

The National State Aid Register (Registro Nazionale Aiuti di Stato) is a database in which all public aids granted in Italy are recorded. This report uses the information contained in the Register to investigate the development of subsidies to South Tyrolean firms over the five-year period 2018–22 and to compare the situation in South Tyrol with that in the rest of Italy and in the neighbouring Trentino. It also provides a basis for future work to investigate the appropriateness, effectiveness and efficiency of public subsidies to the economy.

Between 2018 and 2022, South Tyrolean firms were granted more than two billion euros in subsidies.

In the observed period, South Tyrolean firms benefited from almost EUR 1.6 billion in subventions and interest contributions, of which 245 million were received for activities conducted outside the province, for example in the field of renewable energy production. In addition to these resources, there were Covid-19 subsidies granted by the Revenue Agency (Agenzia delle Entrate) in 2020–21, with a total value of EUR 480 million, which had not yet been entered in the register at the time of this analysis.

The different aid measures vary significantly in terms of amounts granted and number of beneficiaries.

In this regard, two types of interventions can be identified: widespread measures, which allocate small amounts to a very large number of beneficiaries – also belonging to different economic sectors – and project-specific measures, which are

characterised by large amounts reserved for a limited number of beneficiaries. The former include Covid aids, incentives for research, innovation and digitalisation as well as those for training, professional development and consulting. To the latter group belong, for example, subsidies for ropeways, those granted by GSE (Gestore dei Servizi Energetici) for renewable energy production, or Invitalia's development contracts.

The pandemic changed the distribution of subsidies to South Tyrolean firms.

Considering the distribution of the subsidies, we can observe that before the coronavirus pandemic a large part of the total resources were allocated to a few important projects. In the two-year period 2018–19, less than one per cent of the businesses benefited from more than half of the aids. The main focus of the subsidies was on renewable energy production, investments in ropeways and firm investments. In 2020, and even more so in 2021, there has been a considerable mobilisation of resources to cushion the impact of the coronavirus pandemic on the economy. Altogether, South Tyrolean firms have been granted more than one billion Covid-19 subsidies, most of which have been provided by state bodies, including the Revenue Agency. However, the Autonomous Province of Bolzano also intervened with own resources, especially in 2020. As a result of these measures, the number of businesses that received subsidies increased sharply. Covid-19 also changed the distribution of aids by size class and industry, in favour of the smaller firms and the sectors most affected by the pandemic, such as tourism.

With respect to GDP, South Tyrol received more aids than the Italian average.

A comparison of Italian regions shows that the ratio of subsidies to the gross domestic product (GDP) is generally higher in the South and in regions and provinces with a special statute. In South Tyrol, this ratio was 0.76% in 2018 and 0.60% in 2019, compared to a national average of 0.38% and 0.34% respectively. With the increase in aids due to the pandemic, the ratio of subsidies to GDP in South Tyrol reached as high as 4.05% in 2021, while the Italian average stood at 2.15%. In 2022, with the return to post-Covid normality, there was a sharp drop in aids granted in South Tyrol and the ratio fell to 0.87%, compared to a national figure of 1.23%.

Compared to Trentino, South Tyrol stands out with stronger support for ropeways, district heating as well as research, innovation and digitalisation.

In absolute values, the aids and subsidies granted in South Tyrol between 2018 and 2022 amount to approximately EUR 1,950

million, while in Trentino they come close to EUR 1,600 million. Considering the purposes for which subsidies were granted in the two Autonomous Provinces, different political priorities emerge. Net of Covid-19 aids, South Tyrol is characterised by a strong focus on the tourism sector, exemplified by the large subsidies granted to ropeways operators: in the five-year period of reference, these totalled more than 200 million euro, i.e. 10.3% of the total. The South Tyrolean provincial authority has also dedicated a greater volume of resources than the Province of Trento to supporting research, innovation and digitalisation. In the energy field, South Tyrol stands out for its contributions to investments in district heating, while the Province of Trento has allocated more resources to encouraging energy efficiency. Regarding subsidies for business investments, South Tyrol was able to intercept more state funds, such as those connected to the 'Nuova Sabatini' or those granted by Invitalia, while the Autonomous Province of Trento intervened with more of its own resources.