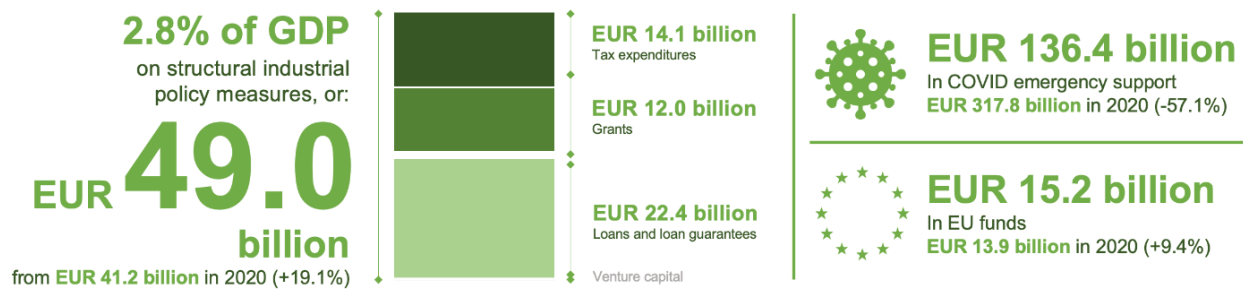


Quantifying Industrial Strategy: Italy Factsheet

Highlights

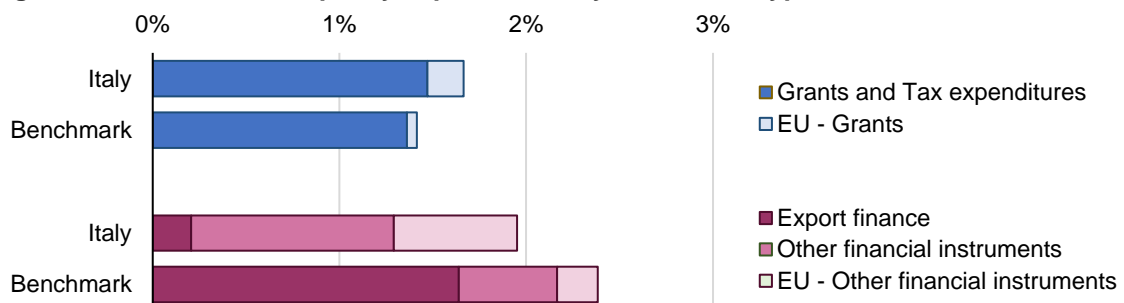
- Structural industrial policy expenditures are slightly higher in Italy compared to other QuIS participating countries in terms of grants and tax expenditures and a lot higher in terms of non-export financial instruments, though lower in terms of export finance. EU grants and financial instruments are higher than in other EU participating countries.
- Among the countries surveyed, Covid-related expenditures on financial instruments were the highest in Italy in both 2020 and 2021 while grants and tax expenditures in 2021 were also relatively high. Structural industrial policy expenditures increased by 19% in 2021 relative to 2020, partly compensating a large decrease in COVID-related financial instruments.
- Italy devotes a large share of its structural industrial policy expenditures to green, technology and sectoral support, the former through feed-in tariffs to renewable electricity producers with some instruments focusing on photovoltaic energy. Support to SMEs is higher than in other countries, mainly through tax expenditures and guarantee schemes.
- Like in many other countries, the second most supported sector after energy is transport, through tax expenditures for energy use.

ITALIAN INDUSTRIAL STRATEGY EXPENDITURES - 2021 NUMBERS



Italy spends slightly more than the benchmark on grants and tax expenditures (1.7% of GDP including 0.2% of EU support vs 1.4% in the benchmark, **Figure 1**, of which 48% are tax expenditures vs 70% in the benchmark) and slightly less on financial instruments (2% vs 2.4% of GDP). Italy is among the lowest spenders on export support (0.2% vs 1.6% of GDP) but spends a lot more on other financial instruments (1.7% vs 0.7% of GDP, including EU support for the benchmark). Italy offered the highest amount of financial support to firms during the Covid-19 pandemic (17% vs 5% of GDP), largely through guarantee schemes. This temporary support declined in 2021 relative to 2020 but remained higher than the benchmark, while structural support increased.

Figure 1. Italian industrial policy expenditures by instrument type in 2021, % of GDP



Note: Includes EU support. Source: OECD calculations based on the QuIS database.

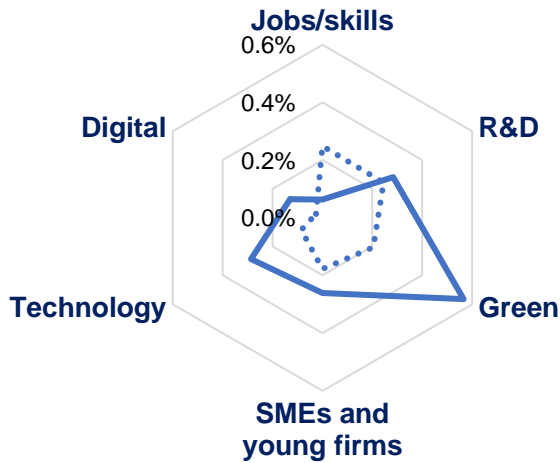


Figure 2. Industrial policy expenditures by eligibility criteria in 2021, grants and tax expenditures as % of GDP

— Italy
..... Benchmark

Note: Structural policies (i.e., excluding COVID). Categories are not mutually exclusive, as policies can be tagged in several categories. Additionally, some policies do not fulfil any of these eligibility criteria. Source: OECD calculations based on the QuIS database.

Regarding grants and tax expenditures, the priorities of the Italian industrial strategy are slightly different from those of the benchmark (Figure 2): there is more focus on the green (34% of spending vs 13% in the benchmark), sectoral (44% vs 27%) and technology criteria (17% vs 6%), and to a lesser extent on the SMEs and young firms (17% vs 11%) which are also supported through financial instruments, and the digital criteria (8% vs 2%). Italy has less instruments targeting jobs and skills (4% vs 15%) and resorts less to broad horizontal schemes (13% of spending matches none of the criteria, compared to 28% in the benchmark).

Italy’s green support tends to focus on the energy sector

Italy’s large green, sectoral and technology expenditure is driven by several large instruments:

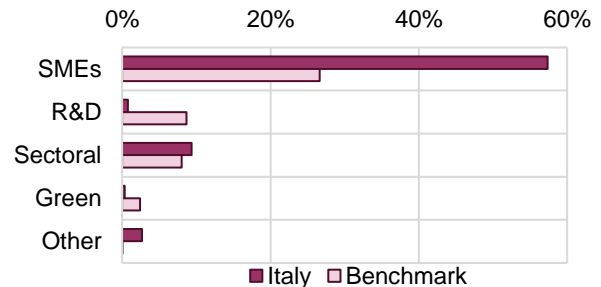
- *Conto Energia* (0.18% of GDP): feed-in premium paid to producers of electricity using PV technology. Several versions of this bill have existed since its inception in 2005 and it is no longer signing new contracts, only paying out signed ones (lasting 20 years).
- *Tariffa Fissa Omnicomprensiva e Ritiro Dedicato* (0.11% of GDP) and *GRIN* (0.11% of GDP): feed-in tariff schemes (vary with the market price) paid to producers who supply renewable electricity of any source. Tariffs vary according to the size and technology of plants.

The share of non-energy support among green support is growing, with for example the grant for the use of biomethane and other biofuels in the transport sector (0.04% of GDP) and the creation of two Important Projects of Common European Interest (IPCEI) on batteries, totalling 0.06% of GDP in 2021.

Italy’s non-export financial instruments target SMEs

57% of Italy’s non-export financial instruments in terms of notional amount target SMEs. The largest one is the SME guarantee fund *Fondo di Garanzia per le PMI* (0.74% of GDP), which was expanded eightfold during Covid-19. Italy also supports SMEs through various tax expenditures.

Figure 3. Industrial policy by eligibility criteria in 2021, share of financial instruments

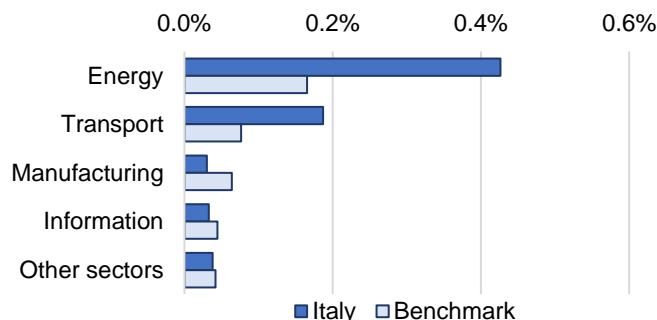


Reading example: In Italy, 57% of financial instruments include an SME criterion, vs 27% in the benchmark. Source: OECD calculations based on the QuIS database

Sectoral support focuses on energy and transport

An industry-level perspective reveals that sectoral industrial policy in Italy focuses on Energy and Transport. The latter is driven by tax expenditures related to energy use.

Figure 4. Sectoral support by sector as a percentage of total GDP - Grants and tax expenditures, 2021



Reading example: In Italy, the amount of grants and tax expenditures support specifically directed to the energy sector represents 0.43% of total GDP, vs 0.17% in the benchmark. Note: Includes EU support. Source: OECD calculations based on the QuIS database.

Italy supports the digitalisation of firms

Italy spends more than other countries on digital policy instruments. This may be a response to the fact that Italian firms adopt less digital technologies than their OECD peers¹. The largest instrument in 2019 was the *hyper depreciation* scheme, (0.08% of GDP in 2019, 0.03% of GDP in 2021), a tax depreciation of 150 to 250% of the cost of new “smart” and interconnected equipment. In 2021, a tax credit on new and technologically advanced capital goods was introduced to gradually replace the hyper depreciation scheme, amounting to 0.06% of GDP (*Credito d'imposta per investimenti in beni strumentali materiali 4.0*). The adoption of digital technologies is highly complementary with R&D, for which schemes have recently undergone many changes ([Read more here](#)); access to finance, which is a priority as highlighted above; and infrastructure (out of scope).

1: See Calvino et al. (2022), “Closing the Italian digital gap: The role of skills, intangibles and policies”, OECD Science, Technology and Innovation Policy Papers, <https://doi.org/10.1787/23074957>