



### Key points

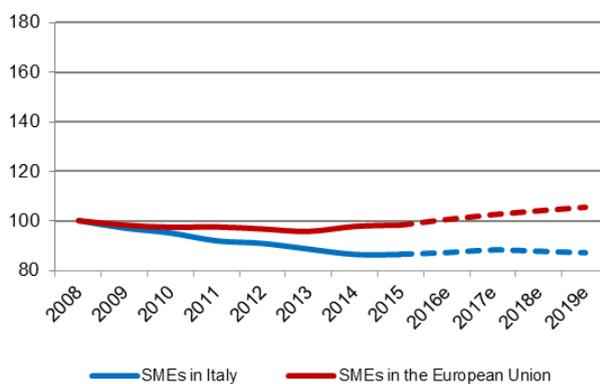
**Past & future SME performance**<sup>1</sup>: The role played by SMEs in Italy's 'non-financial business economy' is larger than the average for the EU. SMEs generated value added of 67.1 % against an EU average of 56.8 %, while they generated 78.5 % in employment against the EU average of 66.4 %. The average number of people employed in Italian SMEs is 3.0, around 1 below the EU average. The outlook for Italian SMEs is mixed. While SME value added is expected to increase by 2.0 % in 2017-2019, SME employment is expected to fall by 1.4 % in the same period.

**Implementing the Small Business Act for Europe (SBA)**: Italy's SBA profile performs below the EU average in 8 out of the 10 SBA principles: entrepreneurship, 'second chance', single market, environment, internationalisation, 'responsive administration', state aid & public procurement and access to finance. In the last three areas Italy is among the three weakest performing Member States in the EU. On skills & innovation, Italy performs in line with the EU average having made improvements since the previous reference period. However, the country's performance remains modest in the indicators related to SMEs digitalisation and training.

**SME policy priorities**: The Italian government has adopted a substantial number of policy measures across all 10 SBA areas but progress made remains moderate and, in some areas, limited. The implementation and development of measures should be improved in state aid & public procurement and access to finance. In the state aid and public procurement area, the percentage of businesses participating in public tenders dropped during 2017 and the first quarter of 2018, the current reference period for this year's fact sheets. In the latter area, venture capital investments in Italy lag behind other EU Member States. Moreover, more efforts are needed to reduce the red tape faced by SMEs and improve SMEs' digitalisation and training. Administrative procedures and fast-changing legislation and policies still pose problems for SMEs in doing business.

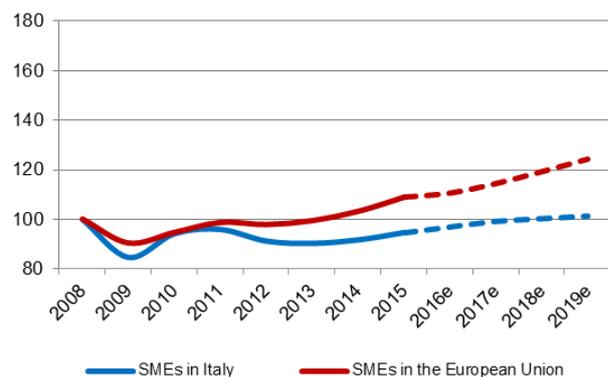
**Number of persons employed in SMEs**

(Index: 2008=100, estimates as from 2016 onwards)



**Value added of SMEs**

(Index: 2008=100, estimates as from 2016 onwards)



### About the SBA fact sheets

The Small Business Act for Europe (SBA) is the EU's flagship policy initiative to support small and medium-sized enterprises (SMEs). It comprises a set of policy measures organised around 10 principles ranging from entrepreneurship and 'responsive administration' to internationalisation. To improve the governance of the SBA, the 2011 review of it called for better monitoring. The SBA fact sheets, published annually, aim to improve the understanding of recent trends and national policies affecting SMEs. Since 2011, each EU Member State has appointed a high-ranking government official as its national SME envoy. SME envoys spearhead the implementation of the SBA agenda in their countries.

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## 1. SMEs — basic figures

Class size	Number of enterprises			Number of persons employed			Value added		
	Italy		EU-28	Italy		EU-28	Italy		EU-28
	Number	Share	Share	Number	Share	Share	Billion €	Share	Share
Micro	3 565 046	95.1 %	93.1 %	6 661 193	45.9 %	29.4 %	201.2	28.6 %	20.7 %
Small	162 598	4.3 %	5.8 %	2 921 184	20.1 %	20.0 %	144.9	20.6 %	17.8 %
Medium-sized	18 465	0.5 %	0.9 %	1 808 802	12.5 %	17.0 %	125.3	17.8 %	18.3 %
<b>SMEs</b>	<b>3 746 109</b>	<b>99.9 %</b>	<b>99.8 %</b>	<b>11 391 179</b>	<b>78.5 %</b>	<b>66.4 %</b>	<b>471.5</b>	<b>67.1 %</b>	<b>56.8 %</b>
Large	3 221	0.1 %	0.2 %	3 125 454	21.5 %	33.6 %	231.7	32.9 %	43.2 %
Total	<b>3 749 330</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>14 516 633</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>703.1</b>	<b>100.0 %</b>	<b>100.0 %</b>

*These are estimates for 2017 produced by DIW Econ, based on 2008-2015 figures from the Structural Business Statistics Database (Eurostat). The data cover the 'non-financial business economy', which includes industry, construction, trade, and services (NACE Rev. 2 sections B to J, L, M and N), but not enterprises in agriculture, forestry and fisheries and the largely non-market service sectors such as education and health. The following size-class definitions are applied: micro firms (0-9 persons employed), small firms (10-49 persons employed), medium-sized firms (50-249 persons employed), and large firms (250+ persons employed). The advantage of using Eurostat data is that the statistics are harmonised and comparable across countries. The disadvantage is that for some countries the data may be different from those published by national authorities.*

The role played by SMEs in Italy's 'non-financial business economy' is larger than the average for the EU. SMEs generated 67.1 % value added against an EU average of 56.8 %, while they generated 78.5 % employment against the EU average of 66.4 %. Micro firms are particularly important, providing 28.6 % of overall value added and 45.9 % of overall employment in the 'non-financial business economy'. *Manufacturing* is the most prominent sector with a substantially higher proportion of SME value added and employment than the EU average: 31.1 % of all SME value added and 24.8 % of all SME employment. The average number of people employed in Italian SMEs is 3.0, around 1 below the EU average.

SMEs in Italy have recently been showing signs of recovery. After years of decline, SME employment rose by 2.1 % over 2015-2017, rising by 1.3 % between 2016 and 2017. However, in 2017, it was still 11.6 % lower than in 2008. This subdued SME employment performance lags significantly behind the strong performance of large firms, whose employment increased by 6.6 % in 2013-2017.

On value added, SMEs started to recover in 2013-2014. It increased by 9.6 % between 2013 and 2017, including a rise of 2.2 % in 2016-2017. Thanks to this growth, SME value added has almost reached its pre-crisis level, and in 2017 it was only 0.8 % lower than in 2008.

*Manufacturing* is one of the sectors in which SMEs have not yet fully recovered from the crisis. Although in 2017 SME value added was 2.7 % higher than its 2008 level, SME employment remained 17.1 % below the 2008 level. Large firms, which experienced a less pronounced downturn compared to SMEs, performed better, with value added in 2017 being 14.9 % higher than its 2008 level and employment only 11.8 % lower than its 2008 level. However, mirroring the positive SME developments overall, there was an end to the decline in SME employment. In 2015-2017 SME employment rose again by 1.9 %. SME value added also increased by 4.1 % over the same period. The factors contributing to this development were an upturn in demand, especially from abroad, leading to rising exports, accompanied by an ongoing reduction in SME debt<sup>2</sup>. Another contributing factor was growth in investments, which the government encouraged through incentives in the *Impresa 4.0* Plan, previously known as the *Industria 4.0* Plan, which aims to stimulate innovation and increase the competitiveness of Italian manufacturing firms<sup>3,4</sup>.

SMEs have in particular made gains in recent years, outperforming large firms, in the *accommodation and food services* sector. SME employment and value added in this sector increased by 3.2 % and 14.4 % respectively in 2014-2017. In 2015-2016, overnight stays by tourists increased by 2.6 %, while the number of tourist arrivals rose by 3.1 %<sup>5</sup>. In particular, agritourism has grown in recent years<sup>6</sup>. The number of agritourism farms licenced to provide accommodation increased by 10.7 % in 2012-2016<sup>7</sup>.

The trend in company registrations has been in decline since 2010. In 2017, the annual total of 356 875 registrations was 1.8 % lower than the total in 2016<sup>8</sup>. Deregistrations, which have been declining since 2013, continued to fall, by 3.4 % in 2016-

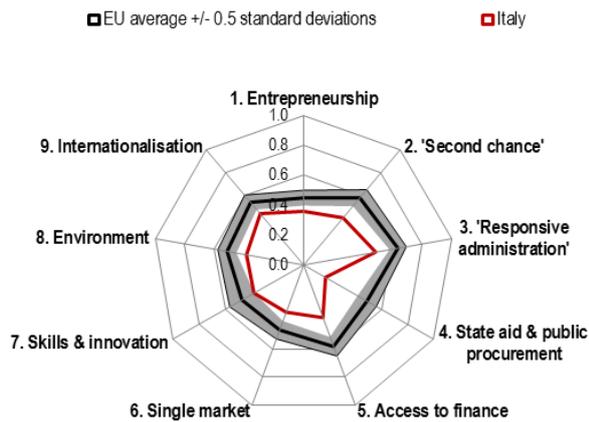
2017, totalling 311 165 in 2017<sup>9</sup>. This resulted in a net increase of 0.8 % in the number of registered companies in 2016-2017<sup>10</sup>.

The following segment presents data that has been collected for the EU Startup Monitor and refers mainly to the population of online and technology based start-ups.<sup>11</sup> The Italian Startup Ecosystem has been rapidly developing over recent years. With many governmental initiatives and an attempt to officially register start-ups, Italy is working hard on increasing its support to entrepreneurs. The typical business founder is male (84.8 %) and holds a university degree (76.4 %). A high proportion of Italian founders hold PhDs (21.2 %, against an EU average of 12.6 %). Start-ups in Italy are found in many sectors, such as IT/software (21.2 %) and biotech (7.9 %), while the country holds Europe's top position for start-ups in industrial technologies and hardware production (12.1 %, against an EU average of 6.4 %). They currently employ 5.2 people and are looking to hire 3.4 more within the next 12 months. Most Italian start-ups are generating revenues through business-to-business customers (64.9 %) and within the euro area (90.6 %, of which 81.0 % are being generated in Italy). The major geographic start-up hub for Italy is Rome, with Milan being an emerging centre for innovators.

Fewer Italian firms than average in the EU have scaled-up their operations in recent years. In 2015, 11 912 firms — 7.6 % of all firms in the 'business economy'<sup>12</sup> with at least 10 employees — were classified as high-growth firms<sup>13</sup>, substantially more than in 2014, when the proportion of high-growth firms was only 6.8 %. Nevertheless, this is still 2.3 percentage points lower than the EU average.

The outlook for Italian SMEs is mixed. While SME value added is expected to increase by 2.0 % in 2017-2019, SME employment is expected to fall by 1.4 % in the same period.

## 2. SBA profile<sup>14</sup>



Italy's SBA profile performs below the EU average in 8 out of the 10 SBA principles. These principles are entrepreneurship, 'second chance', single market, environment, internationalisation, 'responsive administration', state aid & public procurement and access to finance. In the last three areas Italy is among the three weakest performers in the EU. On a positive note, skills & innovation is the one area where Italy performs in line with the EU average. Against the previous reference period, the country's performance has improved in this area.

Since 2008, the Italian government has made policy progress in implementing the Small Business Act — addressing many of the

SBA recommendations. A body at the Ministry of Economic Development was appointed to monitor the implementation of the SBA.

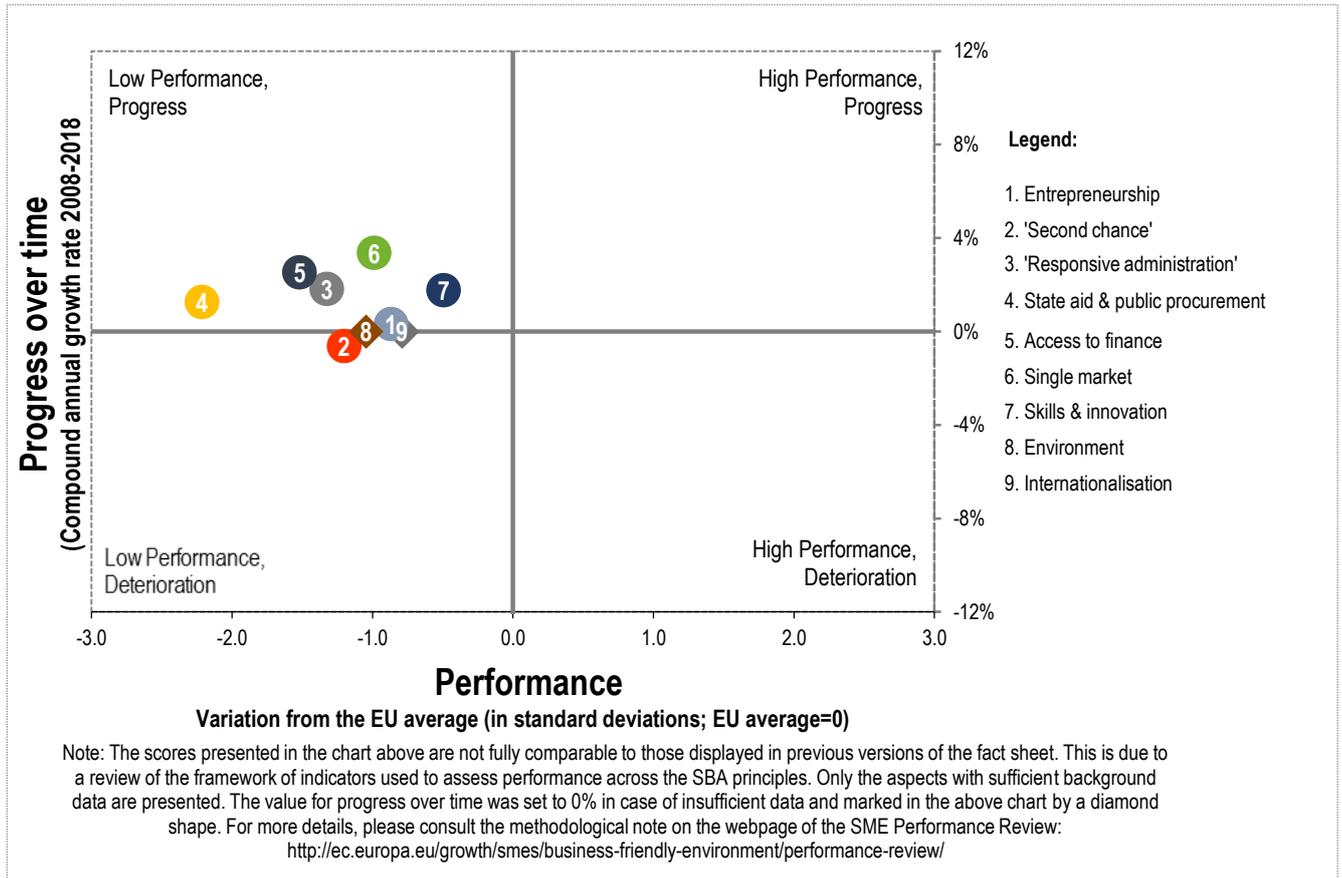
Regarding the implementation of the SBA recommendations, there are still some problematic areas that require more action. For instance, taxation and heavy bureaucracy, a lack of efficiency in public administration and limited access to finance still pose difficulties for SMEs.

During 2017 and the first quarter of 2018, Italy adopted 24 policy measures and formally announced 2 new measures, addressing all 10 principles under the Small Business Act. The most significant progress was made in the areas of entrepreneurship and skills & innovation.

Several measures were introduced to encourage entrepreneurship, especially among young people living in Southern Italy. Incentives were given to promote new businesses in the agricultural sector which is being revitalised, thanks in particular to young people establishing new companies.

In skills & innovation, a major focus was put on developing employees' skills in innovation and Industry 4.0 technologies as well as providing incentives for the digitisation of business processes.

## SBA performance of Italy: state of play and development from 2008 to 2018<sup>15</sup>



## 3. SBA principles<sup>16</sup>

### 3.0 'Think Small First'

The 'Think Small First' principle is meant to be a guiding principle for all policy- and law-making activities. It requires policymakers to take SME interests into account at the early stages of the policy-making process. The principle also calls for newly designed legislation, administrative rules and procedures to be made simple and easy to apply.

Since 2008, the Italian government has taken major steps to specifically support SMEs and help them deal with the effects of the economic crisis. For example, the government introduced measures to simplify rules and procedures that affect SMEs.

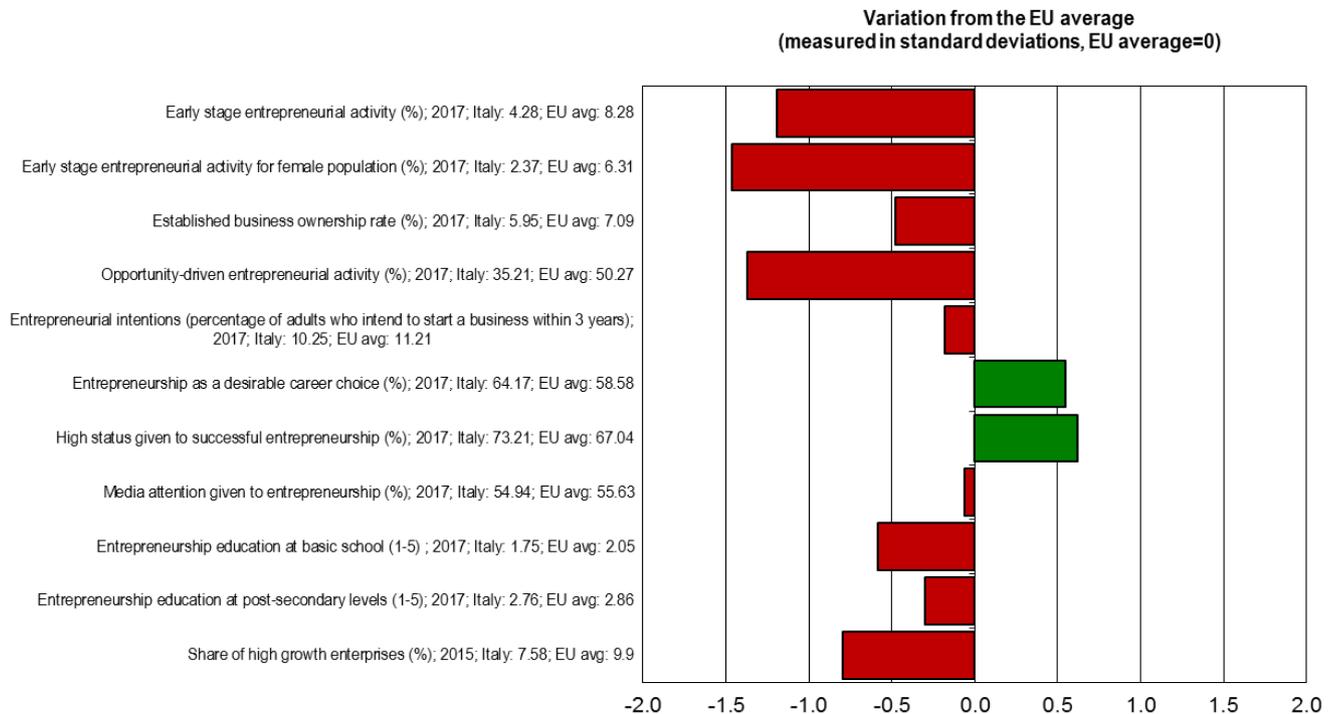
The SME Envoy, who works under the auspices of the 'Directorate-General for industrial policy, competitiveness and SMEs' and who is also the SMEs' guarantor authority, representing SMEs at national level (*Garante PMI*), is monitoring the implementation of the SBA and, in particular, the 'Think Small First' principle. The Envoy recently released his activity report referring to the most recent period (2017 and the first quarter of 2018)<sup>17</sup>.

The Annual SME Law introduced under the 'Statute of the Enterprises' has not been adopted yet, despite further impact assessments on policies and programmes taking place. Italy has not yet carried out a thorough 'SME Test' in policymaking at national level, to assess the impact on SMEs of proposed legislation in order to ensure a SME-friendly regulatory environment. In addition, Italy has yet to establish a common commencement date for all new legislation and amendments.

During the current reference period, a new measure was adopted in line with the 'Think Small First' principle:

- The 'Casual Employment Discipline' measure (*Disciplina delle prestazioni occasionali*) introduces a new online, simplified and flexible contract that can be used for casual employment. This measure targets companies with a maximum of 5 permanent employees.

### 3.1 Entrepreneurship



**Note:** Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.

Italy currently performs below the EU average in entrepreneurship. Significantly, the country has the third lowest amount of ‘early-stage entrepreneurial activity’ in the EU. Moreover, ‘opportunity-driven entrepreneurial activity’ has fallen further and Italy is now one of the three weakest performing Member States in this indicator. However, against the previous reference period, there have been minor fluctuations in most other indicators.

Since 2015, most of the initiatives in this area have been carried out with the support of the national agency *Invitalia* and the agency for active employment policy (ANPAL). The Italian Chamber of Commerce (*Camere di Commercio*) created a national network of helpdesks for young entrepreneurs with free orientation, training, mentoring, assistance and support services<sup>18</sup>. In addition, the Chamber of Commerce created a national registry on its portal<sup>19</sup> to match high school students with companies, so these students can do internships to improve their skills and learn business practices. However, tailored policies and educational initiatives are needed to address hindrances in the area of early-stage entrepreneurship, such as limited entrepreneurial skills and low willingness to take risks.

During the current reference period, four new policy measures were adopted in the entrepreneurship area:

- The ‘Jobs Act for Self-Employed Workers’ (*Jobs Act Autonomi*) includes better protection for self-employed workers in the management of contracts with clients and increases social security coverage in cases of illness, accidents and maternity. It also introduces fiscal incentives for the training and retraining of self-employed workers and measures to support their entry and re-entry into the labour market.
- The ‘Incentives for young entrepreneurs in the agricultural sector’ (*Agevolazioni per l’insediamento di giovani in agricoltura*) were introduced to encourage young people to become entrepreneurs in this sector. This measure also provides mentorship programmes to help business transfer in the agricultural sector.
- The ‘Incentives for young entrepreneurs in Southern Italy’ (*Resto al Sud*) were introduced to create new businesses in Southern Italy in sectors where goods are produced (manufacturing, fishing, aquaculture), as well as in the

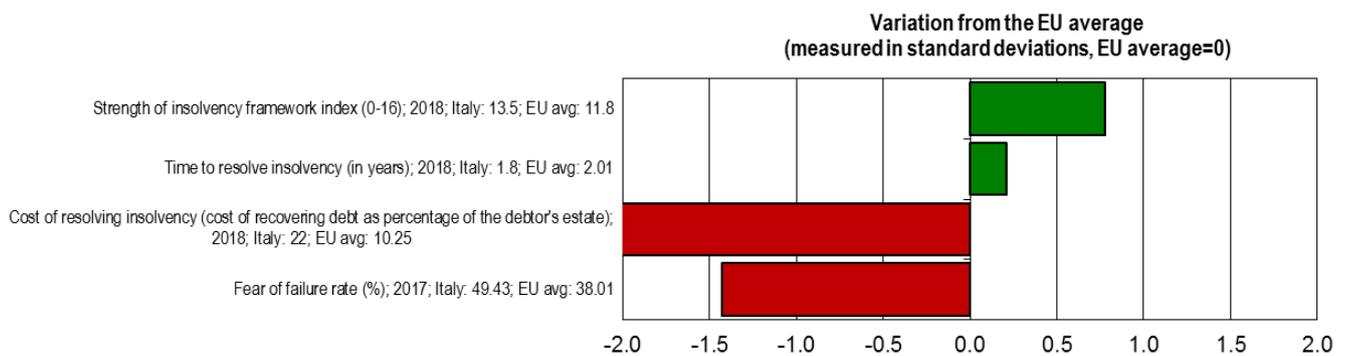
services and tourism sectors. Funds cover up to 100 % of eligible costs, up to 35 % of non-repayable grants and up to 65 % of zero interest loans guaranteed by the ‘Guarantee fund for SMEs’.

- The ‘Third Sector Reform’ Code (*Riforma del Terzo Settore*) established a national online registry of non-profit entities. New fiscal rules, tax legislation and auditing procedures were also introduced for non-profit companies. Soft loans (with favourable terms for borrower) to encourage investment by third sector companies will be provided through project programmes ranging between

EUR 200 000 and EUR 10 million. 60 % of available funding will be reserved for SMEs, with 25 % of it devoted to micro and small businesses.

The scale-up community in Italy is still small (86 % of the 135 scale-ups have raised funding of between USD 1 and 10 million). Italy ranks 11<sup>th</sup> in Europe in terms of the number of scale-ups and the amount of capital raised<sup>20</sup>. The market is dominated by e-commerce, fintech and digital media. Funding rounds, including those funded by public venture capital (*Fondo Italiano di Investimento and Invitalia Ventures*) are limited in size and do not exceed EUR 100 million.

### 3.2 ‘Second chance’



**Note:** Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.

‘Second chance’ refers to ensuring that honest entrepreneurs who have gone bankrupt get a second chance quickly. Italy performs below the EU average in ‘second chance’. There has been a negative trend in this area since 2008. The cost of recovering debt as a percentage of the debtor’s estate to resolve insolvency is the highest in the EU. In addition, Italy has one of the highest rates for fear of failure, compared to other Member States. Little or no specific progress has been reported across all indicators during the current reference period.

Since 2012, the old bankruptcy law has been revised to allow for more modern procedures that introduce improved solutions to address company crises. Measures to simplify fiscal transactions and accelerate the recovery of credit in insolvency and bankruptcy procedures have been introduced. Fail-fast procedures<sup>21</sup> apply to innovative start-ups, as do the exemptions from the ordinary bankruptcy law. The number of bankruptcy procedures and insolvency proceedings is gradually declining and returning to 2001-2006 levels<sup>22</sup>. This is a major sign of

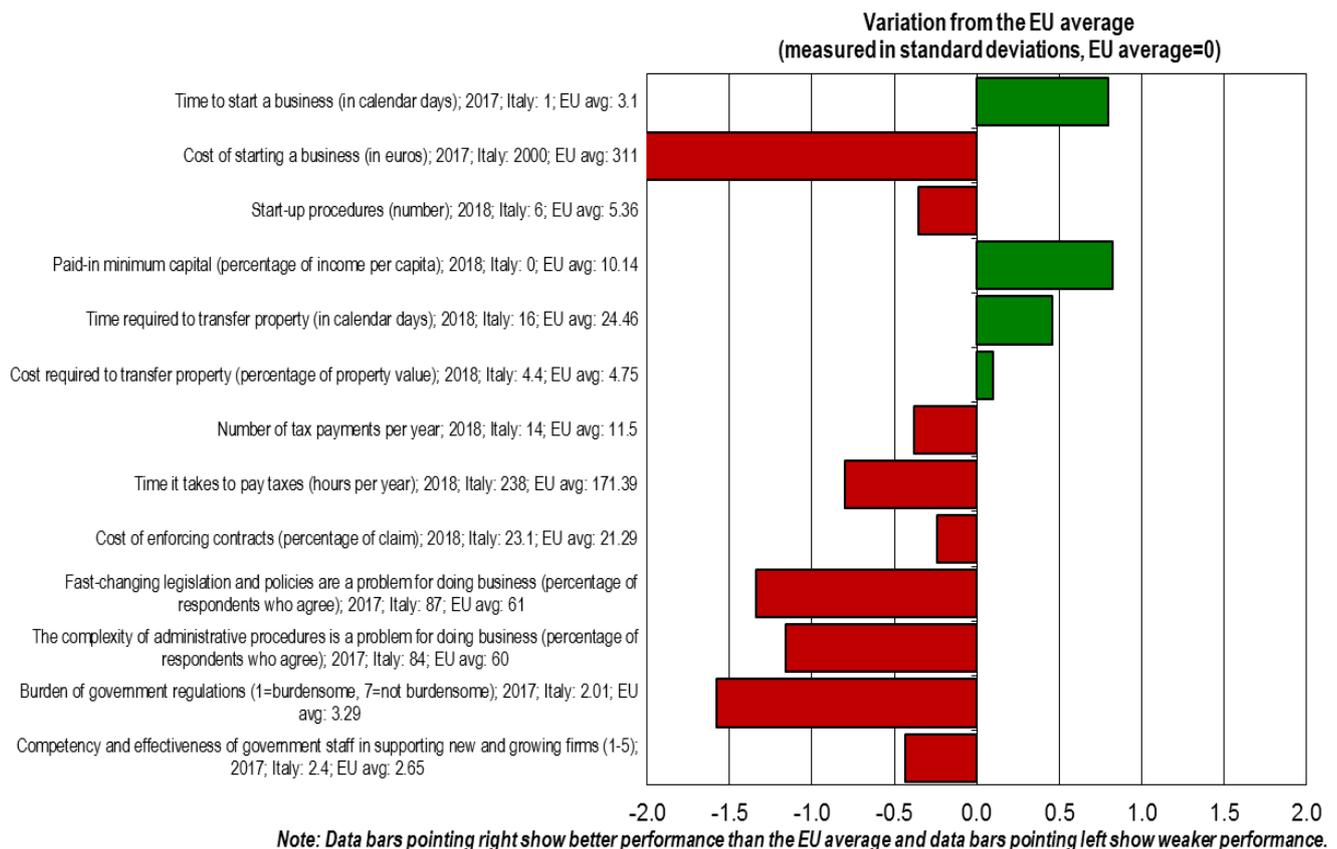
improvement and recovery from the long crisis that affected the Italian economy.

Early warning procedures have also been introduced to prevent insolvency. In addition, protection measures can be requested by the entrepreneur during negotiation procedures with creditors. In the formal bankruptcy procedure, ‘bankruptcy’ is replaced by ‘judicial liquidation’. The reform of the bankruptcy law aims to favour solutions and procedures that guarantee business continuity, if it is also beneficial for creditors and it reduces the duration and the costs of insolvency proceedings.

Stakeholders welcomed the new rules, which appear to be aligned with requirements that companies have called for including capital preservation, limiting abuses and more sufficient protection of SME creditors.

During the current reference period, a major reform of the rules on corporate crisis and insolvency (*Riforma delle discipline della crisi di impresa e dell’insolvenza*) was also formally announced.

### 3.3 ‘Responsive administration’



‘Responsive administration’ refers to public administration being responsive to the needs of SMEs. Italy ranks as the second lowest performer in the EU for ‘responsive administration’. The country’s poor performance in this area is mainly caused by the high cost of starting a business, fast-changing and burdensome legislation and complex administrative procedures. Despite progress since 2008, Italy still has the most expensive process for starting a business in the EU with a cost of EUR 2 000<sup>23</sup>. On the positive side, consistent progress on reducing the time to pay taxes continues; it has fallen by 2 hours against the previous reference period and by more than 100 hours since 2008. The length of legal proceedings has also fallen with improvements to the civil justice system.

Since 2008, moderate progress has been made overall. Governments have launched measures to restructure public

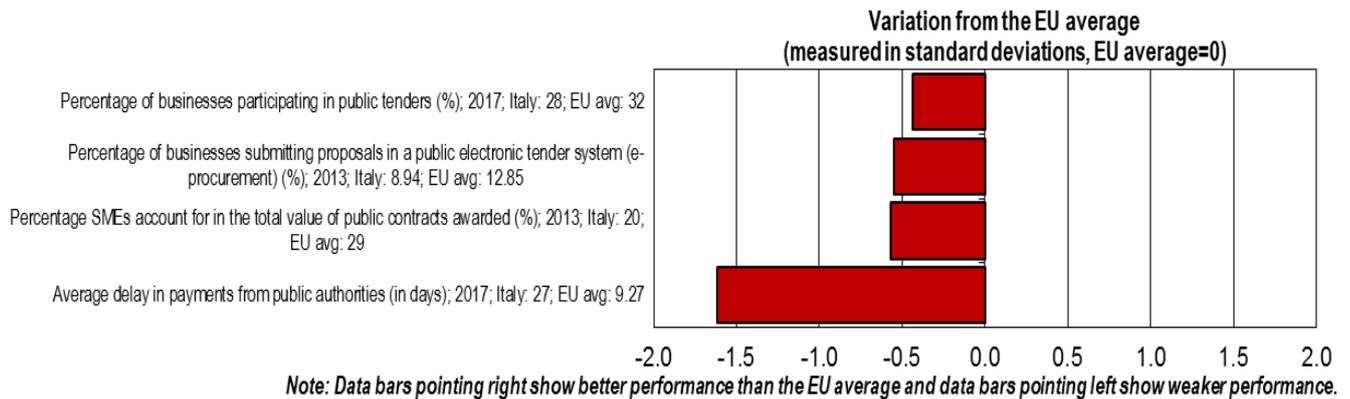
administration and tackle red tape. Start-up procedures can also be done online and corporate documents (such as documents for registering companies) can also be modified online.

However, SMEs are still hindered by red tape. Databases from different public administrations are not yet sufficiently connected and companies have to provide the same information multiple times.

During the current reference period, one important measure was adopted under ‘responsive administration’:

- A new act introduced ‘Special Economic Zones’ in the Southern regions of Italy’ (*Zone Economiche Speciali per lo sviluppo del Sud*), including port areas, where established companies can benefit from special measures to simplify red tape.

### 3.4 State aid & public procurement



Italy is the worst performing Member State in state aid & public procurement. The proportion of the total value of public contracts awarded to SMEs is among the lowest in the EU. On a positive note, the average delay in payments from public authorities has dropped significantly from 90 days in 2013 to 27 days in 2017. This has traditionally been a problem for SMEs in Italy. Further action is needed, as 27 days in excess of the maximum payment term (in general between 30 and 60 days) still ranks among the worst performances in the EU regarding the delay in payments from public authorities.

Since 2008, some progress has been made at policy level. The main laws that regulate the awarding of contracts for public works in Italy were reformed in 2016 with the adoption of a new Public Procurement Code. The Code is based on the principles of free competition, non-discrimination and transparency. For the Code to become fully effective, guidelines issued by the Ministry of Infrastructure and Transport and the National Anti-Corruption Authority (ANAC) had to be adopted. Also, around 50 ministerial decrees had to be adopted as implementing acts. After the Code was adopted, as additional acts were considered to be useful, a total of 64 implementing acts were also expected to be adopted. By mid-April 2018, 23 of these acts were adopted, 6 of them in March 2018. However, the government has yet to introduce measures protecting SMEs against late payments.

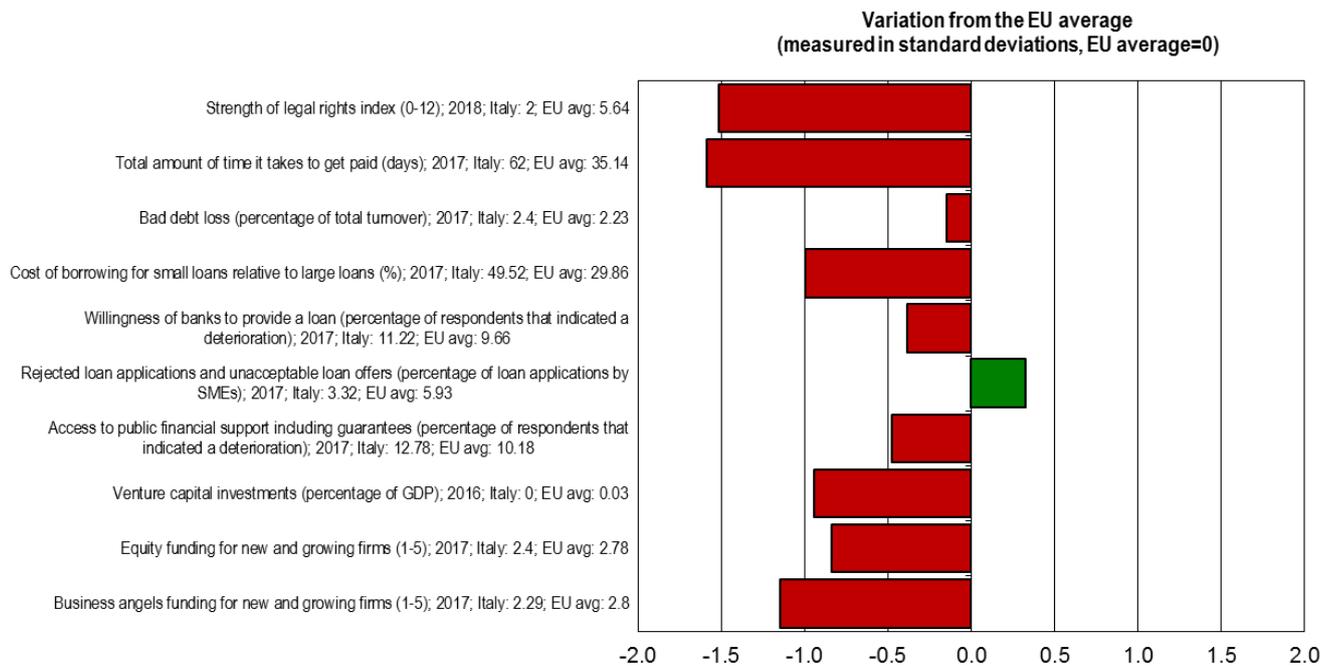
During 2017 and the first quarter of 2018, two significant amendments were made to two existing measures:

- Provisions to integrate and amend the new Public Procurement Code (*Disposizioni integrative e correttive al Codice degli Appalti*) substantially revise this code, now

renamed the 'Code of Public Contracts'. Specific provisions for SMEs have been included. In particular, SMEs should not be prevented from participating in public tenders due to selection criteria and below-threshold procurements should be organised so as to enable SMEs to participate. In addition, increased flexibility has been introduced for guarantees required for micro firms. Rules have been introduced to govern public-private partnerships on (i) the concession of services, (ii) project financing contracts and joint ventures, where private partners are engaged through a public procedure, and (iii) partnerships for innovation. Competitive procedures with negotiation and competitive dialogues are also applied in certain cases. Also contracts are to be divided into lots to encourage SMEs to participate in the process. Italy also strengthened its regulatory framework to fight corruption, assigning specific tasks to ANAC.

- Amendments were made to the rules governing the National Registry for State Aid (*Registro Nazionale Aiuti di Stato*) to enable it to establish itself online. Italy is the first Member State to put in place such a registry, which was created to gather information on the amount of state aid granted to companies and how much of this state aid was actually used by these companies. It provides for fast and simple checks on the beneficiaries of state aid. This avoids the doubling of requests for the same information and prevents companies from exceeding the maximum accumulation of state aid according to the 'de minimis' rule.

### 3.5 Access to finance



**Note:** Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.

Italy is the third weakest performing EU country among the Member States in the area of access to finance. This has been a problematic area for SMEs since 2008. While debt financing is by far the main source of finance for Italian SMEs, the poor access to equity financing through business angel funding (the lowest in the EU), venture capital and crowdfunding contribute to Italy's weak performance in this area. Italy also has one of the weakest scores in the legal rights index, which measures the degree to which collateral and bankruptcy laws protect the rights of borrowers and lenders — essential to facilitate lending. Improvements in Italy's legal rights index could result in more loans being given to businesses. On a more positive note, the number of days it takes for SMEs to get paid has been reduced significantly in recent years. Against the previous reference period this has fallen by just over 20 days.

Since 2008, to mitigate the effects of the economic crisis, the Italian government has pursued a strategy that facilitates access to finance for businesses, promotes a more favourable environment for productive investment with targeted tax credits, and provides incentives for companies' capitalisation and market listing.

The most significant recent initiatives include: (i) easier and cheaper market listing; (ii) strengthening the Central Guarantee Fund for SMEs; (iii) introducing individual savings accounts (PIR — Piani Individuali di Risparmio); (iv) tax benefits for firms investing in capital goods (super-depreciation and hyper-depreciation); (v) an advanced equity crowdfunding regime;

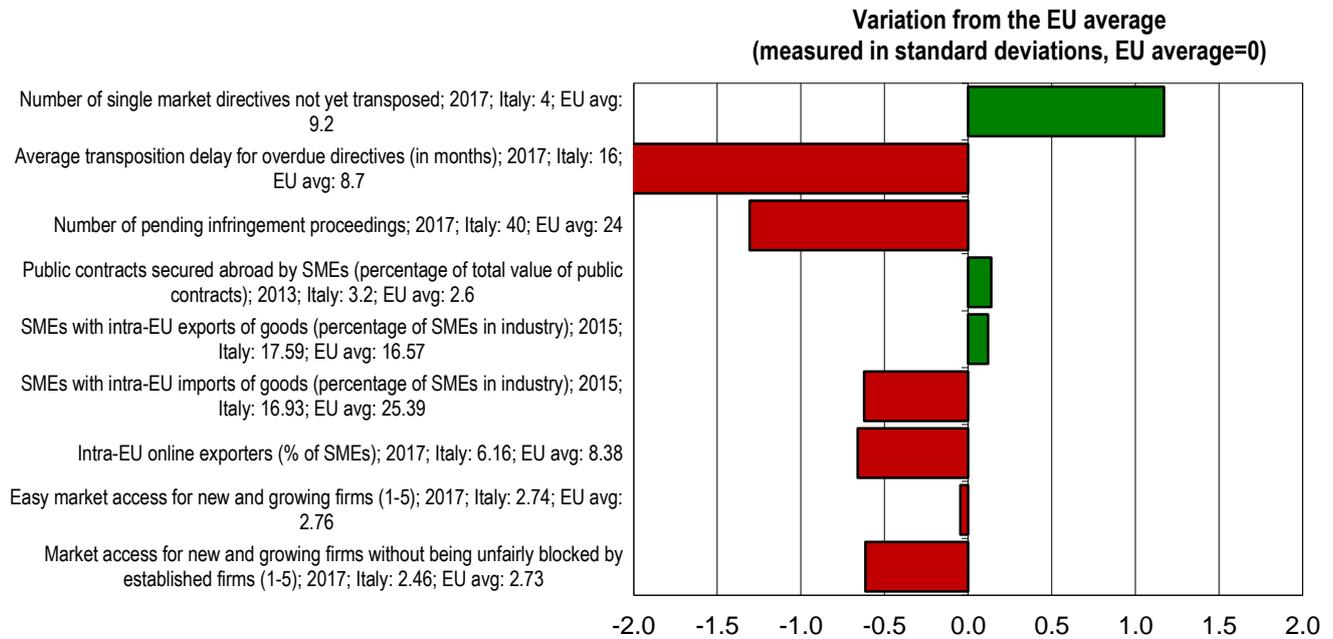
(vi) reforming the cooperative banks; (vii) the modernisation of the bank system and (viii) fiscal incentives for fintech development.

During the current reference period, several additional measures were launched to improve access to finance:

- The measure on 'Equity crowdfunding for all SMEs' (*Equity crowdfunding per tutte le PMI*) now enables all types of SMEs to raise risk capital through dedicated online platforms.
- A 30 % tax credit in relation to eligible costs for investments in new products' development granted to cultural and creative businesses (*Credito d'imposta per le imprese culturali e creative*). This fiscal incentive forms part of a series of funds specifically assigned to the cultural heritage and the creative and cultural sectors. It also strengthens funds that were already established for these sectors.
- Fiscal incentives to reduce labour costs for companies hiring young people (*Incentivi occupazione giovanile stabile*). This includes tax cuts of 50 % for a maximum of 3 years for permanent work contracts, given to young people who have never been permanently employed, with a maximum of EUR 3 000 per year.

Furthermore, the Budget Law of 2018 was formally announced to create a public investment fund (*Fondo Imprese Sud*) to sustain the growth of SMEs in the southern regions of Italy and leverage private funds. This fund's budget is expected to be EUR 150 million.

### 3.6 Single market



**Note: Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.**

Italy’s performance is below the EU average, having deteriorated since the previous reference period. During the current reference period, Italy has significantly reduced the number of its outstanding single market directives from 9 to 4, while the number of infringement proceedings remained stable (falling from 41 in 2016 to 40 in 2017). By contrast, the average transposition delay for overdue directives has substantially increased to 16 months, the longest in the EU.

On a positive note regarding SME trade, 17.6 % of Italian SMEs in the manufacturing sector were exporting inside the single market in 2015, a slight improvement against the previous year. There was an even bigger increase (1 percentage point) in the percentage share of SMEs that export online in the manufacturing and service sectors between 2015 and 2017, though this score is still below the EU average.

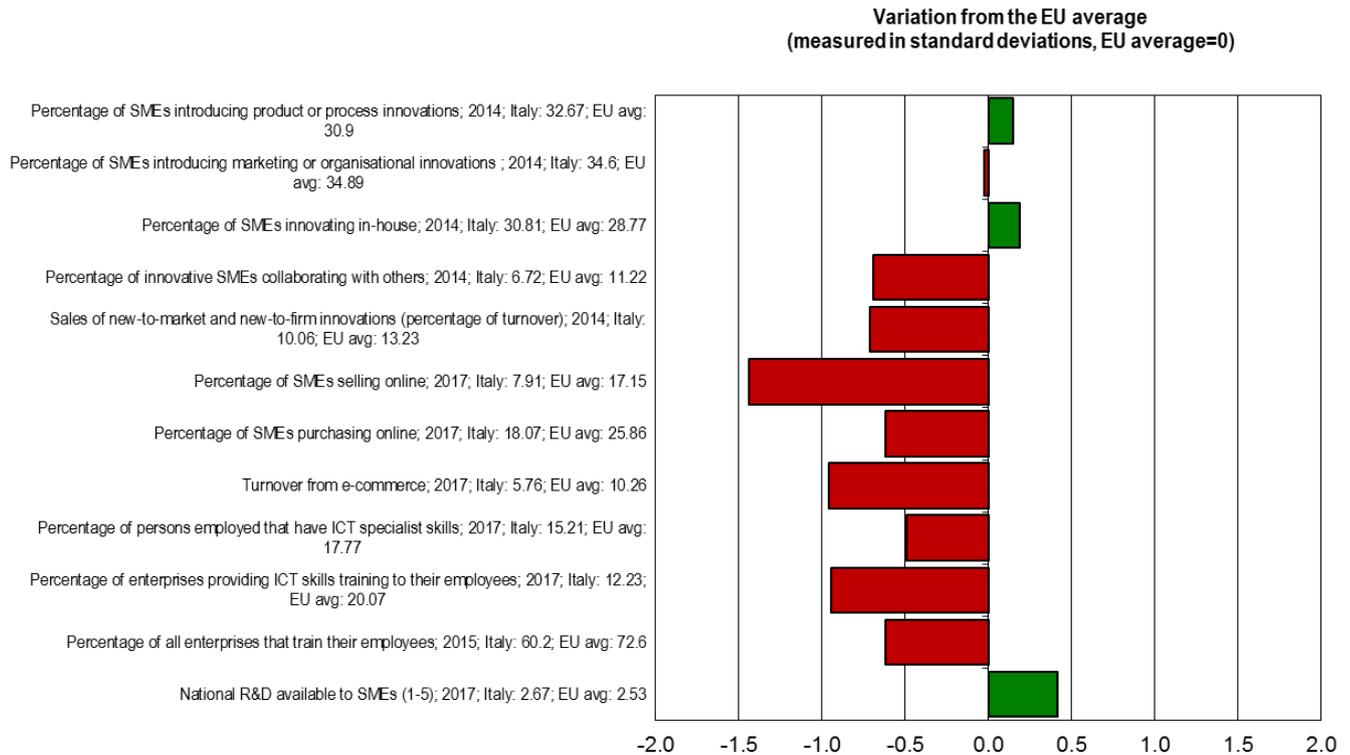
Policy-wise, Italy has performed reasonably well in recent years in this SBA area. Political action has focused mainly on strengthening competitiveness and seizing opportunities generated by innovative sectors. The implementation of the Digital Single Market strategy has been a priority and SMEs can now avail of e-procedures and e-government services in carrying

out their daily operations. However, SMEs still lack opportunities to participate in the development of standards.

During the current reference period, two significant laws were adopted by the Italian government in the single market area:

- The ‘first annual competition law’ (*Legge annuale per il mercato e la concorrenza*) aims to promote the development of competition and enable consumers to access goods and services at a lower cost. The new law aims to achieve this by removing regulatory obstacles to the opening of the markets for insurance, some professions (e.g. lawyers, notaries, engineers and dentists), energy, communications, environment, transport, tourism, postal services, banks and pharmacies.
- The ‘EU Law 2017’ (*Legge europea 2017*) contains measures enabling Italy to fulfil its obligations as a member of the European Union. It comprises 30 articles and covers the following fields: (i) free movement of goods, people and services; (ii) justice and security; (iii) taxation; (iv) employment; (v) healthcare; (vi) environmental protection; and (vii) energy and renewable resources.

### 3.7 Skills & innovation



**Note:** Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.

Italy's performance in skills & innovation is in line with the EU average. The country's performance has improved overall against the previous reference period. The availability of national R&D funding to SMEs has increased. While the number of companies providing ICT skills training to employees has also increased, Italy is one of the weaker performers in this area. While the number of SMEs selling online has increased, Italy's performance is also still weak in this indicator. The proportion of SMEs that purchase online has dropped from the previous reference period. In addition, the turnover from e-commerce also shows a negative trend since 2015.

Since 2008, the Italian government has made considerable policy progress in innovation. In 2012, a new policy framework was launched based on three main pillars: encouraging innovative entrepreneurship, promoting investments and increasing access to capital markets. Instruments and support measures were put in place to create favourable conditions for start-up growth. These included selecting certified incubators, thus fulfilling specific requirements on providing support to innovative firms. A new online platform, #ItalyFrontiers, was established to give start-ups the opportunity to showcase their products online.

Furthermore, the chief national plan in this area 'Impresa 4.0', which aims to boost investments and innovation, was launched

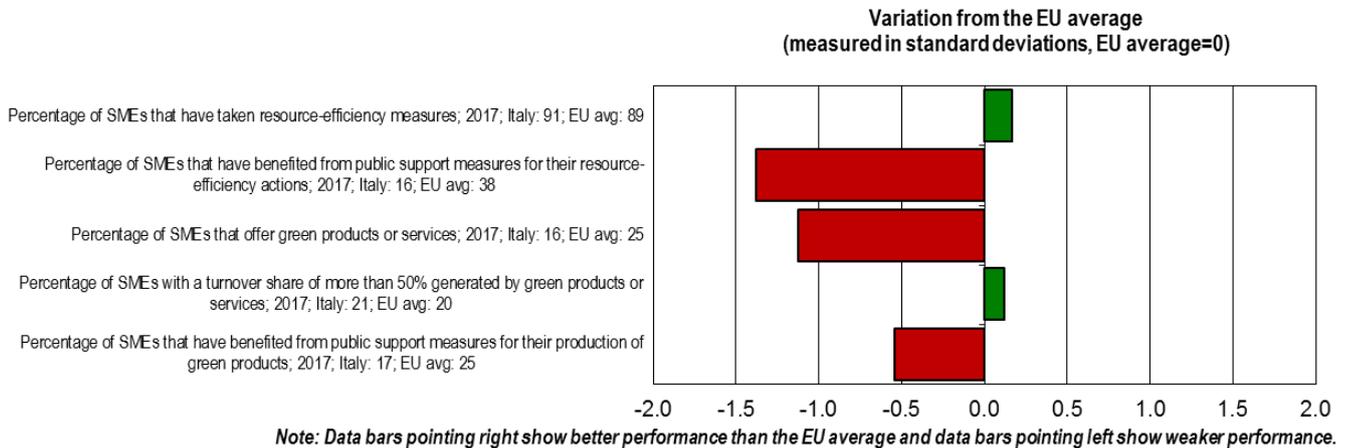
in 2016, providing automatic incentives and funds for the 2017-2020 period. This plan aims to promote (i) business investments to boost technology, (ii) innovation in products and services, and (iii) the digitalisation of businesses to boost productivity, growth and competitiveness.

During the current reference period, several measures were adopted in this area:

- The 'Tax credit for education 4.0' (*Credito d'imposta per la formazione 4.0*) on training costs incurred by companies for improving the skills of permanent employees. For 2018, the credit is granted for investments in educational activities to acquire and consolidate knowledge on Industry 4.0 technologies.
- 'Vouchers for digitalisation in SMEs' (*Voucher per la digitalizzazione delle PMI*) provide incentives to invest in micro companies and SMEs so as to enable them to digitise their business processes and boost their technology. The vouchers can be worth up to a maximum EUR 10 000, covering up to 50 % of incurred eligible expenses.
- 'Trademarks+3' (*Marchi+3*) provides incentives designed to encourage micro, small and medium-sized companies to

- register their national trademarks abroad (in the EU and beyond).
- ‘Strengthening Institutes for Technical Higher Education’ (*Potenziamento Istituti Tecnici Superiori*) has allocated funds to boost technical education for highly trained specialised technicians, so they can be recruited by firms to address new challenges in digitisation and innovation.
- ‘Certified Technology Transfer Centres I4.0’ (*Certificazione Centri di Trasferimento Tecnologico Industria 4.0*) provides training, technology consultancy and technology transfer services to firms in Industry 4.0 technology areas. A national registry of certified technology transfer centres will be established at Unioncamere.

### 3.8 Environment



Although Italy continues to perform below the EU average, its performance has improved slightly in the area of environment. Against the previous reference period, the proportion of SMEs that have benefited from public support measures for their resource-efficiency activities has increased from 6 % to 16 %. However, Italy’s performance in this indicator is still the second lowest in the EU. This modest progress is in line with the increase in the proportion of SMEs that have taken resource-efficiency measures in Italy. A positive trend has been reported in the proportion of SMEs benefiting from public support measures for production of green products, which has doubled since the previous reference period.

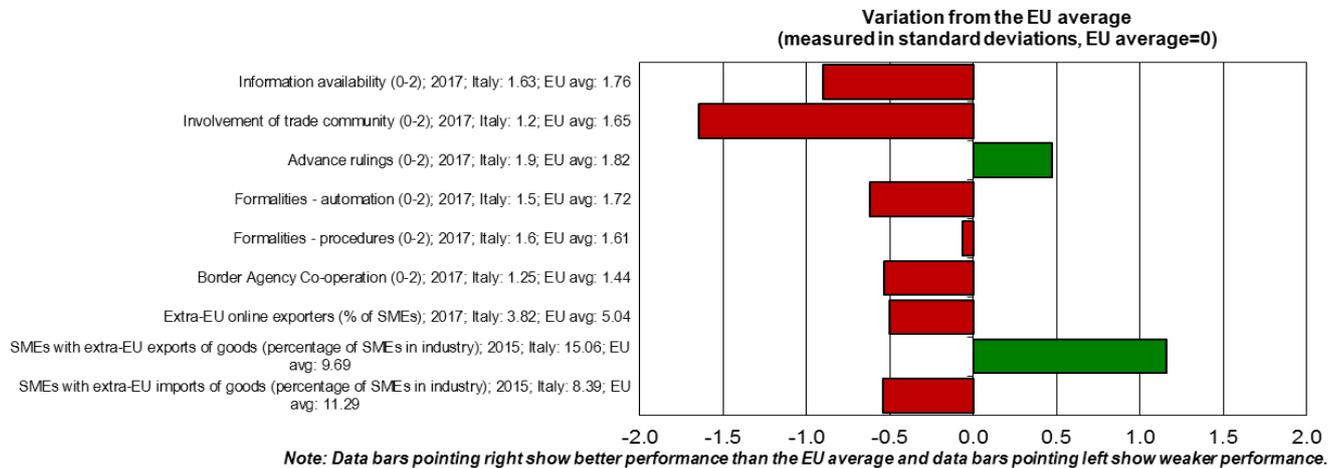
Since 2008, Italy has made moderate policy progress in this particular area. Over recent years several incentives and measures to encourage the use of renewable energies and new energy sources, such as solar or wind energy have been provided. However, such incentives have recently been reduced due to budget constraints and the urgent need to address other environmental priorities related to hydrogeological disasters, landscape protection and the effects of recent seismic events. On a positive note, increased action to promote recycling has resulted in more consistent recycling rates at national level.

A new Landscape Code (*Codice dei beni culturali e del paesaggio*) and a Single text for environmental matters (*Testo unico in materia ambientale*) were issued. The policy initiative builds on environmental awareness that is spreading nationwide with the ‘3Rs model’ (reduce, reuse, re-cycle) infiltrating all sectors, from the economy to artisan production, via a return to agriculture combined with tourism and to the quality of ‘Made in Italy’ products.

During the current reference period, several new important measures were introduced:

- The ‘Plasmix tax credit’ (*Incentivi alle imprese per l’acquisto di prodotti derivati da plastiche miste (Plasmix)*) of 36 %, worth up to a maximum of EUR 20 000 per year (2019–2021). This credit was introduced for companies that acquire products made with materials derived from mixed plastics from recycled waste of plastic packaging or residual urban refuse.
- The ‘Restart Central Italy’ (*RESTART Centro Italia*) programme provides incentives for productive investment programmes and/or environmental protection investment programmes for the central regions of Italy (Abruzzo, Lazio, Marche, Umbria) following the 2016 earthquakes to favour reconstruction.
- The ‘National Fund for Energy Efficiency’ (*Fondo Nazionale Efficienza Energetica*) supports action taken by companies to make buildings, machinery and production plants energy efficient. The fund can finance action taken to reduce energy consumption in industrial processes, to create or expand district heating networks and to make buildings energy efficient.
- The ‘National Energy Strategy 2017’ (*Strategia Energetica Nazionale*) was launched as a 10-year plan for the Italian government to manage the development of the national energy system. It favours initiatives to: (i) reduce energy consumption (30 % reduction by 2030); (ii) encourage the use of renewable resources (28 % of consumed energy covered by renewable sources by 2030), including renewable sources used in the production of electricity (55 % of consumption from renewable resources); and (iii) boost Italian production chains that operate in the energy efficiency sector.

### 3.9 Internationalisation



Italy continues to perform below the EU average in internationalisation. This is mainly due to a weak performance in a number of trade facilitation indicators. Italy has the lowest score for the ‘involvement of the trade community’, which continues to fall. Italy’s score in formality procedures has also substantially deteriorated against the EU average since the previous reference period, but this is mainly due to the faster improvement of the Member States in this indicator.

On a positive note, there has been a big improvement in the automation of trade formalities. Thanks to better electronic processing, export and import declarations can be easily cleared electronically.

The strong point in this area is the high number of Italian manufacturing SMEs exporting beyond the EU. 15.1 % of them sell their goods in non-EU markets. In addition, this score has continuously been improving since 2009. However, since 2011 the improvement in the proportion of SMEs in the manufacturing and service sectors that export online has been smaller. In 2017, only 3.8 % of them were selling their products or services beyond the EU. Compared with traditional trade, it seems that e-commerce might provide untapped opportunities for Italian SMEs, considering that e-sales make up 16 % of total turnover in the EU.

Since 2008, Italy has put a great deal of effort in its policy that supports SMEs doing business abroad. The main public support measure in recent years was the ‘Made in Italy’ plan. In 2017, thanks to the refinancing of this plan with EUR 110 million, EUR 26 million was allocated to support SMEs that want to employ “Temporary Export Managers” to pursue their strategy for expanding abroad. SMEs were supported through ‘vouchers for internationalisation’. The measure proved to be particularly successful, with 2 000 companies benefiting out of a total of

5 000 applications. Nevertheless, the competitive position of SMEs that do business abroad can certainly be improved. A promotion system specifically designed for SMEs, which is capable of providing support in internationalisation strategies to select markets, is required to achieve this, alongside commercial partners.

During the current reference period, two major new initiatives were launched:

- The ‘New provisions to promote export and internationalisation’ (*Disposizioni in materia di promozione dell’export e dell’internazionalizzazione delle imprese italiane*) introduce regulations to improve the efficiency in the use of resources of the *Mediocredito Centrale*. It includes funds to cover the risk of interest and exchange rate variations. Regarding exports by Italian companies to ‘high risk countries’, Invitalia will be able to provide funds and insurance policies for non-market related risks. Provisions also include further funding for the Italian Trade and Investment Agency (ICE-ITA), with EUR 7 million for the ‘Made in Italy’ 2018-2020 programme and a stronger role for both the Italian export credit agency (SACE) and ICE-ITA.
- ‘The Strategic Plan for Tourism Development’ (*Piano Strategico di Sviluppo del Turismo 2017-2022*) includes valorisation of upcoming tourist destinations; expanding, innovating and diversifying, and digitising Italy’s tourism system; developing and training tourism companies; strengthening the positioning and attractiveness of the ‘Italy brand’; and digitising the services for the promotion of the brand and commercialisation of products.

## 4. Interesting initiative

Below is an example of an initiative from Italy to show what governments can do to support SMEs.

### Voucher for digitalisation in SMEs

The measure targeted micro, small and medium-sized enterprises and included a contribution, in the form of a voucher, worth up to EUR 10 000 that aimed to support the adoption of digitalisation interventions in company processes and modernise technology.

Firms can use the voucher to buy software, hardware and/or specialised services that can:

- improve business efficiency;
- update work organisation by using hi-tech instruments and flexible forms of work, including smart-working;
- develop e-commerce solutions;
- benefit from broadband and ultra-wide networks or from satellite internet connections;
- run qualified ICT training programmes for staff.

A single voucher can be used to cover up to a maximum of 50 % of eligible expenditures. The project must be completed within 6 months of the publication of the decree awarding the vouchers. Available financial resources under this measure total EUR 100 million.

The measure was very attractive for SMEs. In total, more than 91 000 applications were submitted. The Ministry of Economic Development is assessing whether available resources can be integrated to guarantee the financial coverage of accepted applications.

The incentive scheme has been viewed positively by SME stakeholders. They had been calling for easily accessible support schemes specifically devoted to small-sized firms, which would enable them to take advantage of specialised external expertise and make investments in order to boost their technology and their ICT skills. Voucher schemes have become a financing tool that is increasingly used and valued by Italian SMEs.

References:

Ministerial Decree 24/10/2017: [http://www.sviluppoeconomico.gov.it/images/stories/normativa/incentivi/voucher-digitalizzazione/DD\\_24\\_10\\_2017\\_Modalita\\_e\\_termini\\_domande\\_Voucher\\_digitalizzazione.pdf](http://www.sviluppoeconomico.gov.it/images/stories/normativa/incentivi/voucher-digitalizzazione/DD_24_10_2017_Modalita_e_termini_domande_Voucher_digitalizzazione.pdf)

<http://www.sviluppoeconomico.gov.it/index.php/it/incentivi/impresa/voucher-digitalizzazione>

## Important remarks

The European Commission Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs (DG GROW) produces the SBA fact sheets as part of the SME Performance Review (SPR), its main vehicle for economic analysis of SME issues. They combine the latest available statistical and policy information. Produced annually, they help to organise the available information to facilitate SME policy assessments and monitor SBA implementation. They take stock and record progress. They are not an assessment of Member State policies. Rather, they should be regarded as an additional source of information to improve evidence-based policy-making. For example, they cite only policy measures national SME policy experts consider relevant. They do not and cannot reflect all measures the government has taken over the reference period. There is more policy information on a database accessible from the SPR website.

SME Performance Review:

<http://ec.europa.eu/growth/smes/business-friendly-environment/performance-review/>

[grow-spr@ec.europa.eu](mailto:grow-spr@ec.europa.eu)

Small Business Act:

[http://ec.europa.eu/growth/smes/business-friendly-environment/small-business-act/index\\_en.htm](http://ec.europa.eu/growth/smes/business-friendly-environment/small-business-act/index_en.htm)

Entrepreneurship and SMEs:

<https://ec.europa.eu/growth/smes>

## Endnotes

<sup>1</sup> The two graphs below present the trend over time for the variables. They consist of index values for the years since 2008, with the base year 2008 set at a value of 100. As from 2016, the graphs show estimates of the development over time, produced by DIW Econ on the basis of 2008-2015 figures from Eurostat's Structural Business Statistics Database. The data cover the 'non-financial business economy', which includes industry, construction, trade and services (NACE Rev. 2 sections B to J, L, M and N). They do not cover enterprises in agriculture, forestry and fisheries or largely non-market service sectors such as education and health. A detailed methodology can be consulted at: <http://ec.europa.eu/growth/smes/business-friendly-environment/performance-review/>

<sup>2</sup> Rapporto Cerved PMI 2017, available at <https://know.cerved.com/wp-content/uploads/2017/11/RAPPORTO-CERVED-PMI-2017-1.pdf> last accessed, 23.5.2017.

<sup>3</sup> Ministry of Economic Development, 'INDUSTRIA 4.0' ITALY'S NATIONAL PLAN FOR INDUSTRY, available at [http://www.mise.gov.it/images/stories/documenti/INDUSTRIA-40-NATIONAL%20PLAN\\_EN-def.pdf](http://www.mise.gov.it/images/stories/documenti/INDUSTRIA-40-NATIONAL%20PLAN_EN-def.pdf), last accessed 23.5.2018.

<sup>4</sup> Confartigianato-Imprese 2018, available at <https://www.confartigianato.it/2018/03/studi-nel-2017-prosegue-crescita-produttivita-07-del-manifatturiero-in-cinque-anni-168-produttivita-piccole-imprese-manifatturiere-in-italia-meglio-di-francia-131-e-germania-96/>, last accessed 23.5.2018.

<sup>5</sup> Istat, 2017, Press release, available at <https://www.istat.it/en/archivio/205137>, last accessed 23.5.2018.

<sup>6</sup> Istat, 2017, Press release, available at <https://www.istat.it/en/archivio/204246>, last accessed 23.5.2018.

<sup>7</sup> Istat 2014, Press release, available at <https://www.istat.it/en/archivio/133974>, last accessed 23.5.2018.

<sup>8</sup> Unioncamere-InfoCamere, Movimprese, available at <https://www.infocamere.it/documents/10193/90282173/46mila+imprese+in+pi%C3%B9+nel+2017+%28%2B0%2C7%25%29%2C+il+60%25+della+crescita+%C3%A8+al+Sud/5180708a-b802-4c2b-8ce1-ca5c3704b3b8>, last accessed 23.5.2018.

<sup>9</sup> Ibid.

<sup>10</sup> Ibid.

<sup>11</sup> The data presented were collected by the EU Startup Monitor project, [www.startupmonitor.eu](http://www.startupmonitor.eu)

<sup>12</sup> Due to data availability, the data on high-growth firms refers to the 'business economy' only, which covers sections B-N including section K (financial activities, except activities of holding companies). The 'non-financial business economy' excludes section K.

<sup>13</sup> In line with the Commission implementing regulation (EU) No 439/2014, high-growth enterprises are defined as firms with at least 10 employees in the beginning of their growth and average annualised growth in number of employees greater than 10 % per annum, over a 3-year period. The share of high-growth enterprises is the number of high growth enterprises divided by the number of active enterprises with at least 10 employees. Source of the data on high-growth enterprises is Eurostat ([http://ec.europa.eu/eurostat/web/products-datasets/-/bd\\_9pm\\_r2](http://ec.europa.eu/eurostat/web/products-datasets/-/bd_9pm_r2), last accessed 13.4.2018).

<sup>14</sup> The 2018 SBA fact sheets benefited substantially from input from the European Commission's Joint Research Centre (JRC) in Ispra, Italy. The JRC made major improvements to the methodological approach, statistical work on the dataset and the visual presentation of the data.

<sup>15</sup> The quadrant chart combines two sets of information. Firstly, it shows current performance based on data for the latest available years. This information is plotted along the X-axis measured in standard deviations of the simple, non-weighted arithmetical average for the EU-28. Secondly, it shows progress over time, i.e. the average annual growth rates from 2008 to 2018. These are measured against the individual indicators which make up the SBA area averages. Hence, the location of a particular SBA area average in any of the four quadrants provides information not only about where the country is located in this SBA area relative to the EU average at a given point in time, but also about the extent of progress made between 2008 and 2018. All SBA principles, with the exception of the 'Think Small First' principle for which there is not enough statistical data available, are calculated as composite indicators following the OECD/JRC Handbook guide. A detailed methodology can be consulted at: <http://ec.europa.eu/growth/smes/business-friendly-environment/performance-review/>

<sup>16</sup> The policy measures presented in this SBA fact sheet are only a selection of the measures the government took in 2017 and the first quarter of 2018. The national SME policy expert that PwC (DG GROW's lead contractor for the 2018 SBA fact sheets) contracted made the selection. The experts were asked to select only the measures they considered the most important, i.e. the ones expected to have the highest impact in the SBA area in question. The complete range of measures the experts compiled in producing this year's fact sheets will be published alongside the fact sheets in the form of a policy database on the DG GROW website.

<sup>17</sup> <http://www.sviluppoeconomico.gov.it/images/stories/documenti/Relazione-del-Garante-per-le-MicroPMI.pdf>

<sup>18</sup> <http://www.filo.unioncamere.it/P52A0C055446/Sportello-per-l-imprenditorialita-giovanile-della-Camere-di-commercio.htm>

<sup>19</sup> <https://scuolalavoro.registroimprese.it/rasl/home>

<sup>20</sup> SEP Report 2017, Mind the Bridge, <https://mindthebridge.com/scaleup-italy-sep-monitor-dec-2017/>

<sup>21</sup> Innovative start-ups can benefit from faster and less burdensome bankruptcy procedures.

<sup>22</sup> FALLIMENTI, PROCEDURE E CHIUSURE DI IMPRESE, CERVED, OSSERVATORIO 2nd quarter, September 2017, n° 32 <https://bebeez.it/files/2017/09/Osservatorio-su-fallimenti-procedure-e-chiusure-d-impresa-2q2017.pdf>

<sup>23</sup> For private limited companies (PLC), see [http://ec.europa.eu/growth/smes/promoting-entrepreneurship/advice-opportunities/start-up-procedures\\_en](http://ec.europa.eu/growth/smes/promoting-entrepreneurship/advice-opportunities/start-up-procedures_en). A less costly procedure for starting-up a simplified PLC is also available.