

PROGRAMME: THE OPERATIONAL MULTIREGIONAL PLAN (POM)

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1. SUMMARY OF GOOD PRACTICE

▪ Overview & Aims

The Territorial Pact of Oristano was one of ten Italian pacts set up in 1998 to implement the region's local development programme. Formalised through a Local Action Plan and funded through a combination of European funds, the Pact encompassed the support of Oristano's stakeholders, demonstrating their commitment to regional development.

Aiming to promote the social and economic development of the Province, the Pact set up a two year sub-programme (operating from 1999-2001) to implement direct financial measures for enterprises, these funds were aimed at **improving current economic activity** and **attracting new businesses/economic activity** to the Province.

The programme provided SMEs with **grants on completion of approved projects of up to 70% of eligible costs**. The remaining 30% coming from the entrepreneurs' own resources.

The scheme also offered eligible SMEs tailored '**PACT Loans**' for the remainder of the funds payable over 5 - 15 years at a discounted rate. Funds were aimed at meeting the need of enterprises needing the financial stability necessary in order to invest in new projects.

Financial responsibility for the programme was outsourced to the Bank of Sardinia who were also responsible for the inquiry process.

▪ Key Resources

– Programme Partners

PTO – Lead Partner whose main activity was to provide overall management of the scheme and provide technical assistance to entrepreneurs who were supported at every stage.

Bank of Sardinia – lead bank and overall financial responsibility for the programme

Agreements were also signed with other banks including the Bank CIS, and the SFIRS (Financial Society of Sardinian Region), with different banks working with different sectors.

Regional public and private stakeholders, who held shares of PTO capital stock in the Province of Oristano. These included the Chamber of Commerce of Oristano, Provincial industrial consortium of Oristano and a variety of industrial/sector representative groups.

All the Italian European Pacts were under the direction of the **Ministry of Economic Development**.

Funding: Funding Body & SME Contribution

€35.4M – EU & State Funding

The Enterprise programme was funded via the Operational Multiregional Plan (Theme 8) using a combination of **European Structural Funds** (ESF, ERF, FEOGA) and the **National Rotation Fund**.

Some formal agreements were made with banks for concessional interest rates.

Eligibility Criteria

All SMEs, new and existing companies working in the priority sectors identified below.

- **Terms and Conditions**

70% of the instrument was a **Grant** payable on completion of a project. Tailored repayment periods for the loan elements (30%) ranged from 5-15 years

SMEs could apply for up to 70% of eligible investments, with funding aimed at investment in new initiatives, modernisation, expansion and restructuring. Each of the nine calls for sectors of intervention had different requirements.

2. IMPLEMENTATION

Management and operational activities were undertaken by seven staff (including one Director).

A formal analysis of the specific needs of the Province identified **nine priority sectors for intervention** these included: Agrifood, SMEs, Tourism and accommodation capacity, Agri Tourism, Environment, Third Sector, Training and Infrastructure.

- **Key Steps – How it Worked**

STEP 1	A formal analysis identifying specific needs and priority sectors was followed by a formal call to each sector inviting applications from organisations meeting the criteria.
STEP 2	Applications were submitted to the PTO then forwarded to the appropriate Bank
STEP 3	Assessed by the Bank, the application and recommendations were returned to the PTO.
STEP 4	Final decisions were made by the PTO who also advised beneficiaries of outcomes.
FOLLOW	The PTO worked closely with beneficiaries who were provided with a range of on-going technical and operational assistance throughout every stage of application and implementation. Implementation of the programme was closely monitored by the PACT and included 588 quarterly reports and 169 on-site inspections.

- **Key Stats.** Running from 1999-2001 results were as follows:

KEY MEASURE	TOTAL
Applications Submitted	196
Applications Submitted for Bank Assessment	142 (72%)
Requests Accepted/Financed	60
Funding Granted (to successful SMEs)	€35.4 M
SME Investment	C€52.4M
New Enterprises Started	19
Jobs Created	568

The two stage selection process; inquiry and application enabled a higher than normal conversion rate, resulting in efficiency for applicants and administrators. The overall application process was considered of low difficulty with the maximum time for the whole process, from submission of applications to drafting of the final list and awarding grants, taking approximately 3 months. Application costs incurred by SMEs represented about 3% of project investment. Partner administration costs were €356K p.a. almost 1% of total costs.

One of the most important wine companies in Sardinia, **The Contini Winery** founded in 1898, accessed funds from the scheme to help them modernise their production process and meet local food production and safety standards. This enabled the Winery to produce a higher quality product that could be sold at a higher price, resulting in higher revenues for them and their supply chain.

With a total investment of €190K made in two stages, the Winery was reimbursed for 70%, (€133K) of the total project expenditure which was used to plan and redevelop the site and buy new equipment and new barrels. Now viewed as an example of industry excellence, the investment also resulted in the creation of additional jobs and increased profits.

3. KEY LEARNING POINTS & OPPORTUNITIES

The programme provided a lasting legacy creating 561 new jobs and implementing 45 new initiatives. Outcomes included the construction of 16 new hotels with 1,352 additional beds, increasing bed capacity for the tourism industry by 175%.

– What worked well

Decentralisation, local planning and management processes.

A well designed selection process resulted in a high number of applications/conversion rate.

Technical assistance, training and implementation support for enterprises.

Challenges/Weaknesses

The reimbursement mechanism gave liquidity problems to enterprises, who had to pay the project costs in advance receiving no grant for the VAT element. Entrepreneurs thought they would receive a grant for the total cost inclusive of VAT and also underestimated the cash flow.

▪ Transferability

– Opportunities: Bottom up management model and personalised technical assistance.

– Threats: Although successful, national funding decisions means the scheme cannot be repeated.

FURTHER INFORMATION:

You Tube: <http://www.youtube.com/watch?v=kl6ryfYQ3Ik>

The Contini Winery: <http://www.vinicontini.com/en/company/who-we-are/>