digital and green transitions only. The measure does not apply to the financial sector, the primary production of agricultural products nor to the fishery and aquaculture sectors. It applies to the whole territory of Italy.

2.7. Basic elements of the measure

(14) Under the measure, the aid is provided in the form of a direct grant to the beneficiaries under recital (11). These beneficiaries have been suffering such a substantial shortage and/or lack of liquidity that the possibility for them to strengthen their resilience after the COVID-19 outbreak via initiatives aimed at their internationalisation and in line with the digital and green objectives set in the Recovery and Resiliency Facility[8] and in the Recovery and Resilience Plan for Italy is expected to be seriously endangered.

(15) 40% of the budget referred to in recital (9), which corresponds to EUR 160 million, is intended to be granted to beneficiaries with at least one operational headquarter in Abruzzo, Basilicata, Calabria, Campania, Molise, Puglia, Sardinia and Sicily (the "Southern Regions"). If such share of the budget is not exhausted by the amount of grants actually awarded based on the

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5 SIMEST S.p.A. is a company owned by Cassa Depositi e Prestiti S.p.A. through SACE S.p.A.

6 As defined in Annex I to 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, 26.6.2014, p. 1 ("GBER").

7 As defined in Article 2(18) of the GBER.

8 Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility, OJ L 57, 18.2.2021, p. 17.

applications submitted by these beneficiaries by 3 December 2021, the remainder will be added to the main part of the budget.

(16) The direct grant is awarded under a specific section set up by Article 11(1)(b) of Decree Law No. 121 of 10 September 2021 within the revolving fund set up by Article 2(1) of Decree Law No. 251 of 28 May 1981,[9] together with a subsidised loan[10] to SMEs that intend to put in place the following types of initiatives:

(a) Initiatives in the field of the digital and green transitions;

(b) Initiatives to promote the internationalisation of SMEs in the digital environment, through the development of e-commerce;

(c) Participation in a single international event among the following: trade fairs, exhibitions, business missions/promotional events, or system missions, having at least a 30% cost component related to digital transition activities or being fully devoted to the digital and/or green transitions.

(17) Each applicant can only submit one application referring to one of the three eligible initiatives referred to in recital 0 and can receive one single direct grant only.[11]

(18) Each undertaking applies for an overall support[12] (including both the direct grant and the nominal value of the subsidised loan) up to EUR 300 000, for the initiatives under letters (a) and (b)[13] of recital 0, and up to EUR 150 000 for the initiatives under letter (c) of that recital.

(19) The direct grant is equal to a share of this overall support that cannot exceed:

(i) 40% for beneficiaries with at least one operational headquarter in the Southern Regions;

(ii) 25% for all other beneficiaries.

while the remainder of the support takes the form of a subsidised loan referred to in recital 0.

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9 Converted into Law No. 394 of 29 July 1981.

10 The subsidised loans are awarded under a specific section set up by Article 11(1) (a) of Decree Law No. 121 of 10 September 2021, within the revolving fund mentioned above. Article 11(1)(a) provides these subsidised loans will be covered by a financial envelope of EUR 800 million. Italy explains that the subsidised loans are granted in accordance with rules on *de minimis* aid.

11 Each applicant can similarly receive only one subsidised loan.

12 This overall amount is referred to as "*total amount of the subsidised loan*" in the Framework Decision and represents the total of the underlying loan's nominal value and of the direct grant.

13 In those cases where the initiatives under letter (b) of recital (16) do not concern the creation/enhancement of a beneficiary's e-commerce platform but the access to third parties' platforms (i.e. "market place"), the maximum overall support under recital (18) is equal to EUR 200 000 instead of EUR 300 000.

(20) In order to be eligible under the measure, undertakings applying for initiatives under letters (a) and (b) in recital 0 shall be established in the form of limited liability companies[14]. Undertakings applying for the initiatives under letter (a) shall also qualify as SMEs with "*international vocation*" under the Framework Decision.[15]

(21) The following activities and assets are in any event ineligible under the scheme: (i) activities and assets related to fossil fuels, including downstream use; (ii) activities and assets under the EU Emission Trading System (ETS) achieving projected greenhouse gas emissions equal to or below the relevant benchmarks; (iii) activities and assets related to waste landfills, incinerators and mechanical biological treatment plants; and (iv) activities and assets where the long-term disposal of waste may cause harm to the environment.[16]

(22) The measure is not export aid, i.e. it does not promote export-related activities and is not directly linked to elements such as the quantities exported or to the establishment and operation of a distribution network or to other current expenditure linked to the export activity[17] but provides direct grants to support the liquidity of the recipient undertakings willing to pursue initiatives for the internationalisation and the digital and green transitions.

(23) Italy confirms that aid granted to undertakings active in the processing and marketing of agricultural products is excluded when the aid is conditional on being partly or entirely passed on to primary producers, fixed on the basis of the price or quantity of products put on the market by the undertakings concerned or purchased from primary producers.

(24) Italy also confirm that the overall nominal value of direct grants shall not exceed EUR 1.8 million per undertaking (gross, that is, before any deduction of tax or other charges).

2.8. Cumulation

(25) The Italian authorities confirm that aid granted under the measure may be cumulated with aid under de minimis Regulation or the GBER provided the provisions and cumulation rules of those Regulations are respected.

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14 Such requirement is complied with if the beneficiary has been a limited liability company in the last two financial years.

15 The Framework Decision sets specific requirements in terms of minimum quotas of export-related turnover and the use of turnover for specific purposes (digital transition objectives, sustainability and internationalisation).

16 For the activities and assets listed in recital (21), specific exceptions from ineligibility are provided in the Framework Decision.

17 As defined in Article 1(2)(c) of the GBER and Article 1(1)(d) of 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").

(26) The Italian authorities 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.

(27) 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

(28) 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[18]).

3. ASSESSMENT

3.1. Lawfulness of the measure

(29) 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

(30) 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.

(31) The measure is imputable to the State, since it is under the responsibility of the Ministry of Foreign Affairs and International Cooperation and administered by the Committee (recital (8)) and it is based on the legal bases under recital (7). It is financed through State resources, since it is financed by public funds.

(32) The measure confers an advantage on its beneficiaries in the form of direct grants. The measure thus confers an advantage on those beneficiaries which they would not have had under normal market conditions.

(33) The advantage granted by the measure is selective, since it is awarded only to certain undertakings, in particular SMEs with corporate headquarters registered in

[18] Referring to information required in Annex III to the GBER.

Italy (recital (11)), engaging in international activities and operations for the digital and green transitions only, excluding the financial sector, the primary production of agricultural products and the fishery and aquaculture sectors (recital (13)).

(34) 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.

(35) 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

(36) 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.

(37) 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*".

(38) 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*".

(39) The measure aims at remedying a situation of liquidity shortages at a time when the normal functioning of markets is severely disturbed by the COVID-19 pandemic and that pandemic is affecting the wider economy and leading to severe disturbances of the real economy of Member States.

(40) 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 preserve liquidity and economic continuity 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.

(41) 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 (6)).

  The overall nominal value of direct grants shall not exceed EUR 1.8 million per undertaking (recitals (18), (19) and (24)); all figures used must be gross, that is, before any deduction of tax or other charges. The measure therefore complies with point 22(a) of the Temporary Framework, according to which the overall nominal value shall not exceed EUR 2.3 million per undertaking.

- Aid is granted under the measure on the basis of a scheme with an estimated budget as indicated in recital (9). The measure therefore complies with point 22(b) of the Temporary Framework.

- Aid may not be granted under the measure to undertakings that were already in difficulty on 31 December 2019 (recital (12)). The measure therefore complies with point 22(c) of the Temporary Framework.

- Aid will be granted under the measure no later than 31 December 2021 (recital (10)). The measure therefore complies with point 22(d) of the Temporary Framework, according to which aid shall be granted no later than 30 June 2022.

- Aid granted to undertakings active in the processing and marketing of agricultural products is excluded when the aid is conditional on being partly or entirely passed on to primary producers, fixed on the basis of the price or quantity of products put on the market by the undertakings concerned or purchased from primary producers (recital (23)). The measure therefore complies with point 22(e) of the Temporary Framework.

(42) The Italian authorities confirm 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 (recital (4)).

(43) The Italian authorities confirm that the monitoring and reporting rules laid down in section 4 of the Temporary Framework will be respected (recital (28)). 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 and the cumulation rules of the relevant Regulations are respected (recitals (25) to (27)).

(44) 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