

FRIULI VENEZIA GIULIA | ITALY

# ACTION PLAN

How to use Financial Instruments  
to enhance regional development



European Union  
European Regional  
Development Fund

**BUSINESS AND CULTURAL  
DEVELOPMENT CENTRE**

## GENERAL INFORMATION

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# ACTION PLAN

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### PARTNER ORGANISATION

Friuli Innovazione

### COUNTRY

Italy

### NUTS2 REGION

Friuli Venezia Giulia

### AUTHORS

Josanco Floreani, Francesca Pozzar, Selina Rosset

### REVIEWERS

Diego Angelini, Stefano Ferrando

WWW.INTERREGEUROPE.EU/INNOVA-FI

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# EXECUTIVE SUMMARY

This Action Plan aims to contribute to improving the offering of financial instruments available to companies in the north-eastern Italian Region of Friuli Venezia Giulia. Its specific goal is to enhance the capability of the public policies to support the competitiveness of local businesses through appropriate financial instruments that will leverage investments in the field of innovation.

Encouraging the mobilisation of both public and private investments to support Research & Development projects from smaller companies is vital in this moment, since the shocks attributable to the pandemic will profoundly change the processes governing the access to resources for growth. The reorganisation of banking regulation and supervision will probably exacerbate the difficulties in accessing credit, at least for certain classes of entrepreneurs. At a national and Regional level there is an important problem of resource allocation, that highlights the need to:

- build critical mass by activating a leverage effect around the set of available financing instruments and channels;
- overcome generalised weaknesses of most small businesses in their organisational and managerial structures and strategic analyses as well as in communication with their stakeholders, particularly third-party investors.

As far as the first point is concerned, appropriate public-private co-financing schemes, especially of the equity type, can play a significant stimulating role, acting as a multiplier of the resources mobilised. In relation to the second point, the definition of sound monitoring systems based on specific performance indicators, together with incentive mechanisms constitute an undoubtedly innovative profile, also with respect to the various instruments that already exist. KPIs, defined beforehand, would help companies to think in terms of planning, targets to be

achieved and the accountability of the results.

Based on the premises, there are two actions envisaged under this Action Plan. They reflect the need to overcome the logic of the subsidies by identifying financial instruments that can act as an effective incentive for innovation by the final beneficiaries. The ultimate objective of the policy instruments identified (competitiveness measures within the Regional Operational Programmes funded by the ERDF) is to stimulate the ability to mobilise additional resources from the market.

The actions laid out in the present document are the result of a peer learning exercise conducted via the Exchanges of Experience study visits within the framework of the Innova-FI project where a number of best practices have been identified. The actions represent the synthesis of a broad and well-structured dialogue with the most representative local public and private stakeholders from the Autonomous Region of Friuli Venezia Giulia.

**Action 1** concerns the Venture Capital Guarantee Fund which came into operation in October 2019 as a pilot action to push private investment in innovative start-ups. Local stakeholders have recognised the need to

strengthen its functioning, with a view to an effective formal establishment of the Fund within the Region's financial instruments portfolio. Key points of the action include the definition of a system for monitoring the impacts of the instrument, based on a set of KPIs to be identified and an incentive mechanism for the beneficiary companies.

**Action 2** focuses on equity crowdfunding and provides for a feasibility study for the creation of a joint public and private venture fund that will invest according to non-discretionary rules in crowdfunding campaigns promoted by innovative start-ups and innovative SMEs. Alternatively, the fund could intervene through additional financial contributions (for example, through the subscription of a capital increase to a company that has successfully concluded a crowdfunding campaign). Both options are being studied and form part of Action 2.

The two actions foreseen aim to complete the financial instruments portfolio available in Friuli Venezia Giulia and implemented by the Regional government in order to favour the companies' access to diversified sources of financing in the form of own capital.

# SUPPORT LETTER



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## Interreg Europe Project PGI05374: Endorsement Letter 22 November 2021

Dear Sir / Madam,

on behalf of the Service for business access to credit of the Autonomous Region Friuli Venezia Giulia, I herewith confirm that the Interreg Europe Project "Innova-FI: Financial Instruments for Innovation" has been successfully implemented in Friuli Venezia Giulia region.

Firmato digitalmente da: Diego Angelini  
Data: 22/11/2021 16:46:07  
I would like to express the maximum support to Friuli Innovazione Scm by endorsing the Action Plan for Friuli Venezia Giulia developed within the Innova-FI project.

As Managing Director of the Service for business access to credit I recognize the impact of Innova-FI in the promotion of synergies between European regions as well as the significance of the Action Plan in improving through a realist approach SME competitiveness.

It's specified that this endorsement letter doesn't commit the Autonomous Region Friuli Venezia Giulia to any particular contractual or financial obligation.

Sincerely yours,

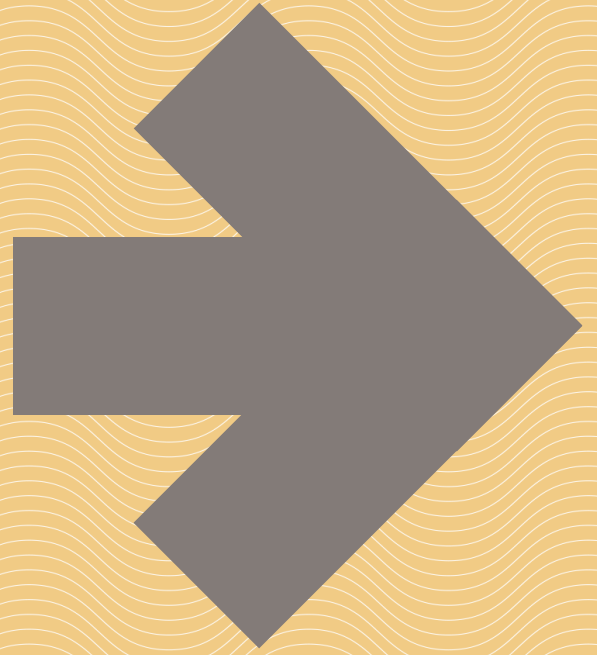
Diego Angelini  
Managing Director

FRIULI VENEZIA GIULIA  
AUTONOMOUS REGION - SERVICE  
FOR BUSINESS ACCESS TO CREDIT

Via Trento, 2  
34132 Trieste - Italy

+39 040 3772558  
credito@regione.fvg.it

# POLICY CONTEXT



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This Action Plan seeks to innovate the existing set of instruments in order to enhance the capacity of public intervention to stimulate the mobilisation of resources in favour of companies in Friuli Venezia Giulia (creating the necessary critical mass), specifically in the setting of investment projects in the field of innovation.

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In the context of where are essentially bank-centred financial systems, the constraints on access to sources of financing are expressed in terms of difficult access to credit. Moreover, on the demand side, the large network of Small and Medium Enterprises (SMEs) view the banks as a privileged and almost exclusive financial partner.

In a context such as the European one in which the banking sector accounts for 70% of SME financing, the gap between the demand for loans and its supply represents a critical factor for a company when the loan financing gap (*Cahery et al.* 2015) is considered. This reached 6% of GDP in 2015 and then dropped to 3% in 2019 in a context of exceptionally low interest rates.

The gap seems to widen in those countries (especially Germany, France and Belgium) where SMEs are highly leveraged. In these countries, the increase in the demand for credit appears to be more robust, while in the countries of Southern Europe (mainly Italy and Spain) in recent years there has been an increase in the self-financing capacity of SMEs, accompanied by a substantial contraction in demand, partly due to a weaker expansion of economic growth.

Since European SMEs depend on bank debt for about 70% of their external financial requirements, the broadening of the gap between the demand and supply of loans

constitutes a powerful constraint on the growth of investments for all companies with limited capacity for self-financing.

The pandemic crisis that broke out in 2020 has substantially altered the picture outlined above, profoundly affecting the dynamics of growth and industrial production, investment prospects, companies' financial structures and the related conditions for financing. Last but not least, the ability of banks to support businesses has been adversely affected.

In Italy, public support interventions have contributed to mitigate the increase in companies' liquidity requirements to substantially reduce capital deficits. At the same time, they have made it possible to lower the probability of insolvency. Nonetheless, they have had the effect of increasing corporate debt levels to 74.7% of GDP in the third quarter of 2020 (Source, Bank of Italy, Economic Bulletin, 1/2021), while remaining below that of the European average (115.4%). The resulting increase in debt may not be of a temporary nature and will weigh on the ability of companies to support debt service, invest and compete in the marketplace in the medium term.

The Central Guarantee Fund (*Fondo Centrale di Garanzia*) has approved over 18,000 transactions to the benefit of companies in Friuli Venezia Giulia between the coming into force of the "*Cura Italia*"

Decree on 17<sup>th</sup> March, and September 2020<sup>1</sup>.

Looking ahead, the economic systems (including that in Friuli Venezia Giulia) will have to face the risks associated with the progressive removal of support measures through the implementation of measures aimed at **favouring access to sources of financing in the form of the companies' own capital and the diversification of these sources.**

In this context, there is a requirement to strengthen support measures for businesses, in addition to those attributable to the contingencies of the pandemic crisis, with a view to encouraging the mobilisation of resources for investments. This need is set in a context in which, in perspective, the shocks attributable to the pandemic will profoundly change the processes governing access to resources for growth. The reorganisation of banking regulation and supervision must be considered, which will probably exacerbate the difficulties in accessing credit, at least for certain classes of entrepreneur. The long-term budget of the European Union and the funds allocated under the EU programme "Next Generation" - an instrument designed to support the recovery - have an evident macro-economic aspect, accompanied by a micro-economic dimension.

From the perspective of policy indications, this poses an important problem of resource allocation, highlighting the need to

1. stimulate the ability to build critical mass by activating an essential leverage effect around the set of available financing instruments and channels, ensuring that they respond to the needs of businesses, especially the innovative ones.
2. to overcome certain shortcomings of most small businesses in their organisational and managerial structures and strategic analyses as well as in communication with the stakeholders (particularly third-party financiers). These shortcomings, together with dimensional and "cultural" constraints (fear of losing control,

reluctance to open the ownership base to new shareholders) often preclude or make it difficult to access certain forms of financing, especially of a participatory type. Widespread knowledge gaps affect the understanding of the relationship between financial needs, available financing opportunities and financial choices consistent with the nature and type of companies' individual needs.

As far as the first point is concerned, appropriate **public-private co-financing schemes, especially of the equity type, can play a significant stimulating role, acting as a multiplier of the resources mobilised**, in a context characterised by a certain fragmentation in the supply of funds, mainly in the form of own capital.

In relation to the second point, **the definition of sound monitoring systems based on specific performance indicators, together with incentive mechanisms (or penalties) constitute an undoubtedly innovative profile, also with respect to the various instruments that already exist.** KPIs, defined beforehand, would help companies to think in terms of planning, the targets to be achieved and accountability of the results.

It must be said that the Friuli Venezia Giulia Region's ecosystem presents significant opportunities in terms of development and innovation which, if properly supported, could act as a driving force for growth. In particular:

- a. The Regional production system has shown increased resilience since 2011 (at least until the emergence of the crisis involving the COVID-19 pandemic), reflected in a marked contraction of companies classified as risky and in a similar trend in debt levels. The increases in profitability and the consequent increase in levels of self-financing (together with the selection made by the market) have contributed to the reduction in financial leverage.
- b. The Regional system is characterised by a sound

<sup>1</sup> source: Banca d'Italia, *L'Economia del Friuli Venezia Giulia, Aggiornamento Congiunturale, November 2020*

vocation for innovation, both in comparison with national data and in a broader perspective at European level.

The second point deserves further study. According to the European Commission's Regional Innovation Scoreboard (RIS) (2019 Report) based on data referring mainly to 2016, Friuli Venezia Giulia is the only Italian region classified as a "strong innovator".

Among the strengths of the Region to emerge were the high production of patents and its conspicuous scientific productivity in the international arena, placing the Region above the national and Eurozone average. Furthermore, scientific publications in collaboration between public research bodies and private companies are conspicuous for their presence.

Looking specifically at some indicators of innovative capacity (Eurostat and OECD data), the Region is above the national average and, often in line with the European average in relation to:

- a. expenditure on research and development on GDP (1.6% compared to a national average of 1.4% but less than the 2.1% of the EU average);
- b. the incidence of researchers and personnel assigned to research and development functions on the active population (10% above the national average and in line with the EU average);
- c. the proportion of employees in manufacturing sectors of a high or medium-high level of technology (higher than the national and the Euro area averages);
- d. the number of patents per million inhabitants (in line with the EU average and substantially higher than the national average).

In a comparison with European counterparts there are weaknesses **linked to a low level of private spending on research and development, a low level of highly knowledge-intensive services and a smaller share of the population on average with tertiary education.**

Based on the premises, there are two actions envisaged under this Action Plan. They reflect the need to overcome the logic of the subsidies by identifying policy instruments that can act as an effective incentive for innovation by the final beneficiaries. The ultimate objective of the policy instruments identified is to stimulate the ability to mobilise additional resources from the market.

These lines of intervention are to be viewed in light of similar experiences gained in other European Regions, explored in the context of the Innova-FI project and which can be considered best practices. At the same time, they constitute the synthesis of a broad and well-structured dialogue with local public and private stakeholders.

## THE ACTION PLAN'S AIMS

### The Action Plan will have an impact on:

- ✓ An investment programme for growth and jobs
- European Territorial Cooperation Programme
- A further instrument of Regional development policy

### Name of the Policy instruments involved:

1. ROP-ERDF 2014-2020 programming in Friuli Venezia Giulia (FVG): for smart, sustainable and inclusive growth.
2. ROP-ERDF 2021-2027 programming in Friuli Venezia Giulia (FVG): opportunities for sustainable growth

## POLICY INSTRUMENTS

### ROP-ERDF 2014-2020 PROGRAMMING IN FRIULI VENEZIA GIULIA (FVG): FOR SMART, SUSTAINABLE AND INCLUSIVE GROWTH

#### Action 1 - Strengthening the Venture Capital Guarantee Fund in order to formally adopt it

Action 1 concerns the Venture Capital Guarantee Fund<sup>2</sup> which came into operation in October 2019 as a pilot action.

The measure has sought to address the problems that have emerged in the attempt to set up a Regional venture capital fund with ROP-ERDF resources for the 2014-2020 programming period. In 2018, in fact, the Regional administration had published a call for tenders for the selection of the financial intermediary in charge of managing the Regional Venture Capital Fund, but the tender received no offers. Using the feedback received from sector operators, in 2019, the Regional administration designed and implemented an alternative financial instrument with the same endowment of public resources, although not deriving from the ERDF, to support the Regional risk capital market.

The instrument was created to push private investment in innovative start-ups<sup>3</sup> with registered and operational headquarters in Friuli Venezia Giulia.

Local stakeholders have recognised the need to strengthen its functioning, with a view to an effective formal establishment of the Fund within the Region's financial instruments portfolio.

Key points of the action are the **definition of a system for monitoring the impacts of the instrument, based on a set of KPIs to be identified and an incentive mechanism for the beneficiary companies.**

### ROP-ERDF 2021-2027 PROGRAMMING IN FRIULI VENEZIA GIULIA (FVG): OPPORTUNITIES FOR SUSTAINABLE GROWTH

#### Action 2 - Facilitating crowdfunding in equity-based and lending-based forms

The second action aims to complete the financial instruments portfolio available in the Friuli Venezia Giulia implemented by the Regional government. Discussions with stakeholders in the frame of the Innova-Fi project activities have identified the crowdfunding segment as a sector worthy of further study.

In particular, Action 2 focuses on equity crowdfunding and provides for a feasibility study for the **creation of a joint public and private venture fund that invests according to non-discretionary rules in crowdfunding campaigns promoted by innovative start-ups and innovative SMEs.** Alternatively, the fund could intervene through additional financial contributions (for example, through the subscription of a capital increase to a company that has concluded a crowdfunding campaign). Both options are being studied and form part of Action 2.

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<sup>2</sup> Created by the Region of Friuli Venezia Giulia through the Decree of the President of the Region n.

<sup>3</sup> in accordance with EU Regulation 651/2014, registered in the Italian special section of the commercial register referred to in Article 25(8) of Decree-Law No 179 of 18 October 2012.



## THE PEER LEARNING PROCESS

The Innova-FI project aims to improve the design and implementation of financial instruments as a way for the disbursement of European structural funds so that they best meet the financing needs of innovative and RTDI<sup>4</sup>-oriented enterprises at all stages. This Action Plan is based on the lessons learned from the Innova-FI project and on the good practices identified by its partners and shared with their stakeholders.

The consortium collaborated in the creation of three Policy Booklets, concerning equity-type tools and financial instruments for innovation in several European Regions; various case studies are documented in those booklets. In addition, one very productive activity undertaken involved the participation of partners and stakeholders in a number of Exchanges of Experience (EoE) that took place during the implementation of the project, that allowed each organization to present and learn about specific financial instruments in the various Regions involved.

Within this setting, Friuli Innovazione made a public call to public and private actors at the Regional level involved in the design and implementation of financial instruments to support companies' innovation projects. A group of more than 20 people, representing an equal number of institutions formed the Local Stakeholder Group (LSG) which met six times. During the multilateral and multilevel dialogue process, several European best practices were discussed and finally a shortlist of possible actions to be implemented locally was drawn up, so that Friuli Innovazione could collect the feedback and suggestions of the participants from the public sector, as well as from academic and research institutions and other stakeholders.

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<sup>4</sup> RTDI = Research, Technological Development and Innovation

| Event/Activity                               | Date          | Theme                                                                                                     |
|----------------------------------------------|---------------|-----------------------------------------------------------------------------------------------------------|
| <b>1<sup>st</sup> Exchange of Experience</b> | 06-07/11/2018 | Equity instruments I                                                                                      |
| <b>2<sup>nd</sup> Exchange of Experience</b> | 12-15/02/2019 | How important are equity-type instruments?                                                                |
| <b>3<sup>rd</sup> Exchange of Experience</b> | 15-17/07/2019 | Equity-type instruments and sources of funding - Cross-border collaborations                              |
| <b>4<sup>th</sup> Exchange of Experience</b> | 18-20/09/2019 | Guarantee instruments                                                                                     |
| <b>5<sup>th</sup> Exchange of Experience</b> | 13-15/01/2020 | Highly innovative financing methods                                                                       |
| <b>6<sup>th</sup> Exchange of Experience</b> | 15-16/09/2020 | Sources of financing - Attraction and collaboration with international private investors                  |
| <b>7<sup>th</sup> Exchange of Experience</b> | 09-10/03/2021 | Equity instruments II                                                                                     |
| <b>1<sup>st</sup> LSG</b>                    | 06/03/2019    | Lessons learned from EoE 1 and the presentation of the FVG VC fund                                        |
| <b>2<sup>nd</sup> LSG</b>                    | 10/09/2019    | FVG financial instruments, crowdfunding best practices and the FVG VC fund                                |
| <b>3<sup>rd</sup> LSG</b>                    | 04/12/2019    | Results of research on the needs of FVG companies, best practices as regards EU funds and the FVG VC fund |
| <b>4<sup>th</sup> LSG</b>                    | 20/11/2020    | Action Plan co-creation session                                                                           |
| <b>5<sup>th</sup> LSG</b>                    | 27/11/2020    | Action Plan co-creation session                                                                           |
| <b>6<sup>th</sup> LSG</b>                    | 18/12/2020    | Action Plan co-creation session                                                                           |
| <b>Policy Booklet I</b>                      |               | Equity instruments: case study I                                                                          |
| <b>Policy Booklet II</b>                     |               | Financial instruments for innovation in European Regions                                                  |
| <b>Policy Booklet III</b>                    |               | To be published                                                                                           |

FIGURA 2. PROCESSO DI PEER LEARNING

# ACTION

**Strengthening  
the new Guarantee Fund  
for Venture Capital  
in view of its formal establishment**

# BACKGROUND

## INPUTS FROM LOCAL STAKEHOLDERS

Numerous meetings with local stakeholders made it possible to collect and summarise their points of view in relation to the topic of financing innovative companies, allowing focus to be brought to bear with a sufficient degree of precision on the needs perceived as priorities by the actors involved, and the policy instruments deemed most consistent with respect to these needs. It is believed that the contributions provided by the stakeholders constitute a sound basis for structuring the Action Plan.

The work of the Local Stakeholders Group (LSG) was divided into several general sessions. A mapping of the existing financial instruments at different levels (Regional and national) was followed by discussions on the opportunities for improving the existing instruments portfolio in Friuli Venezia Giulia.

Subsequently, the stakeholders were presented with areas for priority intervention, accompanied by proposals for action on which a debate was initiated with the opportunities and risks underlying each possible action carefully examined from a multilateral perspective.

## SOUND PRACTICES IDENTIFIED

The Interreg Europe programme supports the exchange of skills and sound practices as a basis for the development of Regional Action Plans. In this regard, the following good practices were selected from those analysed within the Innova-FI project, because they are closer to the objectives and needs of the Region Friuli Venezia Giulia and the objectives of the current Action Plan. The focus of the examples analysed was the application of financial instruments aimed at innovation. The following sound practices were deemed useful in achieving the investment priorities of the Operational Programme of Friuli Venezia Giulia 2014-2020 with regard to SMEs and innovation, and, more specifically, in the strengthening of their competitiveness.

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## Title of the sound practice

## Brief description

### Portugal venture

Portugal Ventures is a Portuguese public company and is responsible for public investments in Venture Capital. By developing its business under the same conditions and terms applied to all private companies, it is subject to general competition rules, national and EU law. In 2012 the company assumed the role of reference investor in Venture Capital at a national level, addressing market failures and being one of the main drivers of the national entrepreneurial ecosystem.

The venture capital funds managed by Portugal Ventures use the 'Venture Capital Funds' credit line, managed by the Development Finance Institution (IFD) and financed by the Regional operational programmes and the operational programme to support the competitiveness and internationalisation of Portugal (COMPETE2020).

Portugal Ventures' mission is to proactively invest in startups at the pre-seed and seed stages. Selection is based on a reference matrix that evaluates the quality of the projects in terms of consistency, rationality and the innovative nature of the investment. As a public operator, the investment strategy follows clear objectives mostly related to the systemic impact of the projects - their externalities and risk aversion - in order to fully address the identified market failure, focusing on the issues of digital, engineering and manufacturing, life sciences and tourism.

### Spanish participative and subordinate loans

The participatory and subordinated loans co-financed by the European Regional Development Fund (ERDF) 2014-2020 of the Region of Valencia promote the growth of newly-established or growing companies, favouring innovation, through co-investment with other private investors in projects in the Region of Valencia. The loans are managed directly by the Valencian Institute of Finance (VIF), with the financial intermediaries selected for this purpose, collaborators and co-investors, in the case of equity loans. In the case of subordinated loans, the project requires additional financing from third parties. The VIF is the only partner included in the implementation of the instrument.

## LESSONS LEARNED

The following lessons from the Exchanges of Experience activities carried out as part of the project are relevant for the purposes of Action 1:

- The Portuguese experience allows us to draw two useful lessons on equity-type instruments. The first refers to the **identification of target companies** to invest in, the second refers to the **structuring of appropriate public-private co-financing mechanisms**. The Portugal Ventures instrument is aimed at investments in the “technology” and tourism sectors, which would otherwise encounter difficulties in mobilising private capital. The size of the investment differs depending on the sector and the development stages of the beneficiary company. The Portuguese experience also underlines the potential of an active role of the public sector in coordinating the investment of various private investors (venture capital, business angels).
- The experience of the Valencian region underlines **the central role of an appropriate mix of debt and equity in the perspective of an efficient response to market failures**. One of the major contributions of the Spanish experience reflects the need to **structure appropriate financing instruments according to the stage of the business in its life cycle**. In the portfolio of instruments developed in that context, one worth highlighting is the presence of solutions characterised by different logics of intervention for the *early stage, start-up, growth* and *expansion* phases. Therefore, instruments related to seed capital, growth capital but also equity loans and subordinated debt instruments contribute to the financing of the company.

One common feature of both experiences is the development of profitable **public-private partnerships**. Another shared element, albeit deployed through different technical solutions, can be seen in the overall goal of these financial tools, which aims **to address a significant condition of under-capitalisation of companies**. This appears to be a critical aspect in particular in the Portuguese case.

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# DESCRIPTION OF THE ACTION

Action 1 aims to render the recent Guarantee Fund for Venture Capital investments in innovative startups more effective, monitoring the impact of the first year of operations, introducing KPIs and a comparison extended to external stakeholders, to evaluate the best possible configuration for the formal establishment of the Fund within the portfolio of financial instruments offered by the Autonomous Region of FVG.

**Target:** innovative startups listed in the national register of businesses.

**Requirement:** maximising the instrument's impact.

## ACTIVITIES

The activities envisaged under this action are as follows:

- i. Recognition of the priorities defined by the Region in its development policies and their consistency with the needs expressed by the final beneficiaries.
- ii. Definition of a standard model for the preparation of the business plan, identification of KPIs and a monitoring of the beneficiaries' performance for the duration of the operation.
- iii. Monitoring of the effectiveness of the instrument through a periodic meeting with

local stakeholders and the identification of any measures to strengthen it.

## TARGETS AND REQUIREMENTS

The major undercapitalisation of SMEs in FVG places rigidity on their financial structure which, of course, constrains access to sources of financing and the achievement of satisfactory conditions of balance between the return on capital investments and cost of these sources.

The limited development of incentive-based instruments on the equity and quasi-equity side suggests innovating the consolidated instruments existing at the Regional level is required. The analysis reveals opportunities for strengthening the pilot Guarantee Fund for Venture Capital introduced by the Region Friuli Venezia Giulia, with a view to increasing its effectiveness in an environmental context that poses some threats, not least the growing uncertainty, especially at a macro-economic level.

An initial essential step, to this end, will be to optimise the offer, directing the allocation of resources towards those segments of demand that have the greatest innovative potential.

The impacts of the evolution of the regulatory framework (the management of the business crisis) and of banking supervision are likely to

penalise less solid companies. The fragmentation in the offer of funds by way of equity threatens the effectiveness of the allocation processes, requiring the activation of mechanisms for the creation of “critical mass”, hopefully on the basis of shared priorities. Therefore, there is a need to ensure the alignment of regional policies with respect to the development opportunities offered by the market and the priorities expressed by the potential beneficiaries.

The possible broadening of the range of final beneficiaries, in addition to innovative start-ups, to include other start-ups falling within the definition of start-up companies for the discipline of state aid in exemption, on the basis of which the fund has been created, could prove a useful measure to strengthen the instrument by promoting the creation of critical mass.

## FORMS AND MECHANISMS

With the current state-of-the-art, the new Fund, and the subject of Action 1, provides a guarantee for the benefit of investors, identified as financial intermediaries or holding companies with a certain track record in equity or quasi-equity investments.

The investments are identified as follows:

- preference capital with a put option, with reference to which the guarantee of the fund is required;
- unsecured and subordinated debt, with reference to which the guarantee of the fund is requested;
- non-preference shares or quotas, with reference to which the guarantee of the fund is not required (investment to be made jointly with the investment in subordinated debt).

The guarantee covers up to 70% of the amount of the transaction, up to a maximum amount guaranteed per initiative and per beneficiary of € 1,000,000.

The initiative presupposes the positive evaluation of the company business plan by the investor. Admission to the guarantee is granted by the Management Committee referred to in Article 10 of Regional Law no. 2/2012. In November 2020, the instrument was extended to include investments by “Business Angels”.

The objective of strengthening the capacity of the Regional Guarantee Fund to effectively incentivise investment in innovative FVG start-ups, given the risks identified, can be pursued in the following ways:

- by monitoring the coherence between Regional development policies and the needs and potential of the Regional business system (the intersection between official policy documents such as the Smart Specialization Strategy and bottom-up surveys on the needs of young companies);
- by incentivising investments in innovation through the modulating of the extension of the guarantee according to specific key performance indicators (KPI) aimed at measuring the performance of the final beneficiaries in terms of volumes and impact of investments;
- by monitoring the effectiveness of the instrument at regular intervals, with specific reference to the success rates of the funded innovative projects, including through a comparison extended to local public and private stakeholders.

The Action Plan supports the idea of facilitating access to external sources of financing (debt securities and equity) for innovative companies according to principles of the maximum effectiveness in the use of resources and in accordance with a principle of sharing risk between the public and private sectors.

In line with this, when compared to the existing instrument, Action 1 innovates along two basic lines.

First of all, to optimise the resources allocated in the pilot phase (€ 5.5 million), it is considered useful **to make the instrument more selective in relation to the type and nature of the projects eligible for the fund guarantee**. This presupposes an analysis of the sectors and investments considered priorities for the Region FVG, in line with general Regional policies (i.e. specialisations and/or strategic supply chains) and, it is hoped, in line with the EU's Next Generation plan.

Secondly, Action 1 is aimed at enhancing the effectiveness of the instrument by **formalising specific monitoring activities** to be developed according to a dual logic.

As far as the individual final beneficiary is concerned, it is considered worthwhile defining specific KPIs which, on the one hand, identify a set of investment objectives for the company (investments in research and development, licenses, trademarks, registered patents and so forth) and, on the other, act as a benchmark for monitoring during the term of the investment. The underlying logic reflects the opportunity to attribute a connotation of an incentive to the guarantee, where this can be adjusted over time according to the achievement of the aforementioned objectives. In this case, **a periodic review (at specific monitoring intervals) is proposed, following a certain set of rules (defined *ex ante*) and non-discriminatory (as these are activated according to objectively specified indicators) of the extension (or cost) of the guarantee: or decreasing the coverage of the guarantee or introducing a penalty (for example, in terms of the cost of the guarantee) in the event of a failure to achieve the objectives defined by the KPIs.**

A further use of the monitoring data would make it possible to define **incentive mechanisms (in terms of coverage extension), *ex ante* and objectively, for intermediaries who have carried out pooled operations** in the financing of specific business initiatives, favouring the increase in the resources mobilised with a view to splitting the risk.

# THE PLAYERS INVOLVED

The organisations involved in the development and implementation of the Action are the Region Friuli Venezia Giulia, the Regional stakeholders (venture capital operators, financial intermediaries and the business world's representative associations) and certified incubators<sup>5</sup>.

The Region Friuli Venezia Giulia administers and manages the instrument. The Management Committee referred to in Regional Law 2/2102 is responsible for the concessions (awarded).

Furthermore, the Region defines the KPIs and proposes a standard model for the preparation of the business plan to be used to efficiently manage the inquiry phase and in monitoring the performance of the beneficiary companies on the

basis of the KPIs identified. Stakeholders assist the process through consultative activity and through the method of working with the Regional body.

The stakeholders and the certified Regional incubators are involved in the process of evaluating the priorities assumed in the Regional development policies with the priorities expressed by the local area and the opportunities offered by the market.

The comparison between the Regional body, Regional incubators and stakeholders is also the context in which the overall effectiveness of the instrument and the related impacts and needs for improvement or enhancement are assessed, by defining the most appropriate measures.

<sup>5</sup> Certified incubators are organizations that host startups and support business ideas deemed to offer the potential for a high economic return, but which are not yet ready to receive large-scale funding. To obtain certification, these structures must meet certain requirements (defined by the Ministerial Decree of 22 December 2016) like having adequate buildings and equipment, and a technical and management structure of recognized competence. They must also be engaged in collaborative relationships with universities, research centers, public institutions and financial partners. Importantly, certified incubators must also have proven experience in supporting innovative startups."

# TIMEFRAME, COSTS AND FUNDING SOURCES

The implementation of the aforementioned actions will begin in January 2022.

In particular, from January to June 2022, the analysis of the priorities defined by the Region in its development policies and their coherence with the needs expressed by the local area (i) will be developed. The definition of a standard model for the preparation of the business plan, the identification of KPIs, the monitoring of the

performance of the final beneficiaries (ii) and the monitoring of the effectiveness of the instrument (iii) will be developed from July 2022 to the end of the ERDF 2021-2027 programming.

The actions will all be financed using the own resources of the Autonomous Region of Friuli Venezia Giulia, for a total amount of € 5,500,000.

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## Actions Tempistica

i

January – June 2022

ii-iii

July 2022 – end of the 2021-2027 programming

# SWOT ANALYSES

## Strongpoints

- Solid body of SMEs with an innovative vocation
- Presence of four certified incubators with specialised skills in innovation services to businesses, support for innovative start-ups
- Fruitful experiences of partnership between public research bodies and private companies

## Weaknesses

- Substantial undercapitalisation of small businesses
- Limited development of equity (or quasi-equity) instruments in the context of public support policies

## Opportunities

- High innovative capacity of the Region, often above the national average
- New investment opportunities attributable to the support packages implemented by the European Union, especially as part of the Next Generation EU plan

## Threats

- Growing uncertainty of the surrounding environment, at a macro-economic level but also at a legislative-regulatory level
- Fragmentation in the offer of funds in the form of equity and associated capital need to incentivise the creation of critical mass
- Uncertainties in the evaluation of innovative projects and related potential phenomena of adverse selection

# EXPECTED IMPACT

The proposed action is acting on an instrument already in use in the context of Regional incentive policies. It partially redefines the instrument's operating modes. The innovations carried out affect both the operational area as well as more substantial profiles.

From an operational point of view, a "neutral" logic is abandoned in the application of the instrument in order to access an incentive mechanism aimed at rewarding (in terms of the conditions that characterise the instrument) the final beneficiaries in line with the achievement of specific objectives. This logic will allow for **a more efficient allocation of resources.**

From a practical point of view, the action strengthens the effectiveness of the instrument understood as an aptitude to specifically support projects and strategic sectors for the area covered by the Region. Looking ahead, the action will help increase the volumes of resources mobilised in equity and quasi-equity securities for the benefit of innovative companies. The main expected result of the action is that of **overcoming the limited development (and fragmentation) of the venture capital market in FVG.**

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# ACTION

**How to facilitate crowdfunding  
in its equity-based  
and lending-based forms**

# BACKGROUND

## INPUT COLLECTED FROM THE LOCAL STAKEHOLDERS

Several meetings with local stakeholders have made it possible to focus on the topic of support for innovative companies in relation to the instruments available in the context of public policies.

Firstly, Friuli Innovazione offered an overview on the available instruments to be analysed together by the stakeholders, in terms of strengths and weaknesses. Following that, stakeholders were involved in focus groups aimed at investigating alternative lines of intervention, or new financial instruments, to be implemented within the framework of the new 2021-2027 programming period connected with the EU multiannual financial framework. Various instruments were proposed to the LSG, including co-investment with Business Angels in risk capital operations, securitisations on debt securities issued by SMEs, MiniBonds, co-investment in equity crowdfunding campaigns, crowdlending operations, equity loans and financing for buyout operations. The opportunities, risks and expected impact of each tool was carefully considered by the LSG, before expressing its preferences through an open voting session. The options that obtained the best consensus were submitted to the attention of the competent Regional offices to be prioritised according to their feasibility.

Having recognised the opportunity to enhance the instrument of the Venture Capital Fund Guarantee recently launched by the Region (Action 1), the possibility of enriching the portfolio of products

offered by the Regional administration was evaluated.

The instrument finally identified for this purpose was crowdfunding.

The dialogue with Regional offices, namely the service supporting companies accessing credit and the Managing Authority for the ROP funded by the ERDF highlighted the need to design a tool to **facilitate the companies' capitalisation processes**. Likewise, the need to **support the processes of the diversification of funding sources** was also recognised, also with a view to promoting development by maintaining a balanced financial structure. Therefore, the opportunity of extending the analysis to take in the lending crowdfunding campaigns also emerged from the discussion.

## SOUND PRACTICES IDENTIFIED

During the peer learning process of the Innova-FI project and in particular through the Exchange of Experience hosted by the Lithuanian partner INVEGA, it was possible to identify and analyse a good practice relating to crowdfunding and crowdlending systems with public participation. This practice is relevant for the Regional context, because in Friuli Venezia Giulia as well the introduction of public funding associated with crowdfunding platforms could provide a valid alternative to classic financial instruments to support startups and SMEs.

## Title of the sound practice

## Brief description

### Crowdfunding loan Avietė

*Avietė* is an instrument managed by INVEGA, which aims to support the development of the crowdfunding market through public intervention. A problem that affects crowdfunding platforms is the risk that many projects are not financed for reasons beyond the validity of the business idea. The *Avietė* instrument was developed to solve this problem and aims to contribute to the fundraising goals of the Lithuanian SMES projects' goals accepted on national crowdfunding platforms. The budget of the instrument amounts to € 4.6 million; it is foreseen that *Avietė* beneficiaries repay the loans in full to INVEGA.

## LESSONS LEARNED

The various EoEs made it possible to focus on the topic of support for innovative companies by identifying a number of best practices to be adapted to the Regional context with the appropriate adjustments.

The convergence of opinions obtained in discussions with non-institutional stakeholders towards the crowdfunding instrument recalls the Lithuanian experience which, for the purposes of Action 2, can be assumed as a reference best practice.

In fact, the Lithuanian experience is based on a common need in the Italian context to expand the range of financial instruments available to businesses, favouring access to forms of financing alternative to those made available by the commercial banks.

The Lithuanian experience also highlights the potential that underlies the use of a publicly-owned "financial engineering" company (INVEGA in this case) in the management of support instruments financed by public funds. INVEGA operates on the crowdfunding market through an instrument (*Avietė*) aimed at supporting its development. With a budget of € 4.6 million, the instrument aims to

increase the depth of the crowdfunding market by increasing the number of projects presented by Lithuanian SMEs that are funded through (these) platforms. The crowdfunding platform selects and evaluates projects based on the proposals received from SMEs. *Avietė* co-invests up to 40% of the sum covering the project and up to a maximum of € 10,000.

As far as the Italian context is concerned, the examination of the crowdfunding market provides the representation of a growing phenomenon in recent years, albeit with a Regional polarisation as regards the location of the companies involved in equity crowdfunding campaigns, given that 57% of companies that have launched equity crowdfunding campaigns up until June 2020 are located in just three Regions. The Region Friuli Venezia Giulia Region still exhibits a limited manifestation of the phenomenon with just 12 companies involved in an equity crowdfunding campaign on platforms authorised by Italy's CONSOB (the National Companies and Stock Market Commission) up until June 2020. Precisely for this reason, there are interesting opportunities underlying public incentive mechanisms appropriately designed to stimulate an increase in the volumes (of investment) collected via these platforms.

<sup>6</sup> Fonte: Osservatori Entrepreneurship & Finance, 5° Report italiano sul CrowdInvesting, Politecnico di Milano

# DESCRIPTION OF THE ACTION

Action 2 provides for the implementation of a feasibility study relating to the creation of a public or public-private fund, which could operate as an investor within the setting of authorised Italian crowdfunding platforms, or as a provider of additional finance (for example, capital increases) for target companies that have successfully concluded a crowdfunding campaign.

**Target:** innovative startups and SMEs with at least one headquarter in Friuli Venezia Giulia.

**Aim:** favouring the raising of capital and diversifying the sources of financing.

## ACTIVITIES

The activities envisaged under this action are:

- i. A feasibility study for the establishment of the fund.
- ii. The definition of the technical steps to deploy the instrument, focusing both on the legitimacy of the legislation, and the functionality of the instrument, which must combine simplicity, transparency and speed in order to be appreciated by the marketplace.
- iii. Meetings with stakeholders for the

identification of corrective / improvement measures and the evaluation of an extension to lending crowdfunding.

## TARGETS AND REQUIREMENT

The target of Action 2 are **innovative SMEs and innovative startups with at least one headquarters in Friuli Venezia Giulia.**

Action 2 acts upon crowdfunding instruments, in both their equity-based and in the lending-based forms, to develop the crowdfunding market by stimulating the growth in the number of fundraising projects presented on the platforms in compliance with the state aid rules and compatibly with the administrative procedures of public intervention.

Through the action in question, it is intended to respond to two fundamental needs:

1. **encourage the raising of equity** in a context of substantial undercapitalisation of companies;
2. **favour the diversification of sources of debt financing** in the face of a substantial dependence of SMEs on bank credit. This is contingent considering the probable restrictive effect on the conditions of bank credit, at least for certain types of entrepreneurs, upon

overcoming the most acute phase of the emergency linked to the pandemic and the related extraordinary measures in force during the drafting of this Action Plan.

Finally, it was observed<sup>6</sup> how the strengthening of the crowdfunding segment can benefit from interesting synergies with typical market solutions, in particular the minibond market, which is also undergoing powerful expansion.

## FORM AND MECHANISMS

Italy has adopted specific legislation only in relation to equity crowdfunding<sup>7</sup>.

Italy's 2019 Budget Law allows equity crowdfunding portals to offer bonds issued by SMEs (and thus minibonds) to professional investors and to particular categories of investors that might be identified by CONSOB. To date, there are three categories of non-professional investors (in addition to incubators and banking foundations) that can subscribe to these bonds:

- those with a portfolio of financial instruments exceeding € 250,000;
- those investing at least € 100,000 in the securities offered while declaring that they are aware of the investment risk;
- retail investors, in the context of portfolio management or investment advisory services.

Within this context, it is considered worth evaluating the possibility of developing a measure to support crowdfunding on the basis of the following methodological guidelines:

- **combining the effectiveness of the instrument** in relation to the need to actively support innovative SMEs in Friuli Venezia Giulia

with the **simplicity of the intervention**;

- favouring the diversification of sources of financing for businesses with a view to achieving a balanced composition of their financial structure. For this reason, it is considered appropriate to extend the feasibility study referred to in this action to both equity crowdfunding and lending crowdfunding. The extension to lending crowdfunding would also allow the activation of potential synergies with the minibond market. In the latter case, the interesting potential lies in its use of crowdfunding platforms to finance multiple companies that enter the market with a common issue.
- a synergistic development of the crowdfunding instrument with respect to the guarantee instrument in support of VC (Action 1). These synergies respond to the need to address the issue of financing innovative companies within an organic framework
- favour the sharing of risk between public and private.

The possible lines of action identified mainly include equity crowdfunding with a possible extension to the lending sector as well. Several options are currently under consideration and their feasibility will be investigated. A summary of these options is presented below.

### **a. Participation in offers concerning shares or quotas of the share capital presented by SMEs and innovative startups based in the area covered by the Region.**

Article. 24 of the CONSOB Regulation #18592 foresees that in the case of offers of this type, the platform manager verifies that at least 5% of the financial instruments offered are underwritten either by professional investors, banking foundations or incubators or, again, by investors in

<sup>6</sup> See Osservatorio Minibond, 6° Report italiano sui Minibond, Politecnico di Milano.

<sup>7</sup> The regulatory sources are contained in the Consolidated Law on Finance (article 50 *quinquies* and article 100 *ter*) and in the Consob regulation no. 18592..

support of SMEs that satisfy certain requirements.

The intervention mechanism envisaged foresees public participation in equity crowdfunding campaigns alongside the aforementioned investors. The proposed technical instrument is an **investment fund fortified by contributions from the public administration and a panel of selected intermediaries**. This intervention should be managed through an in-house company belonging to the Autonomous Region of Friuli Venezia Giulia, yet to be established. Alternatively, and compatibly with its corporate mission, and after verifying its legitimacy based on the applicable legislation, the public contribution could be channelled through the Region's finance company called *Friulia*.

Discussions with stakeholders made it possible to estimate an endowment of the fund to effectively support innovative companies in the Region at € 10,000,000. Basically, an equal sharing of public and private capital in financing the fund would be envisaged. The fund would be set up in a so-called "PIR-compliant" perspective, i.e. in order to enjoy the tax benefits provided for by the legislation on PIR<sup>8</sup>. The final point was that the fund should invest in equity and convertible bonds.

As for the technical procedures of the fund's participation in crowdfunding campaigns, the proposal is to evaluate two different options.

**Option 1. The fund could participate directly in the crowdfunding campaign** with other private investors by signing a share of the offer presented by the company through an equity crowdfunding platform.

Each collection campaign launched by target companies would thus be co-invested on the basis of predefined and non-discretionary rules that define both the percentage and the absolute limits of the fund's participation, in any case excluding the involvement of the Region or the fund manager in the evaluation of merit of the projects.

In addition, conditionalities could be envisaged, aimed at strengthening the intervention of the fund and its potential impacts.

In the case of subsequent rounds, for example, an increase in the stake could be expected on the basis of the performance of the company such as investments or milestones achieved by the companies invested in.

**Option 2. The fund could intervene by providing additional resources to companies by subscribing to a capital increase following the closing of the offer.** This intervention would be conditional on the placement of a minimum quantity at the time of the offer. Exceeding this threshold "certifies" the interest of the market in the company business case and automatically activates the intervention of the fund, at the request of the company. In an incentive logic, this capital increase could be divided into two tranches. The first would be subscribed "automatically" as a result of the success of the equity crowdfunding offer, with the option of subscribing an additional tranche based on the performance of the company (defined in terms of investments, milestones achieved by the companies invested in).

In both scenarios under discussion, an increase in the fund's shareholding could be envisaged in the case of a joint investment of VC funds, with a view to strengthening the ability to mobilise funds for the benefit of innovative companies. In the case of option 1, the fund would increase its stake in subsequent offers. In the case of option 2, the ability to attract venture capital investors would be reflected in an increase in the volumes contributed by the fund by way of an increase in capital.

Companies supported: innovative start-ups and innovative SMEs inscribed in the register; start-ups and SMEs that have recorded a certain minimum growth rate in turnover in the three years preceding the application.

<sup>8</sup> (*Piani individuali di risparmio*) Individual Savings Plans (introduced by the 2017 Budget Law, subsequently amended by the 2019 Budget Law and, finally, by the Decree re-launch, the Legislative Decree no.34 of 19 May 2020 governing the so-called "Alternative PIR")

Area: investments in companies based in the Region Friuli Venezia Giulia and companies with headquarters in another Region but operating with at least one operating unit in the Region itself.

**b. Strengthening the capacity to raise funds by way of debt**

The point in question reflects the advisability of extending the application of the instrument to lending crowdfunding campaigns.

In the case in question, a possible form of incentive is reflected in the guarantee of minibond subscriptions, perhaps limited to the retail investor. In order to overcome the constraints underlying the ability of smaller companies to access the bond market, the instrument focuses on issues intended to finance a plurality of companies through a single transaction. The guarantee would be granted against issues of innovative SMEs or innovative start-ups and would be limited to a fraction of the value of the offer and, possibly, subject to the acceptance of the offer by a minimum number of investors.

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# SOGGETTI ATTUATORI

The organisations involved in the development and implementation of Action 2 are the Region Friuli Venezia Giulia and Regional stakeholders (financial intermediaries, venture capital, managers of crowdfunding platforms and the representative associations of the business world) together with certified incubators.

The Region is promoting dialogue with stakeholders to verify the feasibility of the intervention and its compatibility with the priorities of the Regional development policies.

Stakeholders are carrying out consultative activities, with particular reference to the automatisms of public intervention and the sharing of both profits and risk.

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# TIMEFRAME, COSTS AND FUNDING SOURCES

The implementation of the aforementioned actions will begin in January 2022.

In particular, the feasibility study for the establishment of the fund (i) will be conducted between January and June 2022. The definition of the technical methods to develop the application of the instrument (ii) and the meetings with the stakeholders, the identification of possible measures to strengthen it and consider its extension to crowdlending (iii), will be developed from June 2022 to the end of the ERDF programming period 2021-2027.

Discussions with stakeholders have made it possible to estimate an endowment of the fund at € 10,000,000, to effectively support innovative companies in the Region. Fundamentally, an equal share of public and private capital in financing the fund would be envisaged. The fund would be set up in a PIR compliant perspective and would invest in both equity and convertible bonds.

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## Actions Timeframe

i-ii

January-June 2022

i-iii

June 2022 – end of the programme 2021-2027

# RISK ANALYSES

The crowdfunding segment presents interesting opportunities in light of the growth rates observed in Italy since 2015. The capital raised, in fact, showed an annual growth rate of 64% compared to volumes of € 65.6 million in 2015 and € 778,800,000 the following year (Source: Starteed). Overall, the lending segment raised € 425.8 million in the years up to 2020 compared to the € 251 million of the equity segment. € 339 million was raised in 2020 (€ 185.5 million in lending and € 122.4 million in equity with € 31 million in the donation & reward sector).

This trend is substantially uniform across all crowdfunding sectors. The lending segment is showing an increase of 75% for 2020 compared to 2019 in terms of the capital raised, while the equity portion is up by 95% in the same period. The donation & reward segment grew by 38%.

The number of platforms operating in Italy currently stands at 25 in the donation & reward segment, with 20 in equity segment and 11 in the lending segment.

Nonetheless, there are risks that could limit the ability of the instrument to develop an adequate critical mass to support its potential. These risks are mainly connected to an asymmetrical distribution of the crowdfunding phenomenon both at a geographical scale and at the level of operating platforms.

At a geographical scale, a significant part of the companies that have promoted crowdfunding campaigns are concentrated in just a few Regions. In many others the phenomenon is still limited. In the specific case of the Region Friuli Venezia Giulia, the number of companies that have submitted at least one crowdfunding offer on authorised portals up to June 2020 totalled 12 (12<sup>th</sup> place out of 20). Therefore, there is a risk that the instrument will not be able to mobilise an adequate volume of resources necessary to create that critical mass useful for enhancing the vocation for innovation of a good number of Regional companies.

With reference to the second point, a similar risk is observed, connected with a trend towards the polarisation of funding, with the top 5 equity-based platforms collecting 67.2% of the resources mobilised in the sector in the year in question (2020). This figure rises to 81.8% in the lending sector. Naturally, the feasibility study will have to carry out a careful analysis of the collection flows when moving to the selection of the partner platform (or platforms). A specific risk, in this case, relates to the actual ability of the instrument to attract offers from potential target companies in the channel of the partner platforms. An all-encompassing activity of communication with the market (the pool of target companies) will be essential with regard to the activation of the instrument together with the detailed technical aspects

# OUTLOOK

The action examines the possibility of extending the range of instruments already in use in the context of Regional incentive policies. In this case, it aims to facilitate companies' access to sources of debt and equity finance through an alternative channel (such as crowdfunding) in relation to which there are already fruitful experiences involving public-private cooperation in other geographical contexts.

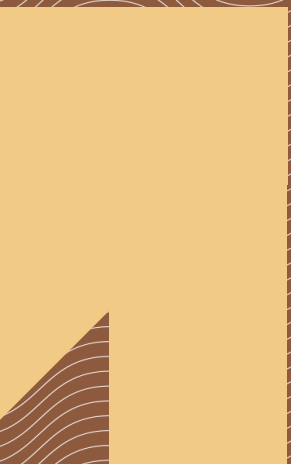
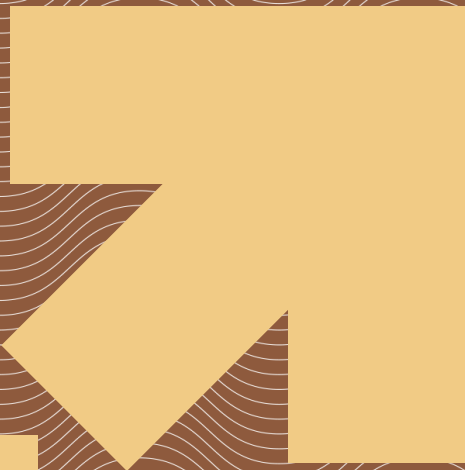
The feasibility study may prove able to recalibrate and innovate the logic underlying Regional intervention in several respects:

- firstly, it acts on an instrument capable of encouraging the financing of business projects by accessing capital raised by a wide range of investors. It therefore encourages companies to make an evolutionary leap in their financing policies by considering alternative channels to bank credit and, above all, in their communication with the market;
- it puts forward incentive mechanisms aimed at encouraging effective sharing of risk with private investors, safeguarding as far as possible the velocity of the benefits and the simplicity of procedures;
- it evaluates the conditions for achieving synergies with other instruments included in the framework of Regional incentive policies and, in particular, venture capital, in compliance with the legislation for the granting of public incentives, including the rules on State aid and the protection of competition.

The action aims to strengthen the effectiveness of Regional policies in support of innovative processes within the priority sectors for the area covered by the Region. Looking ahead, the action may increase the volumes of resources mobilised through crowdfunding portals. The main expected result will see the verification of the conditions to be met in expanding the ability to access external financing sources, in particular by mitigating the constraints on access to credit.

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# COMMUNICATION PLAN



## OBJECTIVES

The communication plan aims to achieve certain minimum objectives reflected, first of all, in the need to clearly communicate the underlying philosophy that inspires the Action Plan, the actions of which it consists and the parties involved. At the same time, it represents an opportunity to communicate the strategic nature of innovation to the business system in the context of general Regional policies, an essential premise for creating wealth and sustainable development, while at the same time reaffirming the commitment of policymakers to effectively support the processes of innovation.

The desired goals take on a broader scope. These aim to strengthen the awareness that the financing of innovation in an uncertain environment requires an integrated approach that involves a plurality of stakeholders. Specifically, this implies an enrichment of the offer of funds where bank lending does not represent an almost exclusive source of financing for the company. In this perspective, the communication plan intends to **underline the role of the public entity as coordinator of allocative activities in those contexts where the phenomena of market failure are particularly critical**, reaffirming, at the same time, the principle of the sharing of risk with the private sector.

At the heart of the communication strategy is that the **commitment of public funds will be inspired by a logic of incentive**. The beneficiary's commitment to invest in innovation will also become central, together with the close monitoring activity of the actual results achieved. In the light of some reflections shared with stakeholders during the various opportunities for discussion, it was recognised that the communication plan needs to **stimulate the awareness of companies about the importance of the culture of planning and control**. It will also be appropriate to communicate transparently with third-party investors.

## COMMUNICATION STRATEGY

### A) Parties involved

The communication strategy provides for the involvement of various parties according to a principle of sharing responsibilities and expertise.

A central role in the communication activity will be played by the Region.

Recipients:

- the Regional and national business system: small and medium-sized enterprises, startups, trade associations;
- financial intermediaries, venture capital, business angels, crowdfunding platforms.

The business system will be informed about the Regional policies and the opportunities underlying the specific actions that go to make up the Action Plan. The offer system will be made aware of the need to promote an effective pooling of resources by overcoming the limits that arise from the offer's fragmentation. The resources will need to be channelled into the entrepreneurial system to support the most promising innovative projects and in accordance with specific priorities to be defined in the policy objectives.

In the context of the communication strategy, an active role is played by subjects who - in various capacities - act in support of companies (such as trade associations but also technology parks and certified business incubators). An appropriate awareness must be stimulated with regard to the importance of developing an adequate entrepreneurial culture, associated with an aptitude of consistently transposing strategies into plans. This becomes essential in a perspective of communication with third-party financiers and is probably one of the sectors where there are significant shortcomings in broad strata of the entrepreneurial system.

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## B) Communication activities

The communication activities are divided into two phases. The first is aimed at raising the awareness of potential beneficiaries, while at a later stage, the results of the monitoring will be disseminated. The table below details the contents of the communication activities.

| 1 <sup>st</sup> PHASE (December 2021-December 2022) |                                            |                                |                                                                                                                                            |
|-----------------------------------------------------|--------------------------------------------|--------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------|
| Type                                                | Promoting party                            | Recipients                     | Contents                                                                                                                                   |
| Thematic workshop                                   | Region FVG                                 | Businesses                     | Presentation of the Regional policy lines<br>Action Plan, actions, needs and financing opportunities with specific reference to innovation |
| Seminar meetings                                    | Sectoral associations,<br>Technology parks |                                | Entrepreneurial culture, strategy and planning, communication                                                                              |
| 2 <sup>nd</sup> PHASE (From June 2023)              |                                            |                                |                                                                                                                                            |
| Type                                                | Promoting party                            | Recipients                     | Contents                                                                                                                                   |
| Seminar meetings                                    | Region FVG                                 | Businesses                     | Results of monitoring on the actions included in the Action Plan                                                                           |
|                                                     |                                            | Third-party sources of finance | Studies, research, impact analyses of the proposed actions                                                                                 |

The background features a series of concentric circles composed of wavy, horizontal lines. Overlaid on these are two rings of segments. The outer ring consists of larger, solid brownish-gold segments separated by smaller, thinner segments. The inner ring consists of smaller, solid light brown segments separated by even smaller, thinner segments. The text is centered within the inner ring.

# MONITORING AND IMPACT OF ACTION PLAN

## THE LOGIC BEHIND THE MONITORING

The monitoring activity will take as its time horizon the duration of the second phase of the Innova-FI project, which will be implemented between June 2021 and May 2023. To ensure greater effectiveness of the instruments presented in this Action Plan, it is hoped that the monitoring can continue even after the end of the project, in parallel with the implementation of the ROP-ERDF 2021-2027 program.

It is considered appropriate to include monitoring in a broad perspective, including the performance of the entrepreneurial system in terms of innovative capacity as well as the volume of financial resources mobilised by private investors sharing the risk with the public sector.

The two perspectives are closely connected and, therefore, cannot be considered separately. Both are a reflection of the public sector's ability to support innovative processes. Given the logic underlying the use of public funds in business financing, as is known, attributable to phenomena of market failure, its effectiveness must be measured on the basis of two criteria.

The first is attributable to the leverage actually activated in relation to the funds made available to the company. A successful condition of public intervention is, therefore, its propensity to act as a multiplier of private resources invested in innovative companies.

The second is connected to the relationships of mutual dependence established between the innovative capacity of companies and the volume of financial resources mobilised for their financing. In relation to this second aspect, public intervention coordinates the allocation of capital to innovative projects. At the same time, the dissemination of the innovative process should act as a stimulus to the mobilisation of resources, favouring the creation of critical mass in the supply of financial capital.

## THE PARTIES SUBJECT TO MONITORING

The monitoring process focuses both on the demand and on the supply of innovation financing.

**A- The businesses.** With respect to the beneficiaries, monitoring will focus, on one hand, on the "system" impacts of the actions envisaged by the Action Plan - where the subject of observation will be parameters such as the rate of establishment of new innovative companies and the growth rates of investments in innovation in the area covered by the Region, On the other, monitoring will also contemplate a typically microeconomic perspective - where the impact on turnover growth rates, market shares, investments made and profitability but the composition of the financial structure should also be analysed. In particular, this last aspect would make it possible to understand the effects of the support measures on the companies' capitalisation.

**B- Sources of finance.** As far as the sector of the venture capital offer and crowdfunding platforms, the monitoring activity aims to observe the effects of the actions referred to in this Action Plan on the volume of resources mobilised for the benefit of innovative companies. Investments made by financial intermediaries benefiting from the guarantees in the context of venture capital will be monitored. The commitment of public funds as a guarantee is expected to stimulate an increase in the number of transactions (and in their relative volumes) carried out by the beneficiary intermediaries. At the same time, the monitoring will focus on the volumes of resources channelled through crowdfunding platforms.

## THE INDICATORS USED

By way of example, some potential parameters on which to base the monitoring are shown in the table below.

### Beneficiary businesses

#### Propensity for innovation

Expenditure on innovation projects / Turnover, Growth rate of R&D expenses, Industrial property growth rate, Research and advertising costs / Total assets, marketing expenses for launching new goods or services / turnover

#### Profitability indices

EBIT / Turnover, EBIT / Invested Capital, Sales Revenues / Invested Capital, Net Income / Net Capital

#### Financial structure and coverage indices

et financial position / Net capital, EBIT / financial charges

### Venture capital and crowdfunding platforms

#### Intermediaries

- Number of operations carried out
- Volumes of guaranteed transactions carried out
- Volumes of unsecured transactions carried out
- Number of offers

#### Platforms

- Volumes collected through crowdfunding platforms
- Number of investors involved

# SIGNATURE OF ACTION PLAN

I confirm that Friuli Innovazione Scarl, as a partner of the Innova-FI project with this Action Plan, has defined priority actions aimed at improving the planning of Regional policies and the tools that are indispensable for promoting financial instruments for innovation.

Date:

Thursday 2 December 2021

Signature of representative:

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Stamp of the organisation (if available)

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