

2019 SBA Fact Sheet

ITALY

Key points

Past & future SME performance¹:

SMEs generate 66.9% of overall value added in the Italian ‘non-financial business economy’, exceeding the EU average of 56.4%. The share of employment generated by SMEs is even larger, at 78.1%, compared to the EU average of 66.6%. Micro firms are particularly important, providing 44.9% of employment compared to the EU average of 29.7%. In 2014-2018, overall SME value added rose by 12.4%. In contrast, SME employment rose by only 4.7% in 2014-2018, still 9.3% below its 2008 pre-crisis level. More recently, in 2017-2018, SME employment grew by only 1.1%, while SME value added also increased by only 1.8%.

Implementing the Small Business Act for Europe (SBA):

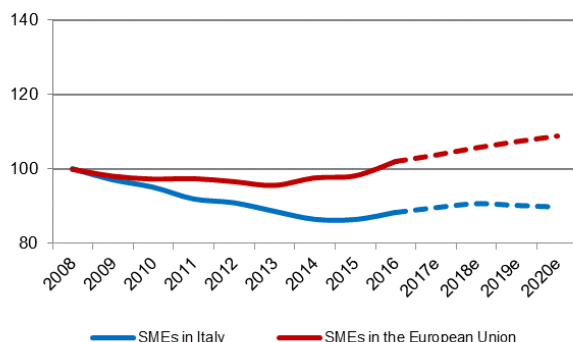
Italy performs below the EU average in eight SBA principles. Italy has one of the lowest scores in the EU in responsive administration, State aid & public procurement and entrepreneurship. Performance in entrepreneurship and the single market deteriorated further since the previous reference period. Italy performs in line with the EU average in skills & innovation and below the EU average in access to finance. Some 25 new policy measures have been adopted, addressing all 10 principles of the Small Business Act.

SME policy priorities:

More entrepreneurship education is needed to stimulate more entrepreneurial activity in Italy. Also, to encourage the growth of business, the cost of starting a new business needs to be reduced and further efforts are needed to cut red tape. More efforts are also required to increase the share of public contracts awarded to SMEs, for example, by splitting larger tenders into lots. Finally, late payments from public authorities remain an issue.

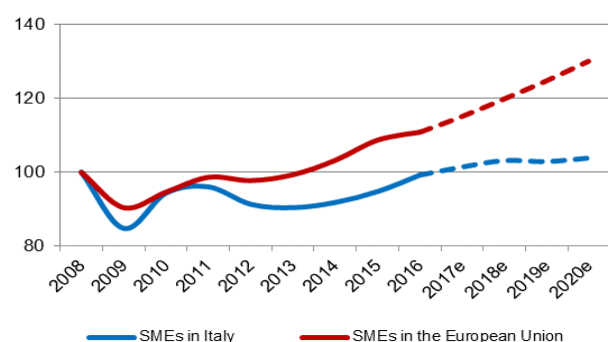
Number of persons employed in SMEs

(Index: 2008=100, estimates as from 2017 onwards)



Value added of SMEs

(Index: 2008=100, estimates as from 2017 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	3,599,695	94.9%	93.0%	6,719,319	44.9%	29.7%	208.1	28.4%	20.8%
Small	172,324	4.5%	5.9%	3,088,490	20.7%	20.1%	151.8	20.7%	17.6%
Medium-sized	19,226	0.5%	0.9%	1,873,898	12.5%	16.8%	131.0	17.9%	18.0%
SMEs	3,791,245	99.9%	99.8%	11,681,707	78.1%	66.6%	490.9	66.9%	56.4%
Large	3,380	0.1%	0.2%	3,270,222	21.9%	33.4%	242.5	33.1%	43.6%
Total	3,794,625	100.0%	100.0%	14,951,929	100.0%	100.0%	733.3	100.0%	100.0%

These are estimates for 2018 produced by DIW Econ, based on 2008-16 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.

SMEs generate 66.9% of overall value added in the Italian 'non-financial business economy', exceeding the EU average of 56.4%. The share of employment generated by SMEs is even larger, at 78.1%, compared to the EU average of 66.6%. Italian SMEs employ an average of 3.1 people, slightly fewer than the EU average of 3.9. Average SME labour productivity, calculated as value added per person employed, is approximately €42,000, also somewhat lower than the EU average of €44,600. Micro firms are particularly important in Italy, providing 28.4% of overall value added and 44.9% of overall employment in the 'non-financial business economy'. Their productivity is below the average SME labour productivity in Italy, amounting to €31,000 per person employed. This is also below the productivity of micro firms in the EU of €37,000.

Between 2014 and 2018, overall SME value added continued to show signs of recovery, rising by 12.4%. Although this increase did not match the value added growth generated by large firms, it exceeded its 2008 pre-crisis level by 3.3%. During this same period, medium-sized firms generated the highest value added growth, with a rise of 16.4%. In contrast, SME employment rose by only 4.7% between 2014 and 2018, still 9.3% below its 2008 pre-crisis level, and lagging behind the 10.7% employment growth of large firms. More recently, in 2017-2018, SME employment growth slowed down, with a rise of only 1.1%, while SME value added also increased minimally, by only 1.8%.

In 2014-2018, in the Italian *wholesale and retail trade* sector, neither the rise of 17.7% in SME value added, nor the somewhat lower increase of 3.6% in SME employment, were able to match the growth of large firms, which generated increases of 31.7%

and 11.0% respectively. It was only in 2014-2018, in the subsector *wholesale and retail trade including automobiles* (which includes car repair activities), that SME value added grew by a similar rate of 26.9%. This growth has been part of a general recovery phase in car repair that started in 2014, in the context of strong growth in the overall car market. Another growth driver was the increase in overall investment in transportation, which rose by 21.9% in 2015². SMEs were most affected by these developments because they are primarily the ones who perform these car repair activities.

30.4% of overall SME value added in the Italian 'non-financial business economy' is generated by SMEs in the *manufacturing* sector. In 2014-2018, SME value added in this sector increased by 9.7%, exceeding its 2008 pre-crisis level by 4.6%. In contrast, SME employment remained 16.2% lower than its 2008 level, rising by only 2.0% between 2014 and 2018. This higher growth of value added compared to that of employment is due to a number of factors. A notable driver has been the Italian government's 2016 '*Industria 4.0*'³ plan, which has acted as an incentive for SMEs to increase innovation, for example by investing in digitalisation. Consequently, most SMEs in *manufacturing* have introduced new digital systems, such as IT security, connectivity, cloud computing and collaborative robotics⁴. Moreover, SMEs have been especially strong contributors to GDP through direct exports. Exporting SMEs generate significantly more value added than non-exporting SMEs and boost SME employment in particular⁵.

In 2018, the overall number of enterprises in Italy increased slightly by 0.5%, with 348,492 new registrations and 316,877 deregistrations⁶. Growth is currently driven mainly by the south of the country and its islands, generating 59.2% of overall growth in 2018, which equated to 18,705 new businesses⁷. This increase was partly the result of national and regional incentives for start-ups, such as the '*Resto al Sud*' initiative⁸. Consequently, there are

presently more than 10,000 innovative start-ups listed in the national start-up register⁹.

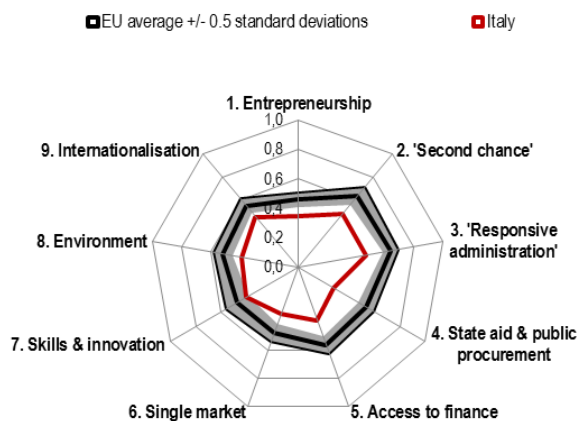
As per the data collected by the European Startup Monitor 2019 project¹⁰, 61% of the Italian startups that responded to the online questionnaire were set up by one male founder or an all-male team of founders. 6% were set up by one female founder or an all-female team of founders. The remaining 33% were set up by at least one man and one woman. In terms of their stage of development, 16% are in the pre-seed or seed stage, 36% in the start-up stage and 48% in the growth stage. Regarding financial aspects, 48% are operating at a loss but expecting to be break-even in less than 2 years, 27% currently break-even and 25% are profitable. 73% have a turnover between €1 and €500,000; 9% report having no turnover yet and the remaining 18% have a turnover of over €500,000. They have 8 employees on average, of which around 39% work on a part-time basis. On average they plan to hire 4.6 people within a year.

In recent years, many Italian firms have grown substantially. The latest available data indicate that in 2016, 9.2% of all firms in the 'business economy'¹¹ with at least 10 employees, a total of 15,185 firms, were considered high-growth firms¹². Although this is lower than the EU average of 10.7%, it is substantially higher than in previous years, when the percentage was only 6.8% in 2014 and 7.6% in 2015.

SMEs in *high-tech manufacturing and knowledge-intensive services*, which are usually R&D-intensive, generated 28.6% of SME value added in the 'non-financial business economy' in Italy in 2018. This is lower than the EU average of 33.0%.

Between 2018 and 2020, it is predicted that SME value added growth will stagnate at 0.7%, although micro firms are expected to generate slightly higher growth of 1.9%. In the same period, SME employment is expected to fall by 0.9%. As a consequence, approximately 109,100 SME jobs are likely to disappear by 2020.

2. SBA profile¹³



Italy performs below the EU average in 8 of the 9 SBA principles listed on the chart. Italy has one of the lowest scores in the EU for responsive administration, State aid & public procurement and entrepreneurship. Performance in entrepreneurship and the single market has declined further since the last reference period. Italy performs in line with the EU average in skills & innovation and the country is no longer one of the top three worst performers in access to finance, although it is still below the EU average.

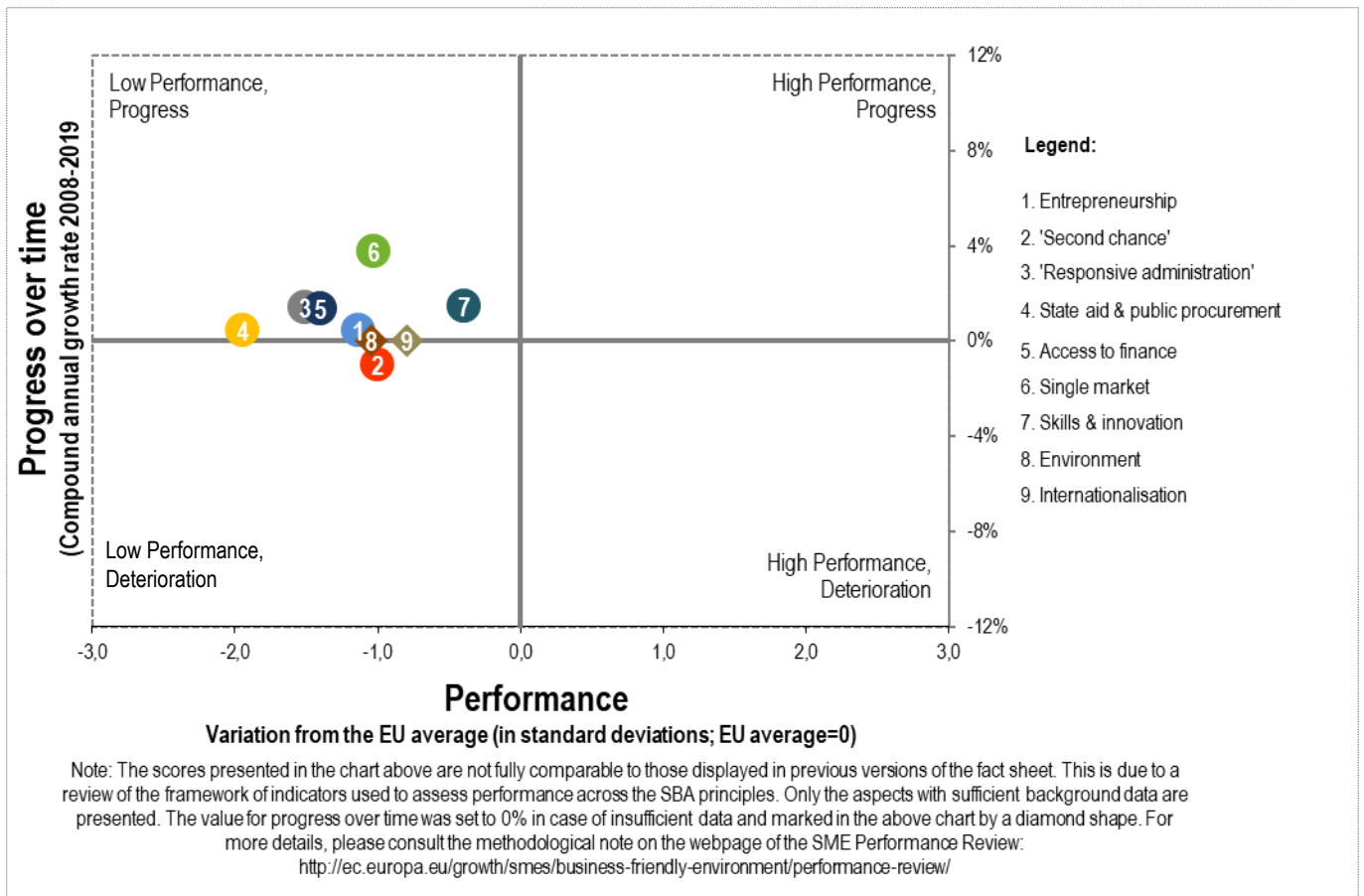
Since 2008, the Italian government has pursued a national strategy for implementing the Small Business Act – assigning a monitoring role to the 'Directorate General for industrial policy, competitiveness and SMEs' at the Ministry of Economic

Development. The 'SME envoy' was appointed and the 'Statute of the Enterprises' (*Statuto delle Imprese*) was adopted in 2011 as a guide for policy making and action by Italy's public administration. However, various proposals in the statute are still not in place, including measures to ensure that fiscal and administrative burdens are proportional to company size and the interoperability of public administration databases¹⁴. More effective actions are needed to reduce red tape and ease the fiscal pressure on SMEs. Furthermore, business growth needs a boost through greater investments in research and innovation, internationalisation, education, energy efficiency. Taxation, red tape and the inefficiency of public administration are significant challenges facing SMEs in Italy.

During 2018 and the first quarter of 2019, Italy adopted a number of new policy measures (25), addressing all 10 principles of the Small Business Act. The new government elected in March 2018 extended most of the existing measures, with an overall reduction in the budget but a stronger focus on smaller companies and investment.

Several measures were introduced to develop deep-tech in the country and modernise production processes and equipment, further implementing the '*Impresa 4.0*' national plan. A national plan for 2019-2023 was also launched ('Smarter Italy') to boost innovation led by public demand and encourage the adoption of processes for the public procurement of innovation and pre-commercial procurement. Additional measures to support SMEs/start-ups to enter new foreign markets were also launched, such as the Global Start-up programme. The fiscal benefit for investors in innovative start-ups was increased from 30% to 40%.

SBA performance of Italy: state of play and development from 2008 to 2019¹⁵



3. SBA principles¹⁶

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.

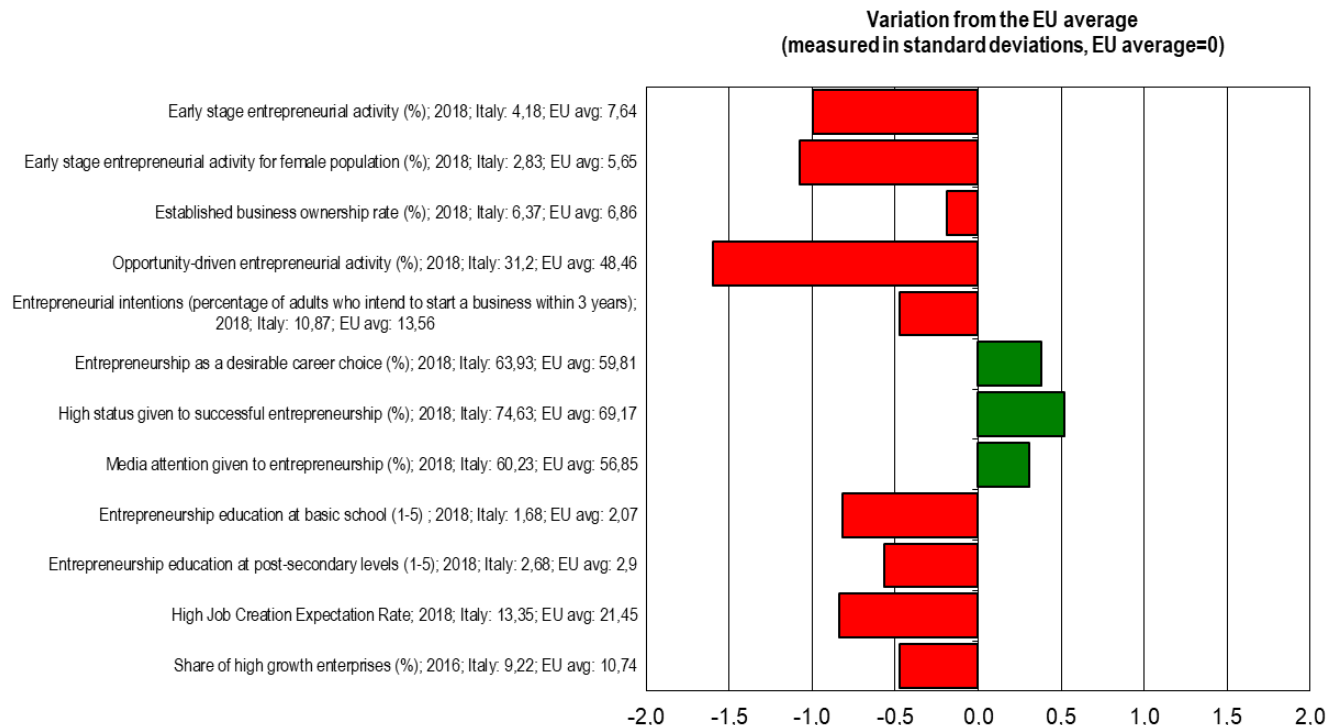
Since 2008, the Italian government has taken steps to implement the SBA recommendations under the ‘think small first’ principle, but important gaps remain. In particular, the ‘SME test’ has not been fully and systematically implemented in Italy, and common commencement dates for new legislation and its amendments have not been established.

On the other hand, the SME envoy appointed in 2011 plays an active role in recommending policy proposals to foster the development of SMEs.

An annual report (the most recent version was released in July 2018¹⁷) presents the measures taken by the government for SMEs and analyses their impact on the business environment.

During the current reference period, no new significant measures falling specifically under the ‘think small first’ principle were adopted.

3.1 Entrepreneurship



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

Italy’s performance in entrepreneurship has further deteriorated since the last reference period, and the country is now the second worst performing country in the EU. Early stage entrepreneurial activity has been on a downward trend since 2015, and Italy now has the second lowest rate for this in the EU. For women, the rate is just 2.8%, the lowest in the EU. Furthermore, the educational system in Italy is one of the weakest in fostering an

entrepreneurial mindset. However, the indicator on the high job creation expectation rate strikes a more positive note. The indicator reveals that the share of early or nascent entrepreneurs in Italy who expect to create 6 or more jobs in 5 years, while not as high as in the previous reference period, is still (at 13% in the current reference period) higher than the lowest point of 5% in 2015.

Since 2008, the national agency Invitalia and the agency for active labour market policy, ANPAL, have been responsible for implementing most of the entrepreneurship-related measures. Various initiatives have been launched to encourage entrepreneurship, especially among young people, women and the unemployed. National incentives have attempted to make it easier for newly created companies to access finance (e.g. 'Smart&Start', *Cultura Crea*, *Nuove Imprese a tasso zero*), and educational programmes were launched to stimulate an entrepreneurship culture among young people (e.g. self-employment support under the 'Youth Guarantee' programme¹⁸ since mid-2014 and the dual-education system for upper secondary schools introduced in 2016¹⁹). Self-employment is also encouraged through fiscal incentive schemes (e.g. *regime dei minimi*). One of the most used schemes is the 'Incentives for young entrepreneurs in Southern Italy' (*Resto al Sud*). Launched in January 2018 to help young people aged 18-35 set up a new business in the southern regions of Italy, the scheme has so far supported more than 2,600 projects²⁰. Other public initiatives have also aimed to encourage entrepreneurship by providing training, mentoring, assistance and support services.

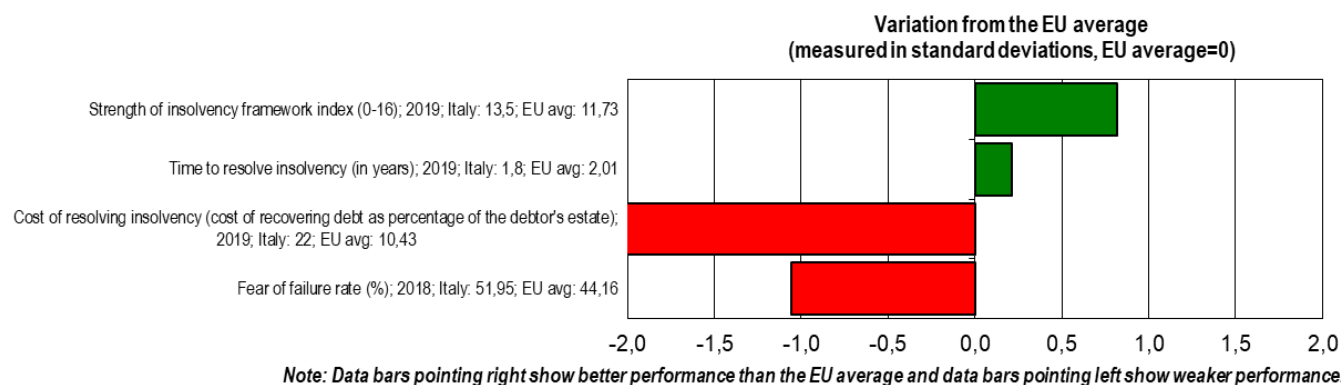
The scale-up community in Italy is growing but is still relatively small (about 200 companies in total)²¹. Greater access to capital

markets and skilled people and high-tech competencies is encouraging. Indeed, about €380 million in funding was raised in the first half of 2018, about the same amount of capital raised in the previous 12-month period. Italy ranks 8th in Europe in terms of the number of new scale-ups and the amount of capital raised. Venture capital is the main source of financing (accounting for 88% of the funds), followed by initial public offerings (11%) and initial coin offerings (1%).

During the current reference period (2018 and the first quarter of 2019), two measures were continued/introduced to boost entrepreneurship:

- The extension of the 'Flat-rate tax regime for self-employed and small firms' (*Regime fiscale forfettario per lavoratori autonomi e imprese*) with an annual income up to €65,000. The flat-rate applied is 15%. For start-ups, the rate is 5% for the first 5 years.
- The introduction of 'Self-employment incentives for recipients of a citizen's income' (*Incentivi autoimpiego per percettori reddito di cittadinanza*) is a scheme to encourage new recipients of the citizen's income to start a new business.

3.2 'Second chance'

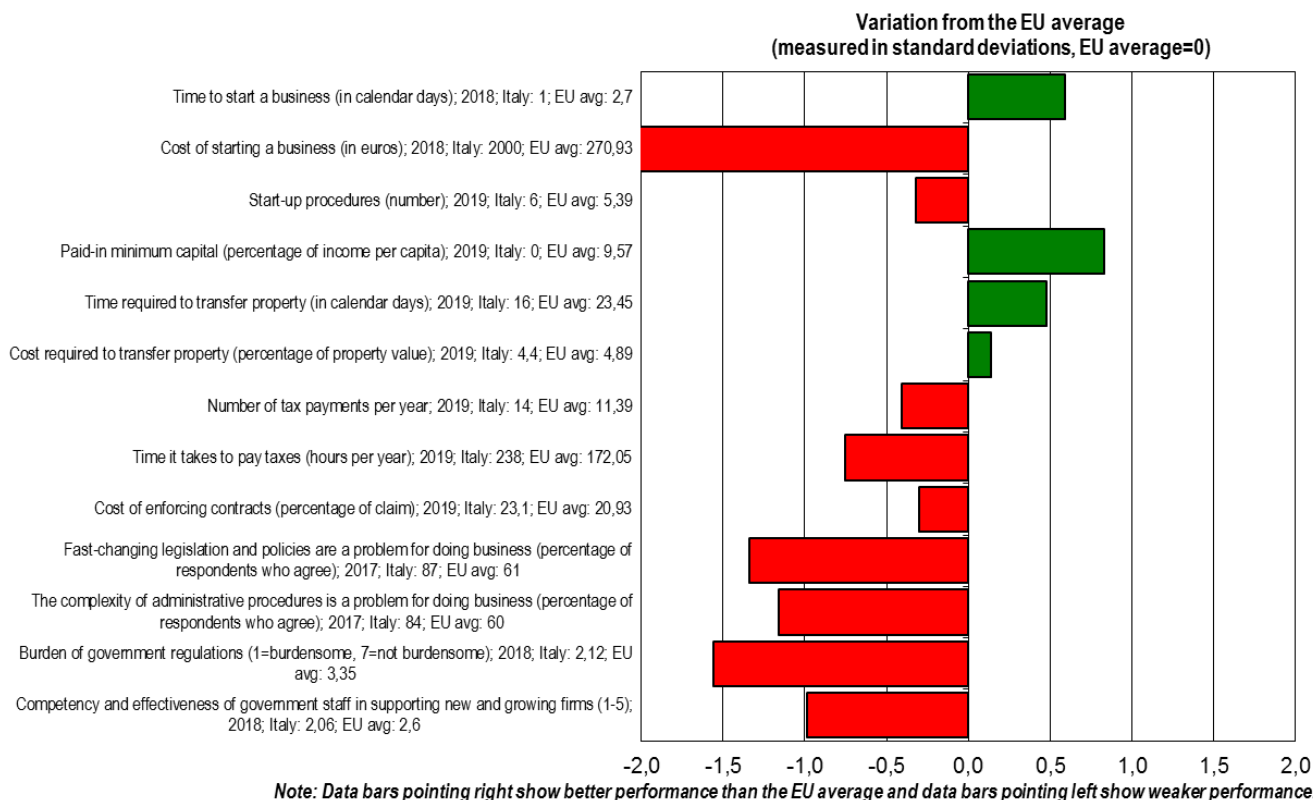


'Second chance' refers to ensuring that honest entrepreneurs who have gone bankrupt get a second chance quickly. Italy's performance for 'second chance' is below the EU average. Italy has the third highest fear of failure rate in the EU at 52%. In addition, Italy also has the highest cost for resolving insolvency in the EU, and insolvency procedures still take more than a year to be completed, despite efforts to improve the legal framework.

Since 2012, measures to simplify fiscal transactions and accelerate the recovery of credit in insolvency and bankruptcy procedures have been introduced.

One measure was adopted during the current reference period: the 'Code for business crisis and insolvency procedures' (*Codice della crisi di impresa e dell'insolvenza*). In October 2017, the Italian government began reforming the rules on insolvency procedures. The revision process ended with the release of this new code in February 2019. The new law introduces new and fast-track procedures to help companies overcome a business crisis, better ensuring business continuity and avoiding liquidation. Early warning procedures, assisted crisis settlement, negotiated and out-of-court resolutions and agreements with creditors for debt recovery are addressed in the new law, which will enter into full force in August 2020.

3.3 'Responsive administration'



'Responsive administration' refers to public administration being responsive to the needs of SMEs. Italy is one of the worst performers in the EU for 'responsive administration'. The cost of starting a new business in Italy has not changed since 2013 and is still the highest in the EU. Italy is also one of the three worst performers in the EU when it comes to the burden of government regulation on business. In addition, 87% of businesses believe that fast changing legislation and policies are problems for doing business, the second highest rate in the EU. On a positive note, starting a new business takes just 1 day, which is better than the EU average, and no paid-in minimum capital is necessary.

Since 2008, some policy progress has been achieved – this reflects a series of efforts taken to simplify administrative procedures and digitalise public services. However, Italy still lacks a comprehensive one-stop shop for SMEs to complete procedures, and the 'only once' principle is not a reality yet as different public administration databases are not sufficiently connected.

During the reference period 2018 and the first quarter of 2019, four measures were taken or implemented:

- 'Administrative simplifications for businesses and digitalisation processes in Public Administration' (*Semplificazioni Amministrative per le imprese e*

digitalizzazione della Pubblica Amministrazione) introduces new rules and procedures. The measure aims to facilitate and simplify the authorisation processes and administrative compliance of businesses. These simplifications cover information and publicity requirements for start-ups, a new simplified tracking system for waste, faster judicial processes through telematic legal notice and a greater use of distributed ledger (blockchain) technologies by public administration. This requires more digitally skilled public administrators to be concluded²².

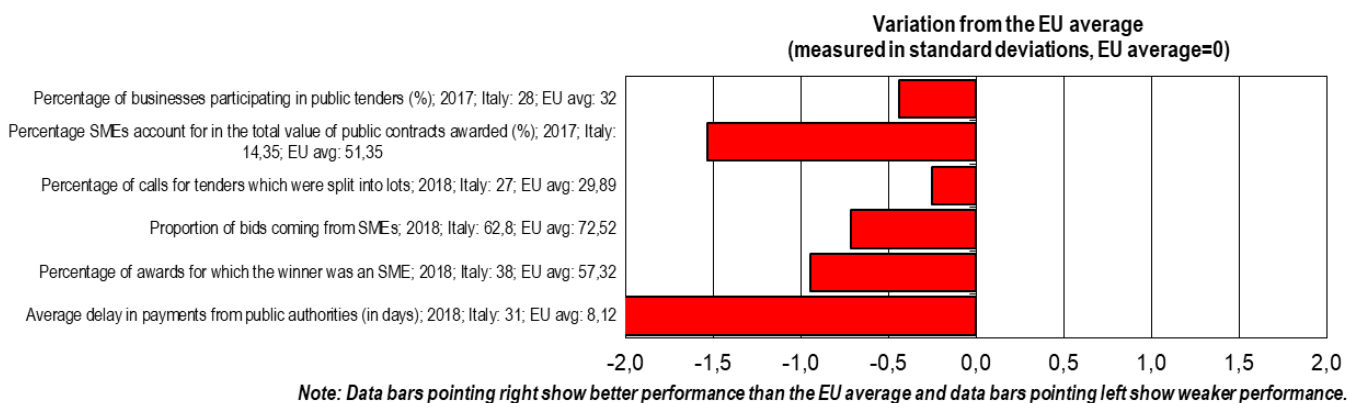
- The 'ICT Plan for Public Administration, 2019-2021' (*Piano Triennale ICT nella Pubblica Amministrazione 2019-2021*) is a strategic plan for the digitalisation of public administration inspired by the 'cloud first', 'digital by default' and 'once only' principles. The plan provides guidelines to improve national IT infrastructure and improve the interoperability of systems and platforms.
- The 'Synthetic indices of fiscal compliance' (*Indici sintetici di affidabilità fiscale*), introduced in 2017, were implemented and now replace the system previously applied in tax audits. Taxpaying companies with a high level of compliance will benefit from fast-track tax

refunds, exemptions from certain fiscal obligations and shorter periods for fiscal checks.

- An 'Online portal for national incentives' (*Portale governativo online sugli incentivi nazionali*) was

launched to disseminate information on available national incentives for companies²³, targeted particularly at start-ups and SMEs. A handbook on the available incentives was also published and will be periodically updated.

3.4 State aid & public procurement



Important methodological changes have been introduced for this principle in this year's fact sheet. Three new indicators from the Tenders Electronic Daily (TED) database have been added and refer to procurement above EU thresholds:

- percentage of awards for which the winner was an SME;
- proportion of bids by SMEs;
- percentage of calls for tenders which were split into lots.

In addition, the indicator on e-procurement has been removed. Therefore, the overall performance in this area cannot be compared to last year's.

Italy is the lowest performing Member State in State aid & public procurement, despite a slight improvement since 2008. After dropping from 48 in 2016 to 27 days in 2017, the average delay in payments from public authorities increased again by 4 days to 31 days in 2018, nearly four times the EU average²⁴. Italy has the second lowest share of public contracts awarded to SMEs in the EU, and the newly introduced indicator on the proportion of bids coming from SMEs has declined for the third year in a row, dropping from 71% to 63% in the current reference period.

Since 2008, moderate progress has been achieved on the policy front. Public procurement is regulated in Italy by the 'Public Procurement and Concessions Code', which was reformed in 2016. Public procurement guidelines are issued by the Ministry of Infrastructure and Transport and the National Anti-Corruption Authority (ANAC) based on the principles of transparency, free competition, non-discrimination and simplification.

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, and approximately 50 ministerial decrees had to be adopted as implementing acts. During 2017 and 2018, specific guidelines issued by ANAC and corrective amendments to the Code were implemented, although all the reforms envisaged in the Code have not been fully implemented yet. Furthermore, in April 2019 the 'Sblocca Cantieri' Law Decree introduced 81 amendments to the Code. The main changes for companies are: the lowest price criterion introduced as an alternative to the most economically advantageous offer for below-threshold contracts; negotiated procedures are allowed for works contracts up to €1,000,000, while contracts below €40,000 can be directly awarded; subcontracting is still subject to limitations, which may be detrimental to smaller enterprises, although it has now been extended to up to 50% of the value.

The Italian authorities have also worked intensely at developing technical solutions to digitalise the procurement process, which have great potential in terms of simplification and transparency, particularly for SMEs. However, the slow implementation of these solutions, which often seems caused by political and institutional difficulties, has so far prevented Italy from reaping the full benefit of e-procurement."

During the current reference period, 2018 and the first quarter of 2019, the government, in collaboration with the Italian Agency for the Digital Agenda (AgID), adopted several measures to promote public procurement of innovation:

- The 'Smarter Italy Plan, 2019-2023' (*Piano 'Smarter Italy' 2019-2023*) is a new strategic plan to promote the public procurement of demand-led innovative solutions.

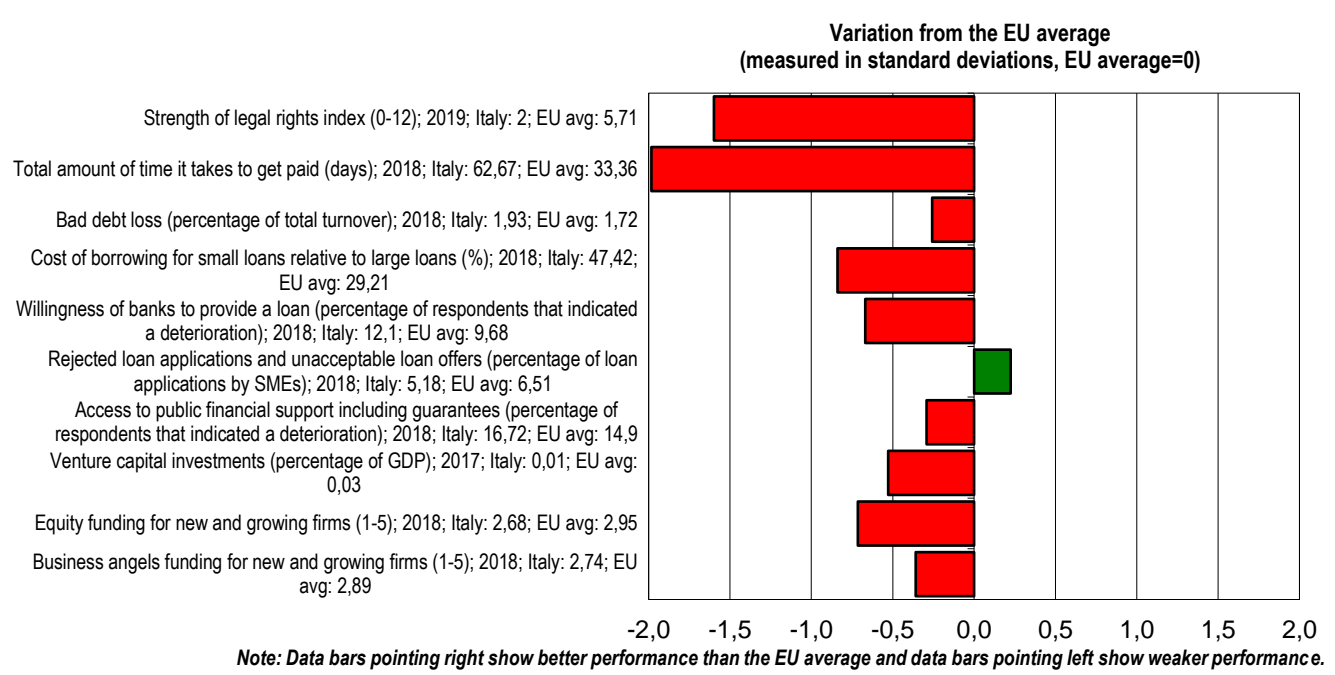
The public procurement of innovation and pre-commercial procurement will focus mostly on artificial intelligence and blockchain solutions, new semi-conductors and cloud-computing.

- ‘Financing public smart innovation calls’ (*Finanziamento bandi di domanda pubblica intelligente*), implemented by the Ministry of Economic Development, allocates €50 million from the national Sustainable Growth Fund to finance projects for the development of innovative solutions required by the public authorities. Calls for projects will be launched on the basis of public procurement of innovation and pre-commercial procurement schemes.

- The ‘National public platform for innovation procurement by Public Administration’ (*Piattaforma nazionale sugli appalti innovativi della Pubblica Amministrazione*) was launched to communicate information on innovation needs, market consultations and innovation procurement calls.

Furthermore, ‘EU Law 2018’ (*Legge Europea 2018*) requires that interim payments for the construction sector be made by the public authorities within 30 days from the date of issuance of the ‘work progress certificate’ (*stato avanzamento lavori* or *SAL*). Furthermore, Law Decree no. 34 of 30 April 2019 (*Decreto Crescita*) introduces mandatory publication of an enterprise’s payment performance towards its suppliers in the enterprise’s balance sheet. The measure is aimed at increasing trust and reliability in the business environment.

3.5 Access to finance



Italy performs below the EU average for access to finance. Nevertheless, some progress has been reported for some indicators. Albeit far higher than the EU average, the cost of borrowing for small loans relative to large loans has improved since 2016. A major issue for SMEs in Italy is the average total amount of time it takes to get paid by customers, the third longest in the EU. But the situation is improving, with the average duration falling by 20 days between 2016 and 2017.

is now more available for new and growing firms than it was during the previous reference period. Since 2008, Italian SMEs have suffered from the effects of the credit crunch. In 2017, signs of recovery began to appear, and SMEs benefited from alternative sources of financing (e.g. mini-bonds, peer-to-peer lending, invoice trading, direct lending funds). In recent years, Italian governments have adopted support measures to encourage investments and promote alternative sources of finance, including: (i) tax incentives for risk capital (40% fiscal benefit for investors in innovative start-ups), (ii) support for equity crowdfunding for start-ups and innovative SMEs, and (iii) the launch of ‘individual savings plans’ to channel household savings into SME capital. There have also been significant efforts to

improve access to finance for SMEs. This has included the refinancing of the Central Guarantee Fund for SMEs, the increase in tax benefits for depreciation for firms investing in capital goods (super-depreciation and hyper-depreciation) and investments in 'Impresa 4.0'.

On the other hand, while market-based access to finance is a key driver of investment, policy support is partially waning. The capitalisation of non-financial business remains low, and the recent abolition of the allowance for corporate equity (ACE) may reduce the incentives for firms to use equity financing.

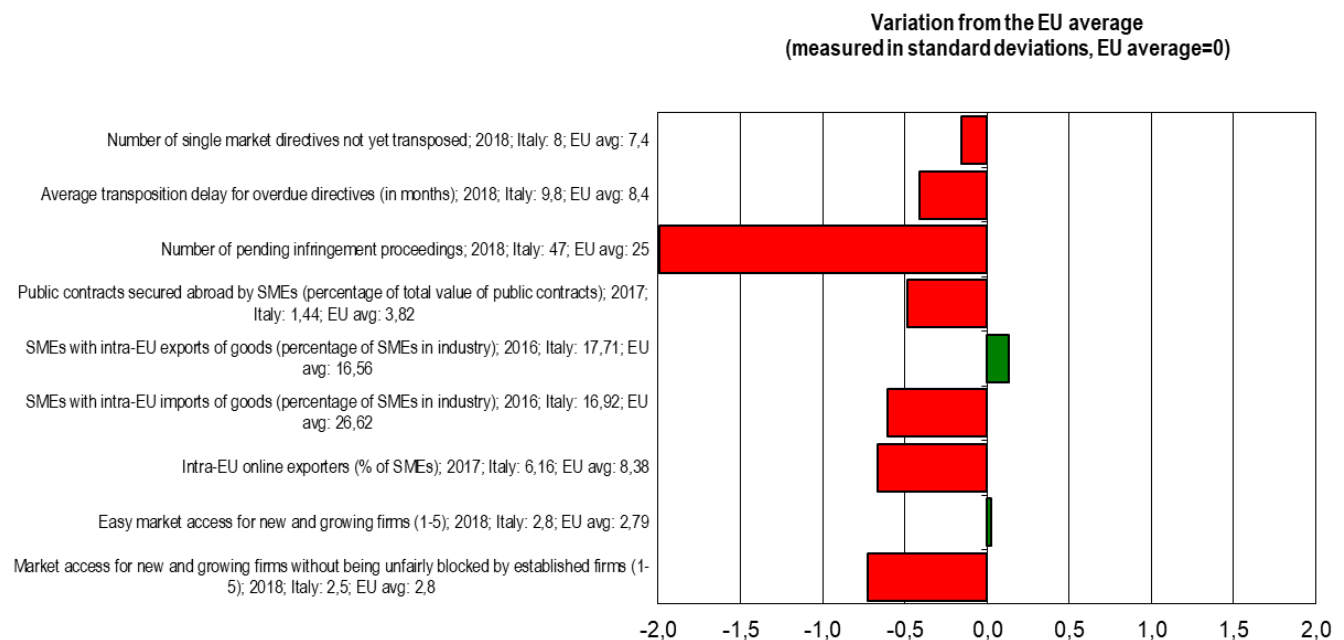
During 2018 and the first quarter of 2019, a combination of different measures was launched or implemented to further improve access to finance:

- 'Mini-IRES' reduces the tax rate on corporate income from 24% to 15%.
- The 'Tax credit on consultancy fees for listing SMEs on the stock exchange' (*Credito d'imposta per le spese di*

consulenza relative alla quotazione delle PMI) is a tax credit valued at 50% of the consultancy fees for listing SMEs on the stock exchange.

- The 'Fund for SMEs in Southern Italy' (*Fondo Imprese Sud*) establishes a public fund with a budget of €150 million to sustain the growth of SMEs in the southern regions of Italy and leverage additional private funds.
- The 'Restart L'Aquila programme' (*Programma Restart L'Aquila*), implemented in 2018 with a budget of €10 million, aims to encourage investments in projects in the tourism sector in parts of central Italy affected by the earthquake of 2009.
- The 'Tax credit for advertising expenditures' (*Bonus Pubblicità*), introduced in 2017 and now implemented, creates a 90% tax credit for SMEs and start-ups to cover the costs of advertising campaigns.

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 single market performance has deteriorated since the last reference period and is now below the EU average. The number of infringement proceedings increased from 40 to 47, and the number of outstanding single market directives doubled from 4 to 8. On a positive note, the average transposition delay dropped from 16 to just under 10 months.

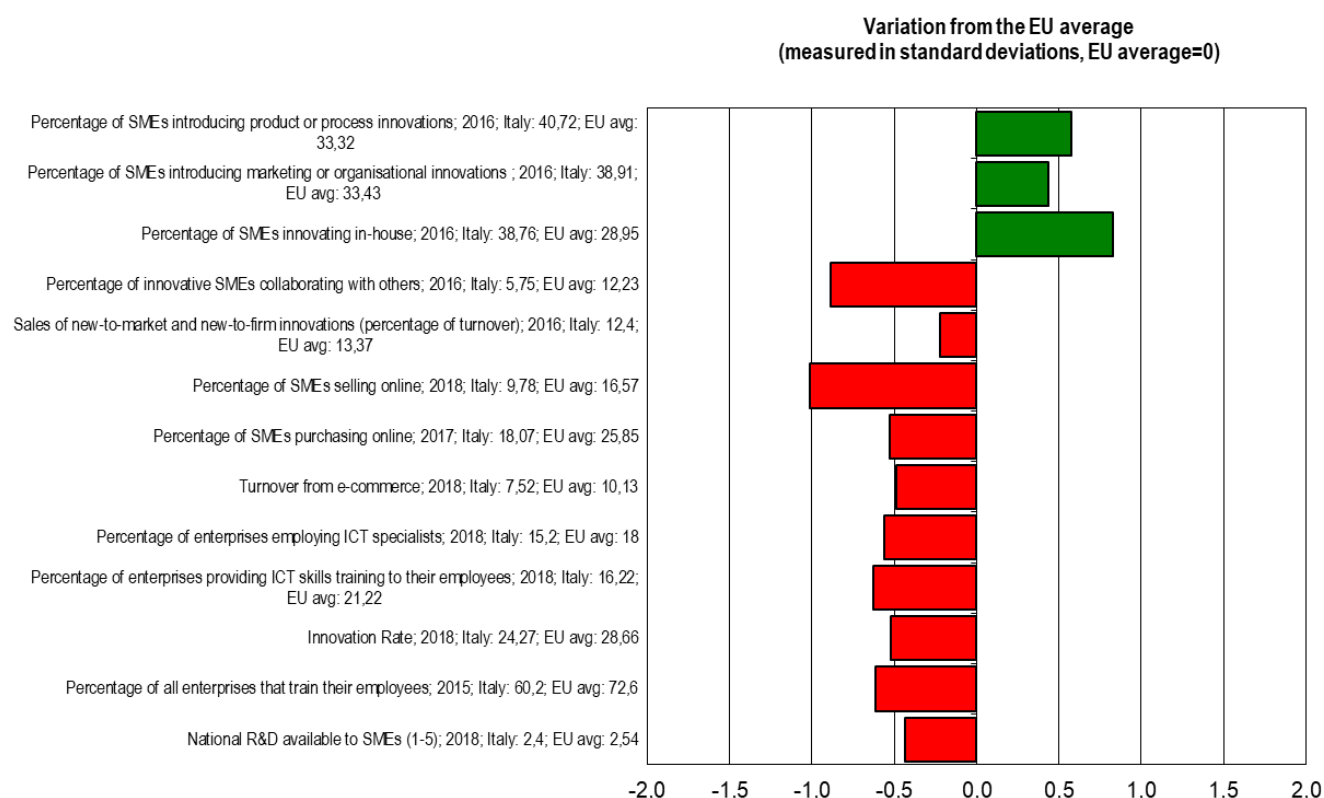
Italy has given priority to implementing the digital single market strategy since 2010. Italy's SOLVIT system is also performing well in achieving positive solutions.

Just one measure was adopted during the current reference period: the 'Protection of confidential know-how and business information' (*Protezione del know-how riservato e delle informazioni commerciali riservate*). This measure results from

the implementation of EU Directive 2016/943, which aligns Italy's Industrial Property Code to international standards and gives greater protection to 'trade secrets'.

Furthermore, 'EU Law 2018' (*Legge Europea 2018*)²⁵ entered into force on 26 May 2019. It features 22 articles, including freedom of movement of goods, transportation, copyright, healthcare and environmental protection.

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 and has shown improvements since 2008. However, several indicators are lagging behind. The share of SMEs selling online is the third lowest in the EU. The newly introduced indicator of innovation rate shows that new and nascent entrepreneurs, claiming that their product or service is new to customers, is below the EU average. On a positive note, the share of SMEs that provide ICT training to their employees has continuously improved – now at 16% - twice as much than in 2014. Furthermore, several indicators measuring SME innovation are above the EU average, including the rate of Italian SMEs introducing product or process innovation and the rate of SMEs innovating in-house.

Since 2008, the Italian government has provided support for skills & innovation. The national strategy launched in 2016, '*Industria 4.0*' (now '*Impresa 4.0*'), has introduced measures to boost the digital transformation of Italy's industry and supported

vocational-oriented education. Also significant are R&D and training tax credits and other measures to boost investments in intangible assets (e.g. the patent box, and funds for the registration of patents and industrial designs). Support measures to improve the innovation ecosystem have included the use of certified incubators and capacity-building projects in public technology transfer centres.

Eight highly specialised public-private competence centres were established and funded in major national sectors, together with 18 digital innovation hubs, in line with the European initiative '*ICT Innovation for Manufacturing SMEs*' (I4MS). Competence centres involve more than 450 participants among universities, research centres and industrial companies. In April 2019, the first two competence centres started their activities: START 4.0 and Made in Italy 4.0.

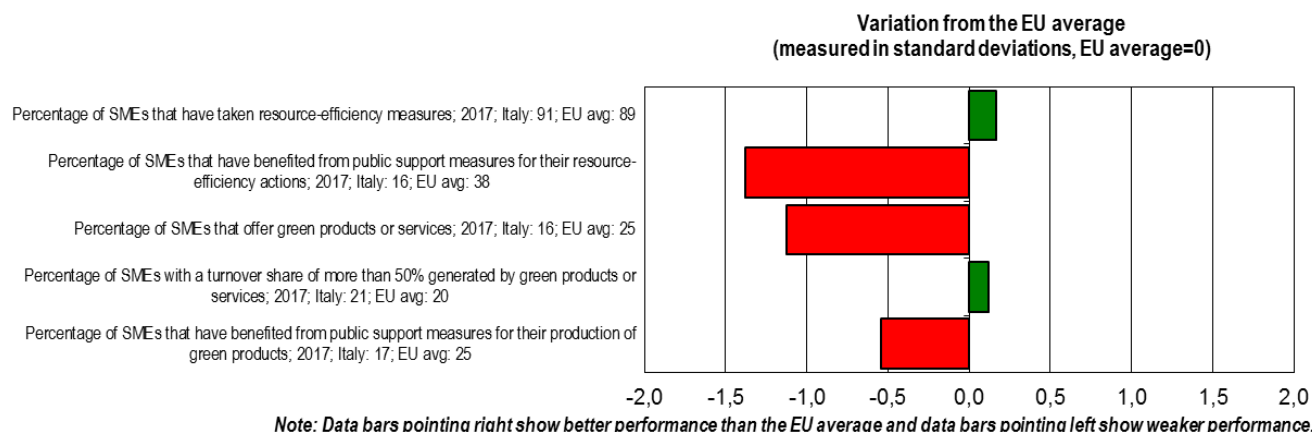
The government continued to focus on innovation and digital transformation during the current reference period, adopting the following measures:

- The 'National Innovation Fund' (*Fondo Nazionale Innovazione*), serving as a fund of funds, will support start-ups, scale-ups and innovative SMEs in high-tech sectors with a budget of €1 billion.
- A 'call for new plants and equipment in SMEs' (*Bando Macchinari Innovativi*) will provide a mix of non-repayable grants and medium-term loans to SMEs to finance investment projects implementing the 'Impresa 4.0' national strategy and smart factory model with a budget of around €340 million.
- A 'call for projects in Smart Factory and Agri-food sectors' (*Bando Fabbrica Intelligente e Agri-food*) will fund smart factory projects in agri-food sectors. A mix of non-repayable grants and medium-long term loans will range from €800,000 to €5 million per project – covering 80% of eligible costs. The total budget is €167 million.
- The 'National Fund for Artificial Intelligence, Blockchain and IoT' (*Fondo per Artificial Intelligence, Blockchain e*

IoT) will finance R&D, innovation and technology transfer projects in emerging technologies and vertical applications in deep-tech. A working group of experts was also set up to help the Ministry of Economic Development create a national strategy for the uptake of artificial intelligence and blockchain technology in the country. With the support of IBM, a first pilot project was launched to exploit the potential of blockchain to protect Made in Italy products.

- The 'Fund for the European Common Interest Project on microelectronics (IPCEI)' (*Fondo per il Progetto di Interesse Comune Europeo sulla microelettronica*) provides grants for integrated R&D and innovation projects focused on microelectronics. The projects should involve large industries in cooperation with research centres and SMEs.
- The 'exemption of social contributions for the recruitment of young talents' (*Bonus assunzione giovani eccellenze*) exempts businesses from paying social contributions if they hire unemployed young people (aged 16-29) participating in the Youth Guarantee programme or recent PhD graduates under 35.

3.8 Environment



Italy is performing below the EU average for the environment. The country has one of the lowest shares of SMEs benefiting from public support measures for their resource-efficiency. On a positive note, Italy shows a positive trend in the share of SMEs that benefited from public support measures to produce green products.

Since 2008, Italy has taken steps to promote renewable energy and sustainability. Adopted in 2015, Law no. 221 (*Collegato ambientale*) introduced provisions to boost Italy's green economy through green public procurement and sustainable mobility.

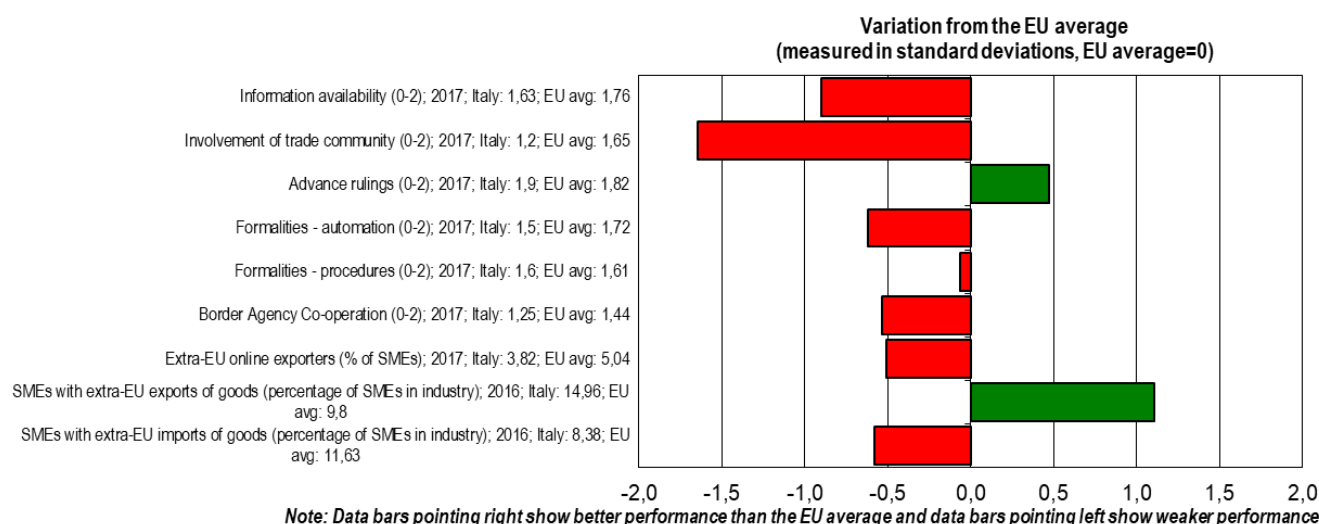
However, environmental policy in Italy is traditionally fragmented, with regional and national actions at times overlapping.

During the current reference period, Italy created a 'Tax credit for the purchase of recycled products' (*Credito d'imposta per acquisto prodotti riciclati*), which introduces a tax credit of 36% for the purchase of products made with recycled materials. The tax credit applies to fiscal years 2019 and 2020, with a limit of up to €1 million a year per company.

Several measures were also announced by the government:

- 'Favourable fiscal arrangements for antipollution strategies' (*Regime fiscale agevolato per strategie antinquinamento*) will aim to create tax incentives for companies to use renewable energy or adopt sustainable production processes.
- 'Renewable Energy Decree, 2018-2020' (*Decreto Rinnovabili 2018-2020*) will provide fiscal incentives to encourage the production of renewable energy.
- The 'National Integrated Plan for Energy and Climate' (*Piano Nazionale Integrato per l'Energia e il Clima*) will propose a mixture of measures to foster decarbonisation, energy efficiency, an increased use of renewable energy and R&D in the energy sector – as a means of achieving the objectives of the 2030 energy and climate plan.

3.9 Internationalisation



Italy performs below the EU average in internationalisation mainly due to the weak involvement of the trade community, which has been declining since 2014. Moreover, most of the indicators on the facilitation of trade — except for advance rulings and formalities procedures — are below the EU average. On a positive note, Italy's share of SMEs exporting outside the EU is above the EU average.

Launched in 2015, the national plan 'Made in Italy' (*Piano Straordinario per il Made in Italy*) aims to increase the number of Italian exporting SMEs and promote globally the 'Made in Italy' brand. Implemented by the Ministry of Economic Development in collaboration with the Italian Trade Agency (ITA-ICE), the plan had an initial budget of €220 million and received an additional €140 million in 2018. Support measures targeting SMEs include: vouchers for temporary export managers; roadshows to inform SMEs about available support schemes (*Road Show Italia per le imprese*); and the creation of an e-commerce platform to foster access to foreign markets. The Italian export credit agency, SACE, and the Italian company for the internationalisation of companies, SIMEST, operate under the umbrella of the investment bank *Cassa Depositi e Prestiti* and represent the Italian pole for export and internationalisation²⁶.

During the current reference period, the following measures were launched for start-ups and SMEs:

- The 'Education to Export' (E2E) programme is an online, free education and information route for SMEs. The programme provides an online export kit and classroom training. Interested SMEs may access the online portal and, following a self-evaluation procedure, select one out of four different learning courses focused on: how to start an export activity and better structure the business for exporting; and how to be competitive and grow at international level.
- 'Export UP' is a new online tool to help SMEs step-by-step with the process of exporting and with securing export credit insurance.
- The 'Global Start-Up programme' – financed with funds from the national 'Made in Italy' plan – aims to strengthen the technical, organisational and financial capabilities of Italian innovative start-ups to better deal with foreign markets.

4. Interesting initiative

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

‘Global Start-up programme’ – The Erasmus programme for deep-tech start-ups

The ‘Global Start-up programme’, promoted by the Ministry of Economic Development in collaboration with the Italian Trade Agency (ITA-ICE), aims to support up to 120 Italian innovative start-ups by strengthening their technical, organisational and financial capability to better deal with foreign markets and scale up at international level. Selected start-ups should already be on the market with a strongly innovative product/service and with own IPR and have high market potential. The programme simultaneously tackles four different SBA principles: entrepreneurship, access to finance, skills & innovation and internationalisation.

The support includes free specialised training organised in four modules (scale-up business modelling, IPR exploitation/protection in high-tech sectors, disruptive innovation and future technology trends, attracting investment) combined with a 3-6 month internship at the premises of foreign hosting accelerators in one of the following countries: UK, Slovenia, US, China, Japan, and South Korea. The courses will take place in four different cities in Italy. Travel and subsistence expenses are covered. Each start-up may receive up to €14,000 in total. The initiative is financed with funds from the national ‘Made in Italy’ plan with a budget of €4 million. The programme launched in April 2019 received 220 applications from start-ups and will close by the end of 2019. Selected start-ups should be active in high-tech sectors such as: Blockchain, artificial intelligence, cybersecurity, Fintech, Industry 4.0, automotive industry and robotics, MedTech, and the circular economy. Training sessions started in May 2019.

References:

<https://www.mise.gov.it/index.php/it/198-notizie-stampa/2039401-nuove-impres-e-mercati-internazionali-al-via-il-global-start-up-program>

<https://www.expotraining.ice.it/it/attivita-e-servizi/lista-corsi/301-global-start-up-program.html>

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

Small Business Act:

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

¹ 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 2017, the graphs show estimates of the development over time, produced by DIW Econ on the basis of 2008-2016 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/>

² Confartigianato, 2016, available at: <https://www.confartigianato.it/2016/03/41666/>, last accessed on 16.05.2019.

³ 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, last accessed 16.5.2019.

⁴ MECSPE, Osservatorio PMI Italiane, October 2018, available at: <https://www.mecspe.com/en/osservatori-en/mecspe-observatory-italian-smes/>, last accessed on 16.05.2019.

⁵ Confartigianato, 2018, available at: <https://www.confartigianato.it/2018/02/studi-nelle-pmi-italiane-il-787-degli-addetti-delle-imprese-superiore-al-694-dellue-maggiore-peso-delle-pmi-a-bolzano-veneto-lombardia-e-marche/>, last accessed on 16.05.2019.

⁶ Movimprese-InfoCamere, available at: <http://www.infocamere.it/movimprese>, last accessed on 15.05.2019.

⁷ *Ibid.*

⁸ Resto al Sud by Invitalia, available at: <http://www.restoalsud2018.it/>, last accessed on 15.05.2019.

⁹ Camere di Commercio d'Italia, Startup Registroimprese, available at: <http://startup.registroimprese.it/isin/static/startup/index.html?slideJump=32>, last accessed on 15.05.2019.

¹⁰ www.europeanstartupmonitor2019.eu

¹¹ 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.

¹² In line with 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 three-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. The source of the data on high-growth enterprises is Eurostat (http://ec.europa.eu/eurostat/web/products-datasets/-/bd_9pm_r2, last accessed 15.04.2019).

¹³ The 2019 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.

¹⁴ https://www.confcommercio.it/da/dettaglio-sala-stampa/-/asset_publisher/qvGvn0IH0J9o/content/comunicato-rete-su-dl-semplificazioni/pop_up?_101_INSTANCE_qvGvn0IH0J9o_viewMode=print

¹⁵ 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. Secondly, it shows progress over time, i.e. the average annual growth rates from 2008 to 2019. 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 2019. 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/>

¹⁶ The policy measures presented in this SBA fact sheet are only a selection of the measures the government took in 2018 and the first quarter of 2019. The national SME policy expert that PwC (DG GROW's lead contractor for the 2019 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.

¹⁷ *RELAZIONE DEL GARANTE PER LE MICRO-PMI AL PRESIDENTE DEL CONSIGLIO DEI MINISTRI*, July 2018 <https://www.mise.gov.it/index.php/it/198-notizie-stampa/2038410-garante-per-le-micropmi-on-line-la-relazione>

¹⁸ On 30/09/2018 some 1.39 million young people were registered under the 'Youth Guarantee' programme and about 583,600 young people were supported with active labour market policies (internships, training, employment incentives) with a coverage ratio of 56.1% (source: 'Secondo rapporto di valutazione della Garanzia Giovani e del Programma Operativo Nazionale Iniziativa Occupazione Giovani', ANPAL, January 2019 <http://www.anpal.gov.it/documents/20126/41598/RAPPORTO-COMPLETO-gg2-def.pdf/6f4b96fc-d4d9-7dd3-d361-a3003ca7797a?t=1562317889143>

¹⁹ 3 million students involved between 2015 and 2018, with a steady increase over the last three-year period; over 200,000 hosting organisations (source: <http://www.milanotoday.it/attualita/alternanza-scuola-lavoro-lombardia.html>; https://www.miur.gov.it/documents/20182/0/Focus_AS_L_2016_2017.pdf/b25882a9-4649-4057-b337-f3937f23475a?version=1.0&t=1527438643922)

²⁰ The actual updated figures report 3,035 projects funded. Projects are new business ideas to be turned into new businesses on the market. In 2018 2,200 new companies were set up (47% in the tourism/cultural sector, 23% in the manufacturing sector, 15% offering personal services). Source: <https://www.invitalia.it/cosa-facciamo/creiamo-nuove-aziende/resto-al-sud>

²¹ *Tech Scaleup Italy. 2018 Report*, Mind The Bridge and AGI, October 2018

²² Law Decree no. 135 of 14/12/2018 published in the Official Gazette no. 290 of 14/12/2018 <https://www.gazzettaufficiale.it/eli/id/2018/12/14/18G00163/sg> and turned into Law no. 12 of 11/02/2019 published in the Official Gazette no. 12 of 12/02/2019

²³ IncentiviGov: www.incentivi.gov.it

²⁴ Indicators show the average excess of the maximum payment term, in general between 30 and 60 days.

²⁵ <http://www.politicheeuropee.gov.it/it/normativa/legge-europea/legge-europea-2018/>

²⁶ €20.5 million in 2018 of mobilised financial resources (guarantees and volumes insured). The portfolio rose to €114 billion (+22% on 2017), serving 21,000 Italian companies, 98% of which are SMEs (source: 'Stronger in the world, stronger in Italy', Annual Report



2018, SACE-SIMEST
[2018.pdf?sfvrsn=4b58edbe_10](https://www.sacesimest.it/docs/default-source/gruppo-in-cifre/2018/annual-report-2018.pdf?sfvrsn=4b58edbe_10))

[https://www.sacesimest.it/docs/default-source/gruppo-in-cifre/2018/annual-report-](https://www.sacesimest.it/docs/default-source/gruppo-in-cifre/2018/annual-report-2018.pdf?sfvrsn=4b58edbe_10)