

TUSCANY REGION

INVEST IN TUSCANY

REGIONAL STRATEGY FOR ATTRACTING INVESTMENT

2023-2025

Executive Summary





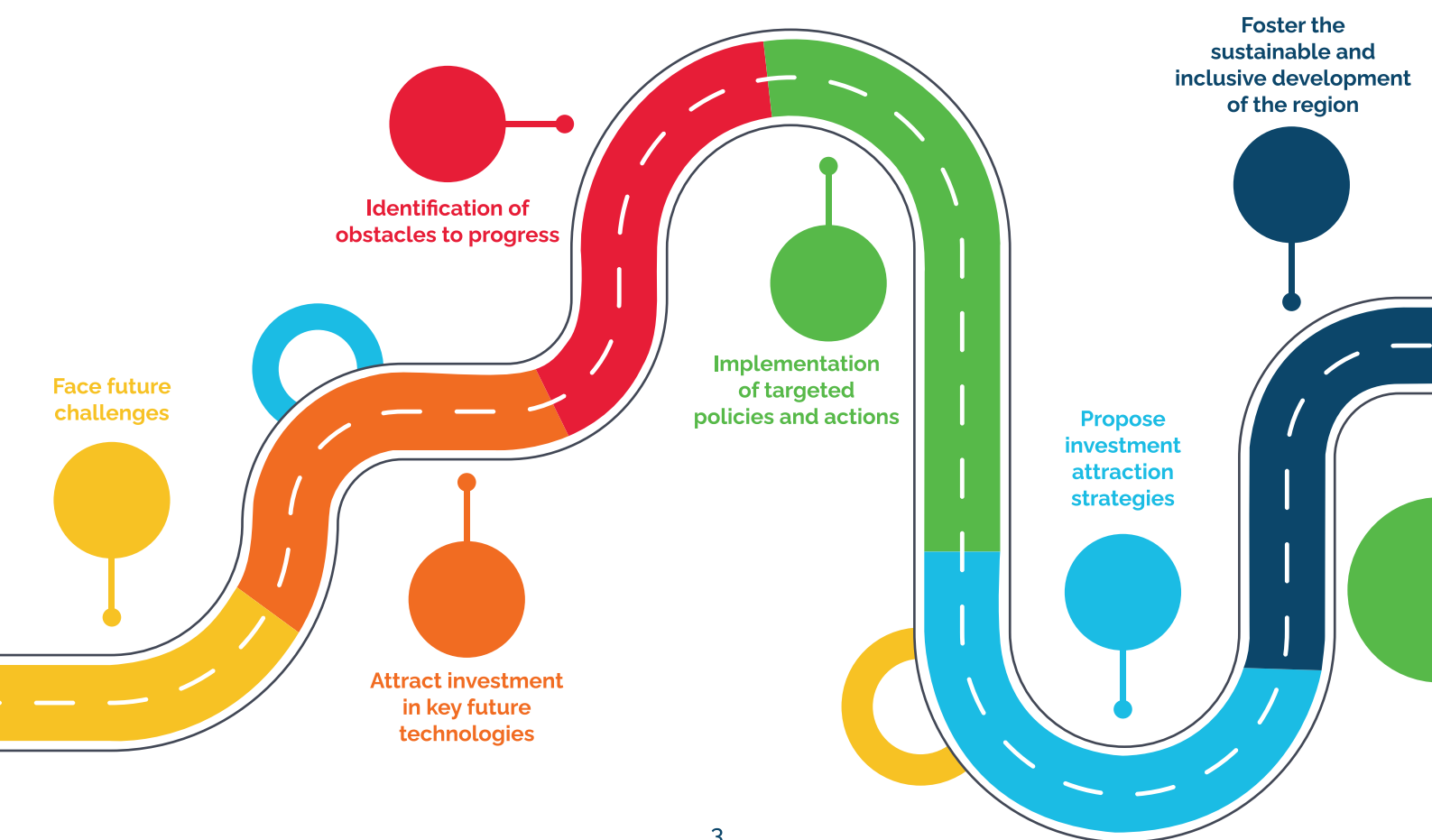
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Foreword

With the onset of the Third Industrial Revolution and the ongoing pandemic crisis, the world is undergoing substantial global changes. Technological advances such as digitization, the rise of big data, automation, and the development of artificial intelligence are revolutionizing economies. Challenges such as the climate emergency and an ageing population are significantly altering various aspects of life and society, impacting sectors from specialized industries to global value chains, business models, labour organization, and skill sets. Adding to this transition is a new and potentially perilous factor of geopolitical instability, marked by the Russian invasion of Ukraine. These dynamics are expected to heavily influence global investment flows. Some observable trends include international trade disputes, regionalization of value chains, and a shift toward more protectionist policies, particularly in the United States, resulting in a slowdown in international investment. There's a debate about the "peak of globalization," although data point to a slow-down trade in goods but a continued surge in trade in services. Forecasts of foreign direct investment flows suggest a different landscape: fewer number of investments but with greater value and job creation, largely driven by sustainable investments. These trends present both significant challenges as well as opportunities.

Tuscany, as a dynamic region with an outward-looking approach and notable resilience, is well positioned to face many of these challenges. A pioneer among Italian regions in attracting investment, Tuscany's proactive stance, particularly through its dedicated entity **"Invest in Tuscany" since 2010, places it at the forefront of attracting investment in key future technologies.** Realizing this ambition, however, requires a clear roadmap, the identification of obstacles to progress, and the implementation of targeted policies and actions. This document is the executive summary of the Tuscany Region's Strategy and aims to outline Tuscany's desired direction, identify obstacles, and propose strategies to maximize external investment, thereby fostering the sustainable and inclusive development of the region.



The Context

International Scenario

Foreign investment is crucial for economic growth and innovation, and could also boost employment. It has opened up global opportunities even for small businesses, such as the typical “Made in Italy” enterprises. However, recent geopolitical and pandemic changes are reshaping the international configuration of global value chains. According to UNCTAD analysis this configuration will shift towards more regional investment patterns, a redefinition of manufacturing chains with less fragmentation, greater resilience and diversification of chains based on national security, and a drive towards sustainable investments in the green and blue economy and renewable energy.

The main consequence will be fewer but larger investment projects concentrated in a few locations. This trend, which already began in 2020 and was reinforced in the 2021-2022 biennium, has intensified the competition among territories to attract these projects. Economies need to assess not only the decline in FDI but also the long-term implications of reconfiguring global value chains, which are indeed influenced by geopolitical factors. Companies, particularly in the manufacturing sector, are rethinking their location choices to reduce risks in a less global and more regional production and supply environment.

In this scenario, the return and relocation of manufacturing activities, as well as the choice of locations close to dynamic markets and a highly skilled workforce, become crucial, and could be a relevant trend for companies in the future. Sectors such as digital, artificial intelligence, cybersecurity and tourism will drive services provision, while defence, renewable energy, medical, food and agricultural technologies will be key manufacturing sectors.

These changes require Tuscany to rethink its investment promotion strategy, with new strategic goals and an efficient allocation of human and financial resources.

Definition

External investor refers to a company or institution from outside Tuscany that establishes a stable presence in the region, contributing capital and creating employment opportunities.

External investment encompasses both Foreign Direct Investment (FDI) and investment from other Italian regions (DDI - Domestic Direct Investments).

Foreign Direct Investment (FDI) refers specifically to investments originating from beyond the national borders. External investment can result in the creation of a new company (greenfield), the expansion of an existing company, a merger or acquisition (M&A) between a local and a foreign company, or the creation of a joint venture between them.

The Context

Sustainable Investment

Speaking of attracting investment, **it is worth noting that sustainable or green investment is becoming one of the main drivers of investment development worldwide.** In particular, this development implies a transition from the use of non-renewable to renewable resources, ensuring that production processes are sustainable in the long term, preserving resources and the environment for future generations. However, this transition to sustainability has been hindered by the recent global pandemic crisis and the consequences of geopolitical instability, affecting the achievement of the goals of the Paris Agreement and the Sustainable Development Goals (SDGs) by 2030.

FDI, both public and private, has been identified as a crucial source of support for sustainable development globally; according to academic studies, **FDI can contribute up to 25 percent of the investment needed to achieve the SDGs by 2030**, taking into account both its direct and indirect impacts. Moreover, according to international analyses, the business world is responding readily to the demand for sustainable goods and services: a report by PwC Global indicates that a significant percentage of companies are planning concrete commitments to achieve the SDGs and have already integrated sustainability strategies into their operations. In particular, market growth opportunities are concentrated in specific sectors such as **food, agricultural technologies, environmentally sustainable cities, energy, materials, and health and wellness.** These sectors could generate up to \$12 trillion in economic value per year and create around 380 million new jobs by 2030. An important development in energy investment is the gradual shift from fossil fuels to renewables. Renewable energy is becoming increasingly attractive for global FDI, and overtook fossil fuels as a major investment sector as early as 2019. This suggests that sustainability is not only a long-term strategic goal, but will also be the terrain on which territories and companies will compete to attract investment in the coming years.

FDI and sustainable development



According to PwC's report 'Make it your business: Engaging with the Sustainable Development Goals', 71% of companies are already planning how they will respond to the SDGs, 60% have developed their own sustainability strategy and 41% will integrate the SDGs into their growth strategy and business practices within five years.



By 2030, the food and agricultural technology, green cities, energy, materials, health and wellness sectors will employ more than 10% of the global workforce.

The Context

Impact of Foreign Direct Investments

In the Italian context, characterized by small and medium-sized enterprises (SMEs), foreign investment is a vital source of financing when traditional resources, such as bank or domestic financing, are insufficient. These investments increase the inflow of capital into the Italian production system, **stimulating innovation and advanced know-how, contributing to employment and investment in research and development (R&D).**

Foreign multinationals interested in investing in Italy often aim to keep production and R&D activities in the country, exploiting synergies between the technological innovation of Italian companies and the organizational capabilities of potential partners.

Recent studies, such as that of the Foreign Business Observatory, have shown that each (1) euro invested by foreign multinationals generates an increase of 3.3 euros in total industrial production and 5 jobs for every 1 created by the foreign company. In particular, in some regions, such as Tuscany, **multinational enterprises (MNEs) account for only a small percentage of total enterprises, but make a significant contribution to employment and value added.** According to data provided by SVIMEZ, these foreign enterprises account for only 1 percent of local units, but employ 6.9 percent of the workforce and contribute 19.5 percent of total value added.

The presence of these MNEs has a significant impact on the regional economy, generating positive spillovers such as imitation of best practices, search for efficiency, labour mobility, inter-firm cooperation and access to advanced technologies. In addition, foreign-owned firms have higher labour productivity than local firms due to access to advanced technologies and skills.

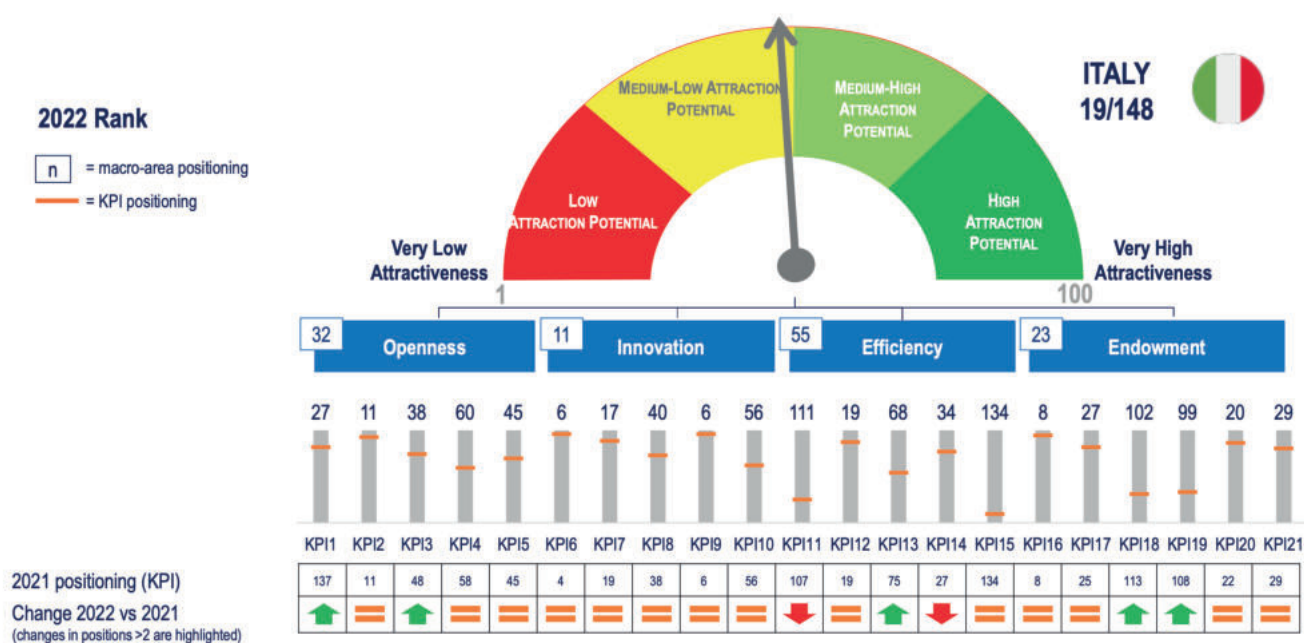
The Context

The attractiveness of Italy and Tuscany. Performance in attracting foreign investment

Italy is considered an attractive location for international investment according to Kearney's "FDI Confidence Index 2023" report, which places it in the top 15 countries in the world, despite a slight decline from last year. This index, based on the investment intentions of global business executives, shows that 82 percent of them expect FDI to increase by 2026, showing confidence in investment growth despite geopolitical tensions.

The European House-Ambrosetti "Global Attractiveness Index 2022" ranks Italy 19th among economies with average attractiveness potential. The country is among the top 20 in the world in terms of foreign capital stock, with more than 15,000 companies owned by foreign groups operating in Italy. These companies generate 19.3 percent of the turnover of all Italian companies (amounting to 624 billion euros) and 16.3 percent of value added (134 billion euros). Their contribution to research and development is very significant, amounting to 4.3 billion euros, or 26% of total private research.

In the decade 2009-2019, foreign-controlled enterprises became more important in the Italian production system, increasing from 7 percent to 8.7 percent of the workforce, mitigating job losses over the decade. In this context, **Tuscany has shown a remarkable attractiveness for investment, attracting greenfield projects and M&A transactions that created more than 10,000 new jobs between 2017 and 2023**, positioning it as one of Italy's most attractive regions for employment from investment. In addition, Tuscany has experienced growth in foreign capital stocks above the national average, showing a steady and remarkable growth in recent years.



Italy's Tableau de Bord 2022.

Source: Global Attractiveness Index 2022, The European House - Ambrosetti

The Context

Presence and weight of foreign multinationals in Tuscany

Tuscany is home to about 6.2 percent of all multinational companies in Italy, which contribute significantly to the regional economy with 8.7 percent of local units and account for an important share of value added (11.2 billion euros) and turnover (37.2 billion euros). Foreign companies come mainly from France, the United States and the United Kingdom. 82.4 percent of foreign multinationals in Tuscany operate in the service sector, mainly in trade and other services, contributing more to employment and value added than their numerical presence.

Although the manufacturing sector has a smaller share of foreign firms, it generates a significant share of employment and value added in the region. The positive effects are also spread in an indirect way, as MNEs establish stable economic relationships with various local units, influencing them more significantly than other types of enterprises in the region. The sectors of interest to multinationals in Tuscany include **tourism, fashion, food and drink, and technology sectors such as life sciences and ICT & digital technology.**

Large local units of foreign multinationals (those with more than 249 employees and an annual turnover of more than 50 million euros) account for only 1.7 percent of foreign firms in Tuscany but make **a significant contribution to employment, value added and turnover**, and have significantly higher productivity than Italian multinationals and independent firms. There is a growing awareness that certain types of foreign investment can support social development. This is reflected in the strategy of the regional government, which aims to attract external investment capable of supporting the socio-economic development of the region, promoting sustainable development strategies as highlighted in the Regional Development Programme.

Values

The Tuscany Region aims to establish itself as a leading investment destination in Europe, in line with its Regional Development Plan.

Its goal is to foster a competitive, sustainable, and balanced economy within the region.

The region aims to attract both local and foreign investment that has a positive impact on society and the environment, contributing to the sustainable growth of the region.

Tuscany's offer to potential and existing investors lies in its openness to investment, its highly skilled human resources, top-level public research facilities, advanced scientific and technological expertise, cost competitiveness, a diverse economy based on valuable business clusters, and an exceptional quality of life.

Combining tradition, innovation, entrepreneurship, manufacturing excellence, a distinct lifestyle, and social cohesion, Tuscany positions itself as a forward-looking place with deep historical roots.

This essence is captured in its marketing slogan,

Tuscany, for centuries in the future

Strategic Objectives

The Tuscany Region has identified four key objectives within its sectoral and market development strategies. These objectives serve as a guide to direct support to investment projects that can generate greater value for the region, focusing on knowledge, sustainability and local economic growth. Although they guide Invest in Tuscany's marketing activities, they do not limit the search for other investment opportunities with foreign companies. The dominant criterion remains the overall assessment of the impact of the investment on the creation of value for Tuscany.

Main objectives

- 1 Increase productivity and innovation:** The focus is on attracting high-tech and knowledge-based investment to strengthen the region's competitiveness. Invest in Tuscany is committed to facilitating the creation of new businesses through direct contact with potential investors and support from the pre-investment stage.
- 2 Support the Sustainable Development Goals (SDGs):** The aim is to support projects and enterprises capable of generating economic, environmental and social benefits in line with the SDGs. Invest in Tuscany will assess the impact of investments on the 2030 Agenda, giving priority to those that will generate positive environmental, economical and societal impacts.
- 3 Promote local growth:** The goal is to anchor existing companies and create links with Tuscan SMEs, thereby promoting the integration of SMEs into global value chains. Invest in Tuscany will help subsidiaries of multinationals to identify and develop links with local suppliers, organize networking events and support the development of local supply chains.
- 4 Improve the investment climate:** The aim is to positively influence public policies at the local and national level in order to attract more FDI, maximize its benefits, and increase the region's competitiveness in the global economy. Invest in Tuscany, through its Advisory Board and a continuous listening and consultation with investors, will identify critical issues and propose policy improvements to decision-making bodies.

Strategy Plan

PM & Partners has helped Tuscany to adapt its strategy for attracting FDI in line with the objectives of the Regional Development Plan, taking into account the strong competitive position of the region and its comparative advantages. A detailed analysis was developed, based on the perceptions of foreign companies already present in Tuscany. With relevant research institutions and robust industrial clusters, **Tuscany offers a competitive and diverse environment, particularly in the advanced manufacturing sector.** Nevertheless, some critical issues have been identified that need to be addressed in order to improve the overall attractiveness of the region. In pursuit of the strategic objectives, Tuscany is committed to regularly benchmarking against other leading European regions in order to improve investment promotion and the attractiveness of the region. Moreover, the analysis process has resulted in a new investment strategy that identifies priority sectors, target markets and an appropriate marketing strategy for the three-year period 2023-2025. Tuscany's primary investment objectives will be the creation of new economic activities, the development of existing multinational companies through expansions and industrial partnerships with Tuscan companies, with a focus on SMEs. Secondly, the activation of science and technology partnerships between companies and local players in technology transfer and academia will also be considered. "Non-traditional" forms of investment such as mergers and acquisitions or non-equity cooperation such as subcontracting or licensing will not be prioritized.

STRENGTHS

- High quality of life
- Cultural and leisure activities
- Excellent universities and research centres
- Innovation-oriented economy
- Availability of skilled labour force

WEAKNESSES

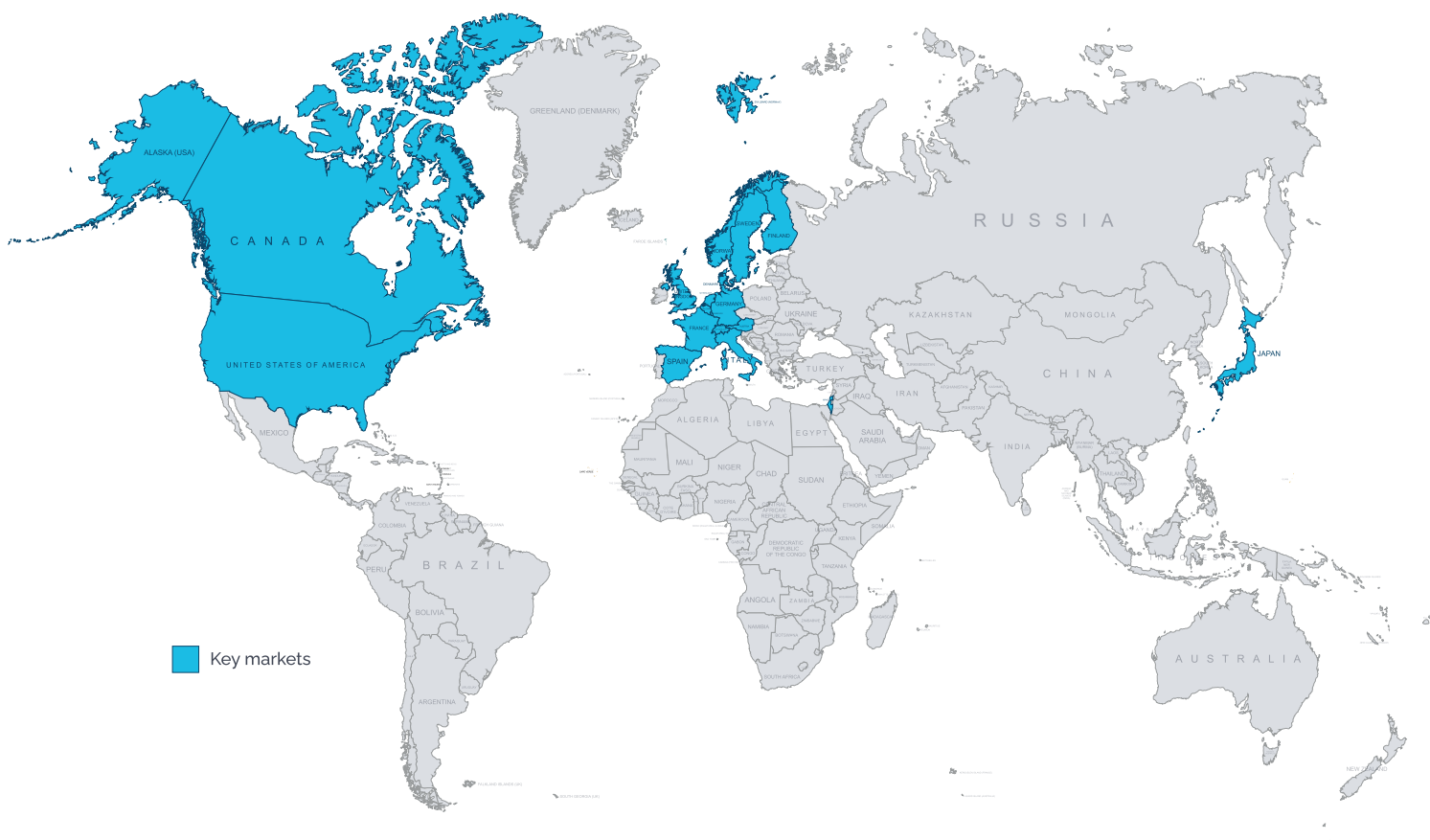
- Poor interaction with local government
- Lack of English-speaking staff
- High cost and poor availability of productive areas
- Transportation and telecommunication infrastructure needs improvement
- Complex local administrative processes

PRIORITY INVESTMENT SECTORS INCLUDE:

1. High-end food processing
2. Life sciences (digital health and biopharma)
3. Luxury goods
4. Automation and robotics
5. Green and blue technology and electric mobility
6. Paper and non-wovens
7. Real estate
8. Education

KEY MARKETS FOR ATTRACTING INVESTMENT INCLUDE:

both European countries such as the United Kingdom, Spain, France, Germany, Austria, Switzerland, Scandinavia, the Netherlands and Luxembourg, as well as non-European countries such as the United States, Canada, Israel and Japan.



MARKETING ACTIVITIES MAINLY TARGET TWO “CLIENT” GROUPS:

1. **Italian and foreign companies that are not yet present in Tuscany** but operate in the above-mentioned sectors and are interested in investing in the region because of its particular strengths;
2. **Multinational companies already present in Tuscany** that may consider an increased presence or potential new partnership.

At the same time, there is a focus on **institutional players** such as local governments, chambers of commerce, technology clusters, universities and business associations, firstly to maintain ongoing relationships and build an updated profile of the territory's points of attraction; and secondly to inform about attraction initiatives and the role of individual territorial and local players in this particular activity (advertisement). On the other hand, there is a second group, the **"multipliers,"** made up of local and foreign private operators who, thanks to their network of contacts with investors from outside Tuscany, are an important channel for disseminating and promoting the region's investment opportunities.

The Contributions of Invest in Tuscany

Investment attractiveness depends on several elements of the economic and institutional context: market size, quality of the workforce, level of know-how and innovation, available natural resources, investment climate and the quality of strategic infrastructure. However, there is another factor that is just as important: **facilitation policies and instruments, such as incentives to support companies and investors.** Investment promotion agencies (IPAs) are the main actors providing technical support and investment promotion; they play a key role in integrating local economies into the global economy, helping to develop specific sectors and improve competitiveness. IPAs are usually government agencies and can be national or local (regional or smaller) in scope and are an offshoot of government bodies. As highlighted in a recent OECD report, IPAs have become widely used internationally as a fundamental tool for implementing local development policies. In Italy, various governance models have alternated at central level, leading to a significant disruption in the continuity of action. In this scenario, Tuscany stands out positively with its "International Activities and Investment Attraction" sector, known as Invest in Tuscany. Created in 2010 and strengthened since 2016, this sector acts as a **bridge between the public administration and investors.** In addition to supporting companies already present in the region (aftercare services), it is actively involved in the search for and attraction of new investors to Tuscany.

Invest in Tuscany Services

Invest in Tuscany follows the World Bank's Comprehensive Investor Services Framework (CISF), which focuses on **the needs of investors at each stage of investment: attraction, entry, establishment, maintenance and expansion, linkages, and spillovers.** Globally, there's a push to digitize investment support services for cost efficiency and faster responses to investors. Invest in Tuscany is also moving towards digitalization, using CRM for marketing, boosting the informational value of the website, and expanding digital marketing efforts.



Service categories

1. Marketing	2. Information	3. Assistance	4. Advocacy
<p>1.1. Create or reinforce a positive image of the investment location and its advantages through a media campaign.</p> <p>1.2. Publicize priority areas through international media (social media, newspapers, magazines, radio, television).</p> <p>1.3. Proactively participate in business events held domestically or abroad to promote the priority sectors.</p> <p>1.4. Proactively participate in investment related trade fairs to promote priority sectors.</p> <p>1.5. Proactively promote priority sectors through a network of intermediaries.</p> <p>1.6. Liaise with targeted investors and suppliers, locally or internationally, in priority sectors. Arrange face-to-face meetings to showcase the region's value proposition.</p> <p>1.7. Arrange meetings at the headquarters of established investors in a priority sector; seek face-to-face meetings to communicate the region's value proposition for reinvestment (expansion or diversification).</p>	<p>2.1. Publish an updated guide to investment in Tuscany.</p> <p>2.2. Actively provide updated information.</p> <p>2.3. Produce a general presentation of what Tuscany has to offer as a business location.</p> <p>2.4. Produce detailed sectoral profiles based on market information, relevant to investors in priority sectors.</p> <p>2.5. Provide information on national/regional incentives aimed for large enterprises.</p> <p>2.6. Provide tailored responses to specific questions and requests from investors.</p>	<p>3.1. Support and accompany potential investors on site visits.</p> <p>3.2. Help connect investors with foreign and domestic firms, potential suppliers, and various institutions in the public, private, educational, or governmental sectors.</p> <p>3.3. Proactively follow up with the investor throughout the investment process.</p> <p>3.4. Facilitate and manage investor involvement in local initiatives and events to network, enhance relationships and increase productivity.</p> <p>3.5. Proactively organize regular meetings with investors to assess progress and identify new investment opportunities.</p>	<p>4.1. Collaborate with investors and private sector representatives to pinpoint barriers to FDI and develop strategies to overcome them.</p> <p>4.2. Analyze and report on the state of the investment ecosystem for priority sectors.</p> <p>4.3. Formulate and present proposals to improve the investment ecosystem based on feedback from potential investors in priority sectors.</p> <p>4.4. Encourage and monitor government efforts to improve the investment environment in priority sectors.</p>

Partnerships

Invest in Tuscany operates as a network of public and private bodies coordinated by the Tuscany Region, including the Metropolitan City of Florence, Tuscan municipalities, and possibly other public or private bodies. These bodies work together to assist companies wishing to set up or expand in Tuscany. To strengthen the territorial network, three main areas of focus have been identified: detailed mapping of foreign presence and available production areas, network engagement through specific events to promote the culture of attraction and investment policies, and initiatives to strengthen competencies within the network. Collaboration will extend to national bodies and other Italian regions through the Investment Attraction Task Force. Additionally, Invest in Tuscany aims to join specialized international networks and too coordinate activities and services through bilateral relationships with partners in target markets for benchmarking purposes.

The Ecosystem

Investment promotion plays a vital role in positioning territories in the minds of potential investors and stimulating new international investment. However, to compete effectively in an increasingly competitive global arena, it is crucial to address identified weaknesses through targeted policies. While some national circumstances may not be directly influenced by regional governments, several region-specific factors affect the competitiveness and attractiveness of a territory and require a medium-term intervention approach.

Specifically:

- 1. Ensuring effective cooperation between different levels of public administration**, with a focus on quality institutions, stable policies, legal certainty, and administrative simplification, is critical.
- 2. Strengthening local collaboration between public and private bodies** is essential for territorial attractiveness.
- 3. Reinforcing or creating clusters** around existing strengths attracts foreign investors and highlights the maturity of the cluster in line with regional development strategies.
- 4. Establishing a competitive skills base** is essential to benefit from knowledge spillovers and to attract FDI in knowledge-intensive sectors.
- 5. Attracting foreign talent:** supporting skilled labour, alongside initiatives to attract international talent through affordable housing, international schools, language accessibility, and strong industrial clusters.
- 6. Investing in accessibility**, both physical transport infrastructure and digital accessibility, is pivotal for regions seeking to become production and transport hubs.
- 7. Encouraging internationalization and targeted regional branding**, as regions that host many foreign enterprises tend to attract more FDI. English language skills stimulates FDI inflows.
- 8. Providing specific incentives for foreign-controlled businesses**, although not decisive, is important when choosing between different locations. For example, regions like Tuscany implement programmes such as "Attraction of Investments in Tuscany - Location Agreements" to attract foreign investment under specific funding schemes.

Resources

Activities under this document will be financed with resources from the measures:

1.3.3 Support to interventions for investment attraction;

1.1.2 Location Agreements and experimental projects of Supply Chain Development; of the Tuscany FESR Regional Program 2021-2027.

Measures	Tot	EU	State	Region
1.3.3	€ 4,000,000	€ 1,600,000	€ 1,679,999	€ 720,001
1.1.2	€ 10,000,000	€ 4,000,000	€ 4,200,001	€ 1,799,999



Monitoring and Evaluation

Relative to the objectives described, the benchmark metrics are summarized in the following table.

Indicator	Description	Unit of measure	Objective #n.	Target	Notes
N. of Investments	Number (N.) of investments announced	Numerical	Objective #1	50 per year	Highlighted data related to the sector's priority
Value of Investments	Value in monetary units	Numerical	Objective #1	1 bn euro/ year	Highlighted data related to the sector's priority
Number of sustainable	N. of investments in sectors defined "sustainable" by the EU Taxonomy	Numerical	Objective #2	25 per year	
Proposed Linkages	N. of linkages between foreign-controlled and local firms	Numerical	Objective #3	10	
Investments Reforms	Contribution to reforms to improve investment climate	Numerical	Objective #4	1 annual report	
Marketing	N. of social posts, media interactions and press releases	Numerical		50 social posts per month	
Events	N. joined events	Numerical		10 per year	
Activities	N. requests, meetings, company tours etc	Numerical		60 per year	