



Il Contract for location in Piemonte

Policy for Investment

Executive summary

The ‘Contratto di insediamento’ (Contract for location) is an industrial promotion measure to attract foreign (external) firms in the Piemonte region. Its particular feature consists in its contractual character, which gives it flexibility and makes it particularly innovative among the Italian industrial policy instruments at regional level.

In this work we examine the characteristics of the measure and its prerequisites as well as its application, which underwent important changes over time. Following the recent downturn in the regional economy it now focuses mainly on job creation rather than regional research bodies empowerment.

We analyze the reference literature about investment attraction policies, highlighting their rationales and the difficulties in their implementation. We then explore the emerging questions through interviews with the firms which subscribed a Contract with the Regione Piemonte: 8 firms and 3 research centres, from June 2009 to February 2010, and, according to the latest version of the Contract, 6 firms and 1 research centre, from October to September 2011.

The measure has been designed following the experience of the regional IPA (Investment Promotion Agency) operating in Piemonte, as a ‘one shop solution’ for external investors. It also refers to national policies of investment attraction (Contratto di localizzazione) managed by Invitalia, which were developed in the wake of negotiated programming policies.

During the period considered, 10 firms opened a new plant in Piemonte through the promotion of the IPA (Ceipiemonte) outside the provision of the Contratto di insediamento, with an investment 1.63 times higher than capital invested by the firms attracted by the Contract. The advantage of the Contratto is that it promotes more labour-intensive investments.

A wide array of interventions was activated as to the sector involved; the technological content; the firms goals; and the specific location factors. To put in evidence some common factors, a taxonomy identified specific initiatives to serve different industrial regional policy goals:

- Strengthening R&D
- Rescuing firms in difficulty
- Diversifying regional output
- Stimulating *backsourcing*
- Supporting traditional high-quality production

What impact had the investments (the question was limited only to the implementation phase)? We observed positive direct occupational effects and spillover effects in different areas, according to the goals of the policy: reuse of old industrial areas, caring for firm in crisis, empowering quality of regional supply, empowering innovation.

We didn't see a clear displacement effect, which is a competition between investment attracted and local firms. It's worth noting that several initiatives were able to create partnerships between local and external firms, thus contributing to the opening up of the regional economy and developing transnational networks.

Assessing additionality of the measure is more difficult. It must be noted that the subsidy is only part of an integrated policy in a negotiating network operated through a specialized IPA.

We didn't find a clear economic additionality, even though we can suppose the existence of locational additionality, as can be evidenced by the choice of some locations in areas eligible under art. 87.3.c.(higher subsidy). We must also take into account that the subsidized amount is scaled to the jobs involved, and thus it makes more difficult for firms to appropriate 'rents'.

What is the role of the negotiation? The contractual mechanism and the choice of a unique managing body resulted in a big advantage in translating the investment into the policy requirements. It is also conducive to obtain the different objectives of the policy, also thanks to the stress on monitoring results step-by-step. The firm gains more confidence from the negotiation as the investment is decided upon.

Many of the 'attracted' firms are 'national' and are located in areas close to Piemonte. They look for highly accessible locations as a means to step-up their internal productive network.

Moreover we can argue that, owing to the present crisis, other regions in Italy are implementing attraction industrial policies, similarly to Piemonte's 'Contract'. In the near future this could lead to a problem of 'territorial competition', which would then require a better tuning of the measure according the specific market failures to be overcome, thus avoiding a zero-sum game.