

Italy's Fact Sheet in a nutshell:

- ✓ *Italy's SME sector is expected to recover to pre-crisis levels only after 2011.*
- ✓ *Italy is more dependent on micro firms than other EU members, but medium-sized enterprises have grown the fastest since 2003.*
- ✓ *There is still some catching up to do in almost all SBA areas to reach EU average performance.*
- ✓ *In 2010, Italy adopted a strategy to speed up SBA take-up.*

The SBA Fact Sheets¹:

The Small Business Act (SBA) is the EU's flagship policy initiative to support small and medium-sized enterprises (SMEs).

The aim of the annually updated Fact Sheets is to improve understanding of recent trends and national policies affecting SMEs.

1. SMEs in Italy — basic figures

	Number of Enterprises			Employment			Value added		
	Italy	EU27	EU27	Italy	EU27	EU27	Italy	EU27	EU27
	Number	Share	Share	Number	Share	Share	Billion €	Share	Share
Micro	3.557.818	94,5%	92,1%	7.134.461	47,3%	29,8%	213	32,6%	21,6%
Small	186.027	4,9%	6,6%	3.275.667	21,7%	20,4%	153	23,5%	18,9%
Medium-sized	19.076	0,5%	1,1%	1.854.280	12,3%	16,8%	99	15,2%	17,9%
SMEs	3.762.921	99,9%	99,8%	12.264.408	81,4%	66,9%	465	71,3%	58,4%
Large	2.904	0,1%	0,2%	2.803.386	18,6%	33,1%	187	28,7%	41,6%
Total	3.765.825	100,0%	100,0%	15.067.794	100,0%	100,0%	652	100,0%	100,0%

Estimates for 2010, based on 2002-2007 figures from the Structural Business Statistics Database_revised (Eurostat). The estimates have been produced by Cambridge Econometrics. The data cover the 'business economy' which includes industry, construction, trade, and services (NACE Rev. 1.1 Sections C to I, K). The data does not cover the enterprises in agriculture, forestry, fishing or the largely non-market services such as education and health. The advantage of using Eurostat data is that the statistics from different countries have been harmonised and are comparable across countries. The disadvantage is that for some countries these data may be different from data published by national authorities.

Italy's economy is driven by a vast resource of micro firms. The share of micro firms in the overall number of firms is substantially higher in Italy than the EU average. The highest impact micro firms on the Italian economy is on employment: while in the EU, less than a third of the workforce is employed by micro firms, in 2010 it was 50% in Italy. With almost every other job offered by a micro firm, it is hardly surprising that the average firm size in Italy is slightly smaller than the EU average. In employment terms, the average EU-27 firm had 4.3 employees in 2010 and 3.98 in Italy. The smaller firm size should not put the economy as a whole at a disadvantage in competitiveness terms.

The sectoral pattern in Italy broadly resembles the situation in the rest of the EU. Smaller and, more specifically, medium and larger firms still tend to concentrate in manufacturing, although less in recent years. For all three size classes, the share of firms active in manufacturing hovers around 40%. Micro firms tend to be more concentrated in services, most notably

distributive trade (including retail) and increasingly in real estate. The enterprises in renting and business activities are much more evenly distributed among size-classes and have a remarkable concentration of small businesses.

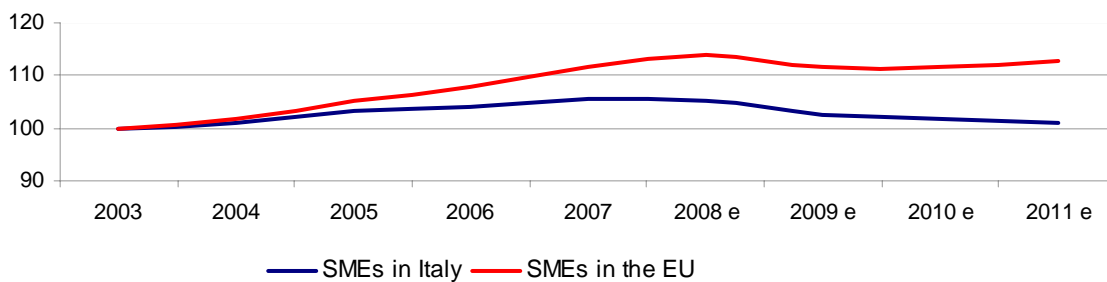
Interestingly, trends show that it is not the micro firms that are the most dynamic but the small and medium firms. Over the period 2003-2011, those segments grew most dynamically. In terms of numbers, they lead micro- and large firms, which all but stagnated during that period. Overall, though, the group of Italian SMEs — and larger companies — have consistently trailed the EU average on all accounts except for their share in the overall value added, where their performance has matched the EU average since 2003 (see figures below). For the main SME indicators, the existing figures including forecasts up to 2011 show that the post-2008 crisis has made a lasting dent in the growth of all firms of all sizes. It should be noted, though, that this is not just an Italian but a European-wide phenomenon. All in all, there is a contrast in Italy between the vast pool of micro firms and a general

business climate that is marked by low enthusiasm for entrepreneurship compared to the EU average (see also 'Entrepreneurship' in the following section). This could be

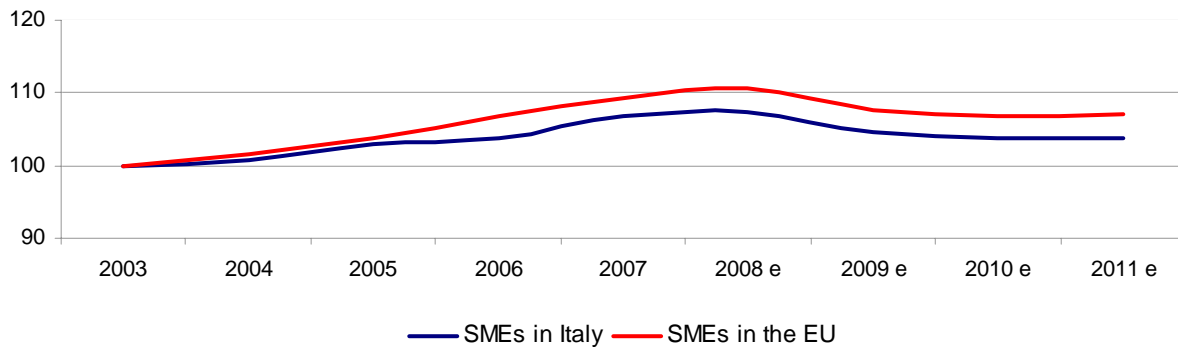
interpreted in different ways, but it certainly points to Italian firms' strength in withstanding adverse conditions.

SME trends in Italy²

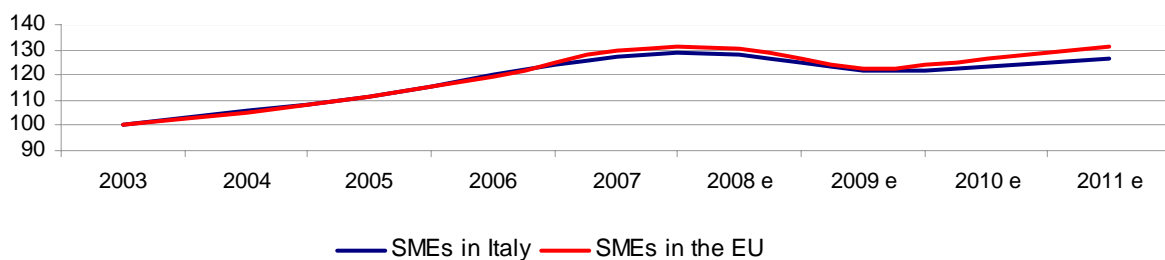
Number enterprises
(Index: 2003=100, estimations as from 2008 onwards)



Employment in enterprises
(Index: 2003=100, estimations as from 2008 onwards)

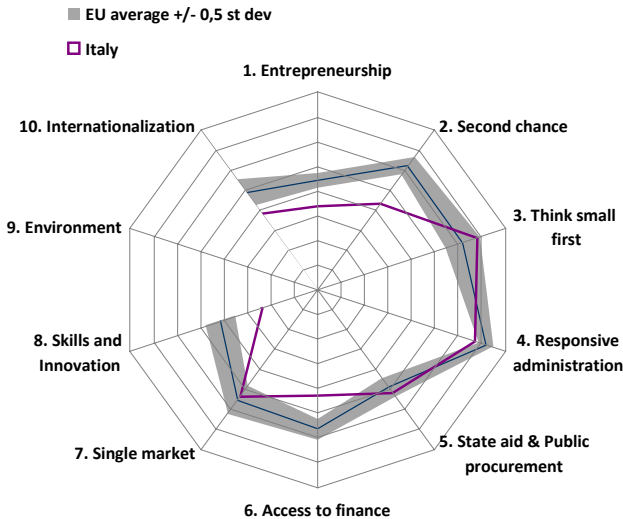


Value added produced of enterprises
(Index: 2003=100, estimations as from 2008 onwards)



2. Italy's SBA profile

Italy's performance against the EU average by SBA area³

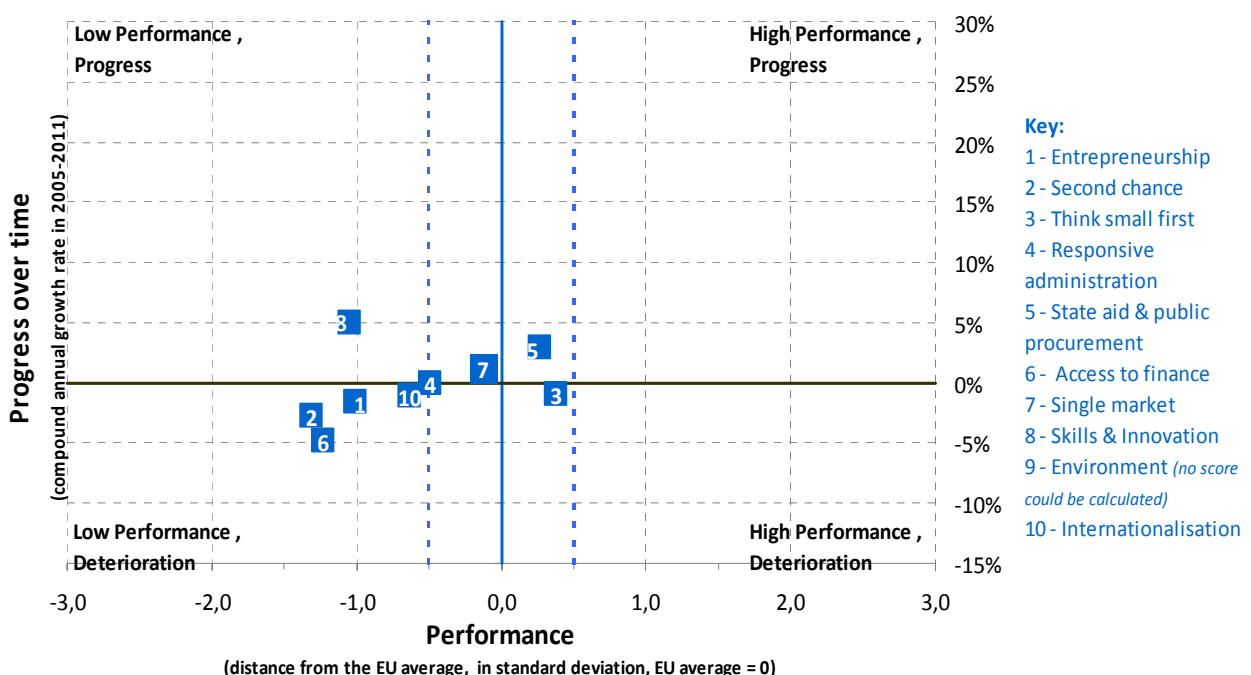


Overall, the statistics on SMEs give an SBA profile for Italy which trails the EU average. Italy performs in line with its EU peers in four out of nine SBA principles, namely: 'Think Small First', 'Responsive administration', 'Public procurement and State aid' and the 'Single market'. For the remaining five principles, Italy falls behind the European average (the area average for principle 9 ('Environment') is missing for all countries due to a lack of data.).

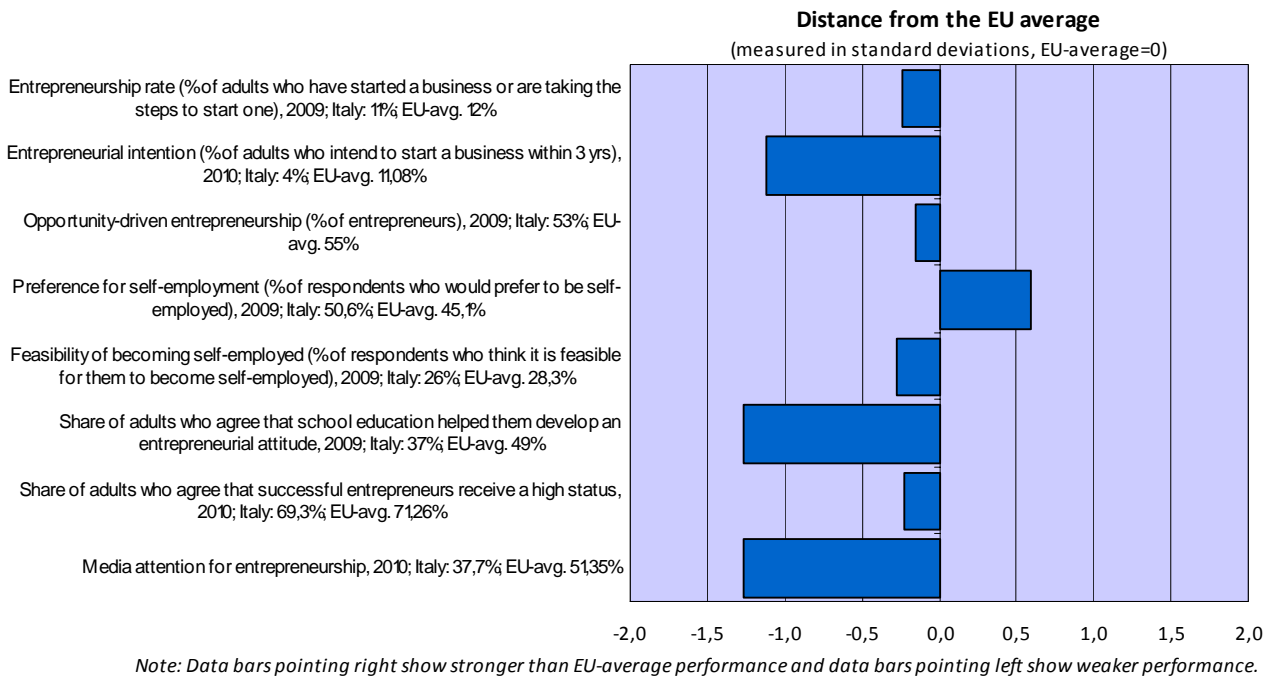
Over the period 2005-2011, Italy's performance in most areas remained stable. On the positive side, the areas 'Skills and innovation' and 'State aid & public procurement', improved during this period. This is particularly good news for 'Skills and innovation' since if this positive trend continues, Italy may eventually catch up with the EU average (shown as the vertical corridor in the quadrant chart). The areas of most concern are 'Entrepreneurship', 'Second chance', 'Access to finance' and 'Internationalisation' where Italy is placed in the bottom left quadrant of the chart below. Its below EU-average performance is matched by a downward trend over 2005-2011.

However, Italy's policy record⁴ is significant. In May 2010, Italy adopted a national strategy to implement the SBA (see 'Direttiva del Presidente del Consiglio dei ministri 4 maggio 2010'), listing a number of priorities tailored to the Italian business environment which should constitute a strategic guideline for further legislative, regulatory and administrative action. The Government expects that implementation of the strategy will lead to a 1% increase of GDP and to the creation of 50 000 new jobs during 2010-2013.

Italy's SBA performance: Status quo and development between 2005-2011⁵



I. Entrepreneurship



Overall, Italy performs below the EU average in the SBA area of 'Entrepreneurship'.

For the two core indicators measuring most directly the level of entrepreneurial activity – the entrepreneurship rate and the rate of opportunity entrepreneurship (those for whom running their own business was the first career choice), Italy's performance is close to the EU average.

The problems lie with the other indicators measuring the entrepreneurial environment. These generally trail the EU average. The most extreme cases are the survey results on the role of school education in developing an entrepreneurial mindset: only 37% of respondents in Italy (against the EU average of 49%) said that school played a role, which is the second lowest result in the EU. The results suggest that the level of entrepreneurial activity as measured by the above indicators is higher than one might expect from given the results on the societal environment in which entrepreneurs operate.

On the **policy front**, Italy took a number of measures in 2010 to improve the entrepreneurial environment.

The Institute for Foreign Trade, in collaboration with local authorities and business schools, organised a series of

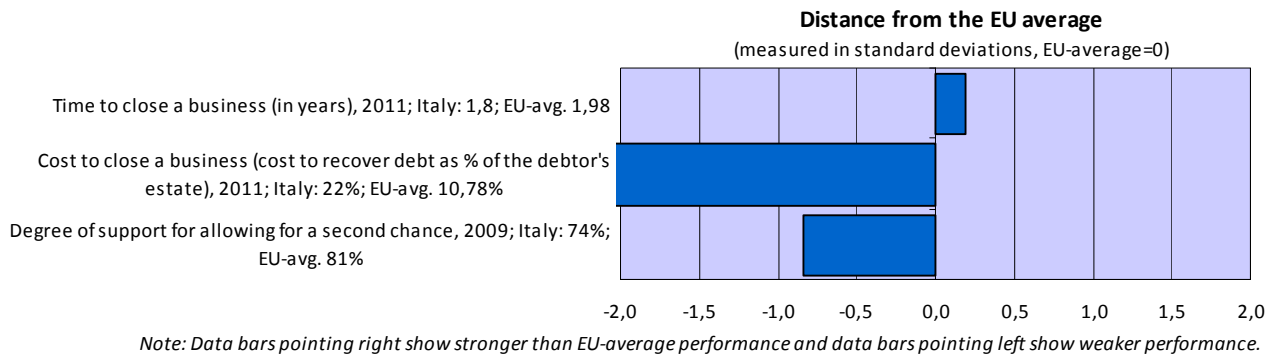
courses to stimulate an entrepreneurial culture among young graduates.

The 'Permanent Table SMEs' was also set up in 2010. It is composed of professional organisations, regional and local authorities, chambers of commerce, the Institute of Industrial Promotion and national experts. It represents a technical and permanent forum to monitor and discuss the needs and problems of SMEs in order to support the political decision process.

In July 2010, fiscal advantages were approved to stimulate the creation of SME networks. The payment of profit taxes (not higher than €1 000) is delayed by three years if profits are reinvested in the network's activities.

Finally, also in 2010, the Ministry of Economy issued a decree implementing a set of fiscal incentives (€48 million for 2011-2013) geared towards 'network business contracts'.

II. Second chance



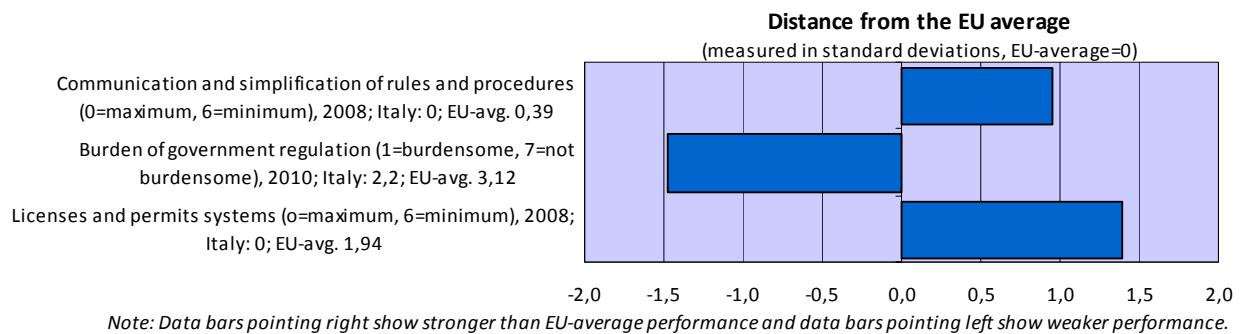
Italy's overall performance in this area is below the EU average. One indicator contributes particularly to this result: the high cost to recover debt, which at 22% is more than double the EU average (10%) and is the highest in the EU. Difficult conditions for creditors to recover their resources after bankruptcy have a detrimental effect on

the willingness to lend capital to those having already failed once before.

On the positive side, the time to wind down a business is shorter than the EU average.

On the **policy front**, no significant measures were reported in 2010 and the first quarter of 2011.

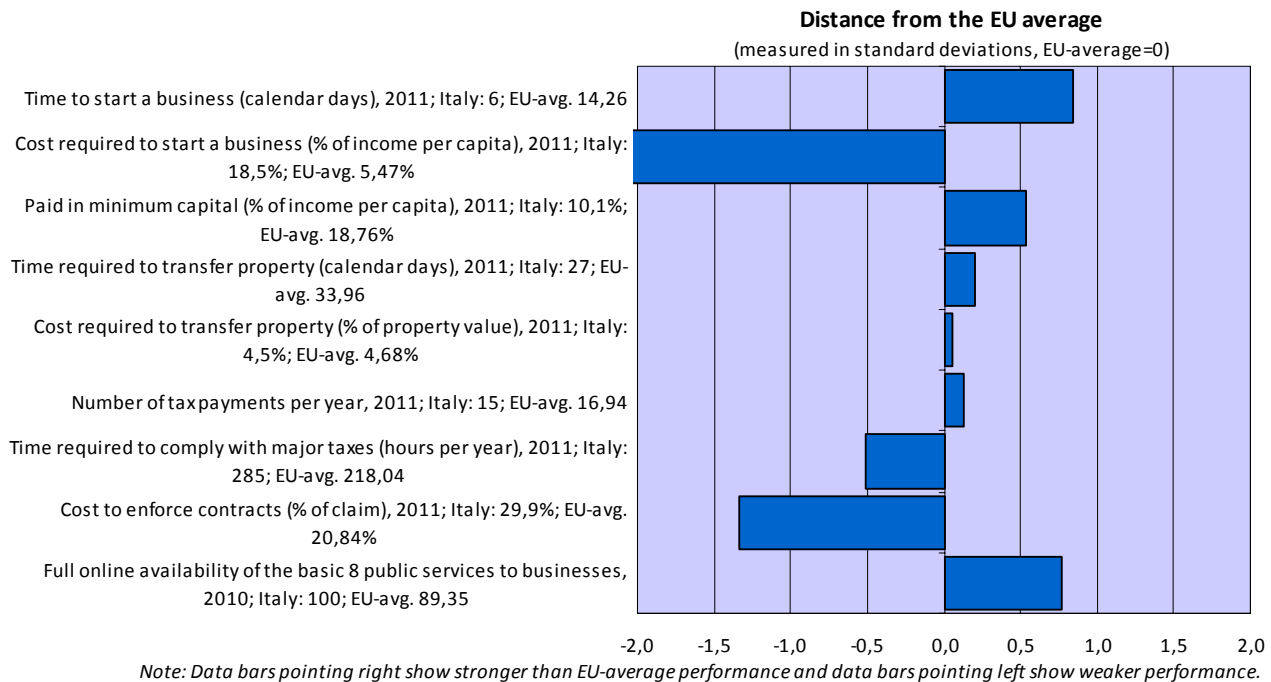
III. Think Small First



Overall, Italy's performance is average. The results for the individual indicators in this area point, however, in different directions: while World Economic Forum (WEF) survey data suggest that Italian businesses assess the situation on the 'burden of government regulation' as more burdensome than their EU peers, OECD data on more specific questions such as the 'Communication and

simplification of rules and regimes' and the 'licenses and permits' system yield results that are more favourable for Italy than the EU on average. It should be noted that the latter are based on the country's self-reported answers from 2008, according to which Italy beats the EU average. As regards **policy initiatives**, no significant measures were reported in 2010 and the first quarter of 2011.

IV. Responsive Administration



Italy gets an average score for this SBA principle. Individual indicators show considerable differences, though. Costs appear to be more of an issue than the time aspect of administrative service provision, since the indicators with the most significant negative deviation from the EU average are both cost related. The start-up⁶ costs (18.5% of income per capita versus 5.5% for the EU) were the second highest in the EU. Then again, it takes less than half the time to get started in Italy than in the EU overall. Also, Italy is in the top group of EU Member States in terms of online availability of administrative services.

Policy wise, in 2010, Italy took a number of policy measures to further improve the environment for SMEs and to reduce the administrative burden resulting from their interaction with the administration.

Firstly, from 1 April 2010, Unioncamere and the registry of enterprises in Italy introduced a single electronic communication for starting up a business (Electronic Unique Communication or 'Comunica') with the aim of further reducing the start-up time to just one day. Between April and July 2010 more than 180 000 enterprises were created using this online procedure.

In August 2010, the Ministry of Economic Development and Unioncamere introduced the 'certified statement of business start-up' which allows new entrepreneurs to start operating before the public administration has verified and

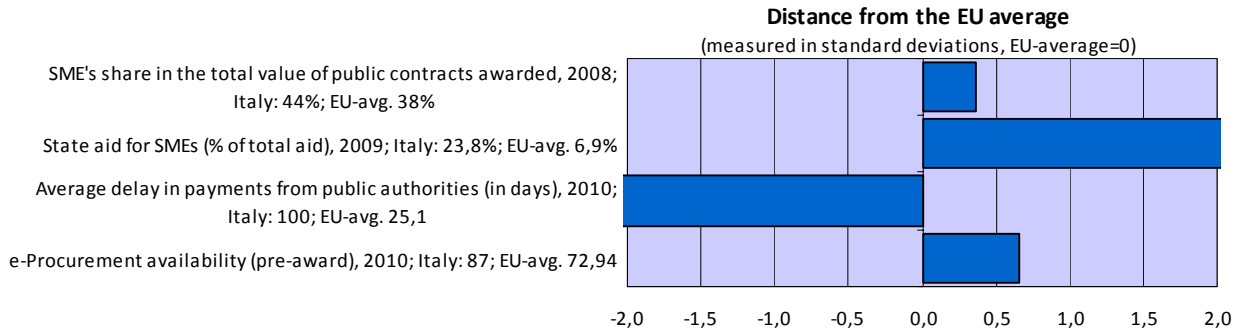
authorised the start-up (which is done in the 60 days following registration).

In September 2010, a new regulation on the one-stop-shop for manufacturing and services (*sportello unico per la attività produttiva*) was adopted with the aim of improving efficiency, simplifying procedures and enhancing communication between the administration and businesses.

To increase the attractiveness of southern regions for doing business, the Ministry of Economic Development set up in May 2010 the 'Zero bureaucracy areas'. In these areas, administrative decisions are taken within a shorter timeframe (usually not more than 30 days) and operating enterprises can benefit from additional grants from local authorities.

Lastly, in September 2010, the new regulation for the Unique Office for Productive Activities ('SUAP') was adopted. The regulation makes all administrative procedures, for example related to the registration of an enterprise and to the request for extensions and facilitations, faster and easier. It also includes the creation of the website 'Enterprise in one day', with the purpose of providing up-to-date information both to enterprises and the Public Administration about the legislation in force and existing facilitations and opportunities for enterprises.

V. State aid and Public procurement



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

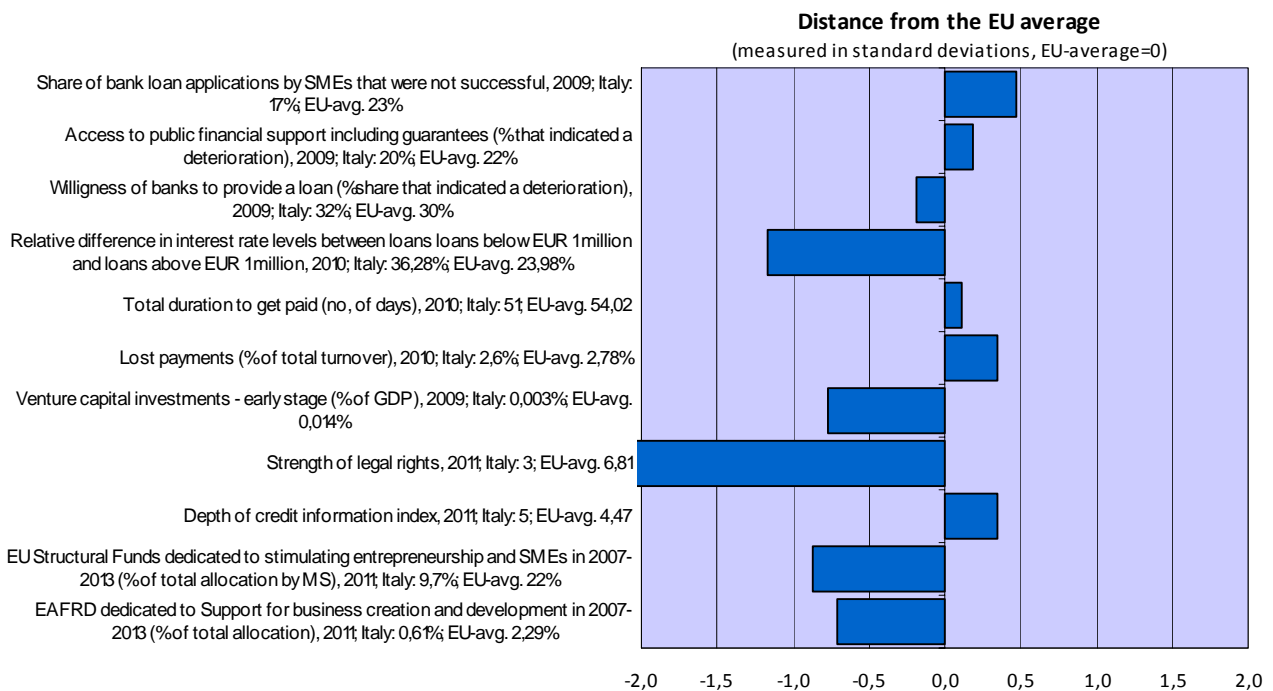
Italy's performance here too is mostly in line with the EU average. The performance for most indicators is rather positive, with three out of four outperforming the EU average. This positive picture is skewed by one problem area: the average payment delay from public authorities, where Italy is drastically behind with on average more than three months delay (100 days) in Italy as compared to 25 days in EU peer countries.

On the **policy front**, Italy has taken a number of policy measures in this field. In 2010, a series of seminars on international procurement opportunities were arranged for

Italian SMEs at the initiative of the Ministry of Economic Development.

In 2011, it should become obligatory for the public administration to divide contracts into lots wherever appropriate and to reserve at least 30% of public tenders for SMEs. The public administration, under an agreement between key Ministries, has also committed itself to rationalise and innovate the purchasing procedures of goods and services from SMEs, in order to facilitate market access for small firms.

VI. Access to finance



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

Italy ranks below the EU average in this area, with only a few indicators hovering around the average and most falling behind. Out of the indicators most directly under policy control (access to public financial support, planned share in regional and structural funds, strength of legal rights and depth of credit information), the very weak result on the 'strength of legal rights' stands out. On the indicators measuring access to private capital (venture capital, difference in interest rate levels and willingness of banks to provide loans), Italy performs below the EU average. For example, Italian small firms that want to take out a loan of under €1 million also have to accept a larger interest rate spread compared to loans above that threshold than their EU peers (36.28% of difference in Italy, compared to an EU average of 23.98% difference). Moreover, the share of Italian firms that also identified access to finance as the most pressing problem is higher than the EU average (19% vs. 15.41%).

Many **policy measures** have been taken lately to improve the situation in Italy. The moratorium of SMEs debts, which had expired in January 2011, was extended until 31 July 2011 to help SMEs recover from the economic crisis. This measure was implemented by the Ministry of Economic Development in collaboration with the

Association of Italian Banks (ABI) and the representative organisation of the business sector (Confindustria).

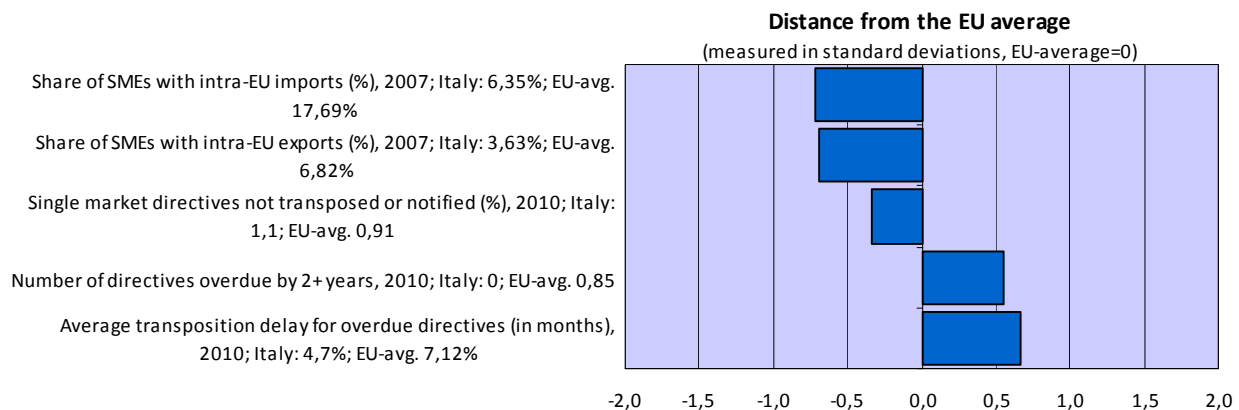
In March 2010, the Italian Fund of Investments was created. It supports the capitalisation of SMEs with an income of between €10 and €100 million. The budget allocated is €1.2 billion and is expected to increase in the future.

Since January 2011, enterprises can compensate their debts and credits with the Public Administration. This measure reduces the cash problems of enterprises and accelerates the payment procedures of the Public Administration.

During the course of 2010, training courses and seminars were organised to increase the knowledge of venture capital among SMEs. These courses precede the creation (expected in 2011) of a network of trained accountants, called 'Equity Angels', to help SMEs access venture capital.

In addition, exporting SMEs can, since April 2010, apply for targeted financial support that also gives them the option to become minority shareholders of enterprises investing in innovation and research. Under this scheme, the financial support amounts to maximum 25% of the net capital of the enterprise but no more than €500 000.

VI. Single market



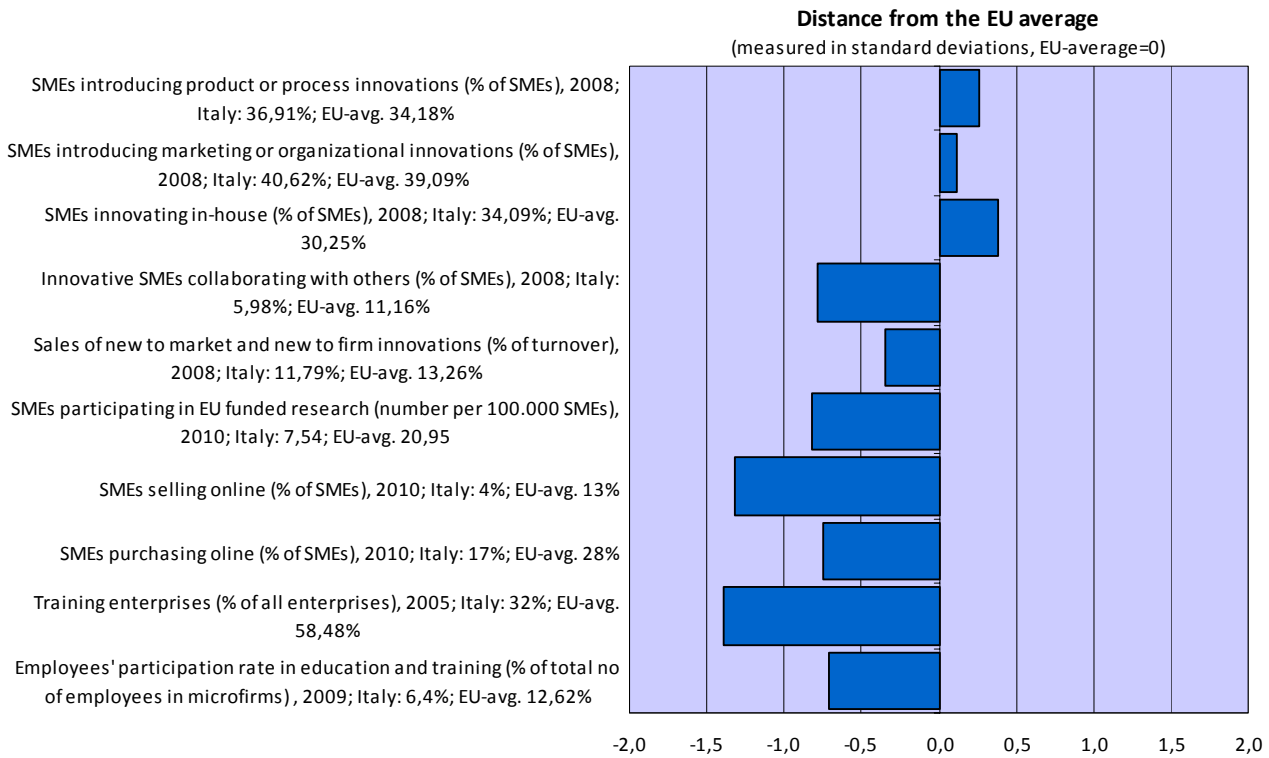
Note: Data bars pointing right show stronger than EU-average performance and data bars pointing left show weaker performance.

This is another area where Italy's performance matches the EU average. With two indicators below par, two above and one indicator on par with the EU average, Italy's performance is similar to that of its EU peers. In terms of internal market legislation and the transposition of EU legislation into national law, Italy is comparatively faster than its EU peers. Despite this, Italian SMEs do trade less

with their EU partners than their average EU peers. This is most pronounced with imports, as only just over 6% of Italian SMEs buy products from other EU countries, while the EU average is more than 10% higher (almost 18%).

No significant **policy measures** were reported in 2010 and the first quarter of 2011.

VIII. Skills and innovation



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

Italy ranks below the EU average in this area, covering both skills and innovations aspects. In general, Italy's best performance is linked to some of the core indicators measuring firms' innovative performance (share of SMEs innovating in-house, SMEs introducing product or process innovations or marketing and organisational innovations) which do say most about businesses innovative capacity. The share of SMEs innovating in-house is where Italy leads the EU average by the widest margin (34% to 30%). Overall, however, the performance is too varied from indicator to indicator to yield a more positive innovation score. For instance, on cooperation with EU peers to achieve innovative outcomes, Italian SMEs trail the average EU SMEs: less than 6% of Italian SMEs compared to more than the double for the EU average. And on the actual sales of innovative products, there is a slight gap from the EU average. On other innovation indicators, Italian SMEs have more catching up to do: their IT savvy as measured by on-line purchasing and selling still trails the EU average. For example, while only 4% of Italian SMEs sell online, the EU average is 13%. The indicator on training also suggests that Italy is behind its EU peers in this area, as only 6.4% of micro firm employees participate in education and training.

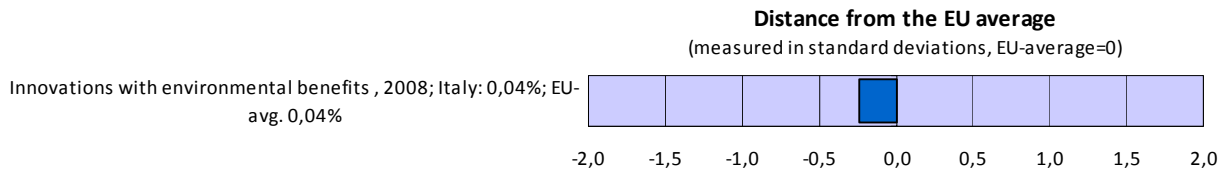
In 2010, Italy adopted a number of **policy measures** to help Italian SMEs innovate.

For example, from 2011, a tax credit is granted to enterprises commissioning research projects to Italian universities, with the purpose of stimulating research and innovation in Italy. The budget allocated by the Ministry of Economic Development amounts to €100 million.

On 5 January 2010, the 'Contract of Innovation' was introduced. It provides financing to innovative projects of enterprises which value more than €10 million and last less than three years. Staff costs are eligible for funding. In 2010, three calls were launched to select projects of SMEs in the Italian convergence regions which: (1) pursue specific objectives of innovation, (2) develop renewable energy sources and energy savings in the housing sector and (3) industrialise the results of research and experimental development activities. Resources are taken from the National operational Programme and the Interregional Operational Programme.

In January 2010, additional funds amounting to €250 million were injected into the 'Guarantee Fund'. This fund specifically aims to support the development of renewable energy and innovation by SMEs, especially in the Centre-South of Italy.

IX. Environment



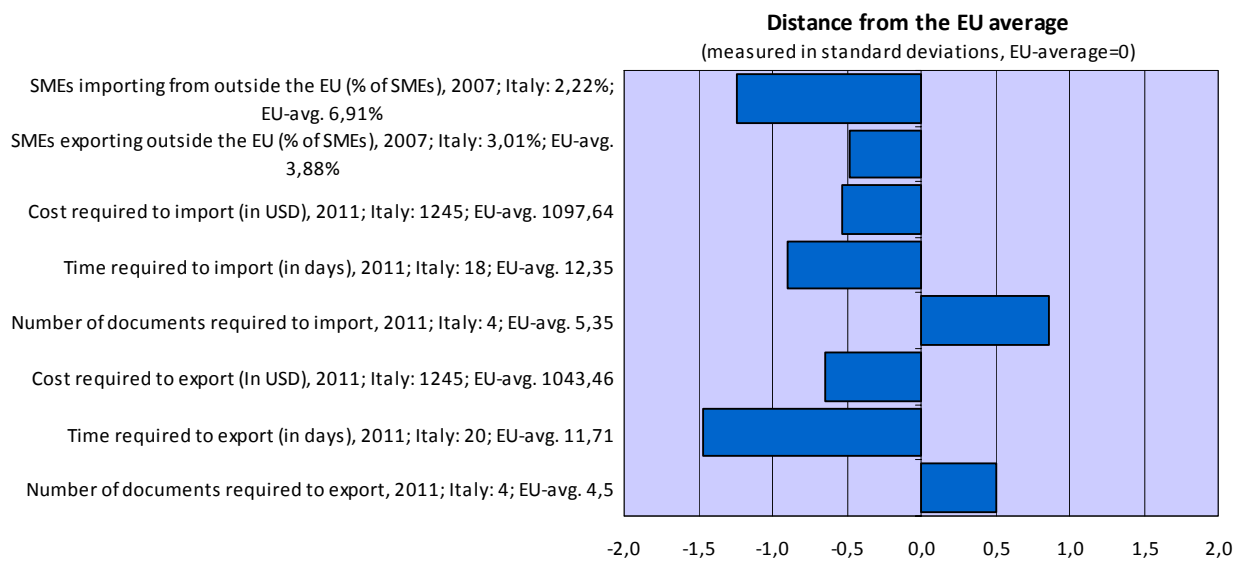
Note: Data bars pointing right show stronger than EU-average performance and data bars pointing left show weaker performance.

Only one indicator tracking performance on environmental issues is available, namely the share of small and medium-sized enterprises that produce innovations with

environmental benefits for the enterprise and/or end-user. It is therefore insufficient to draw any general conclusions.

No significant **policy measures** were reported in 2010 and the first quarter of 2011.

X. Internationalisation



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

Based on the available indicators measuring internationalisation, Italy trails the EU area average.

The numbers suggest that, for Italian SMEs, it costs more and takes longer to export and import goods than for the average EU SME. This may also be one of the reasons why the trading performance of Italian SMEs does not exceed the EU average and, for imports, but even trails it (2.2% of Italian SMEs import from outside the EU versus 6.9% in the EU). Fewer documents are needed for extra-EU trading, for both imports and exports, in Italy than in the EU on average, which may suggest that it may not just be down to administrative hurdles.

On the **policy front**, on 13 April 2010, a public company supporting the activities of Italian companies abroad (SIMEST) set up a funding scheme for the capitalisation of exporting SMEs, which get more than 20% of their income from exports. The allocated budget amounts to about €500 000. In 2010, SIMEST set up a funding scheme to finance feasibility studies of enterprises which plan to internationalise outside the EU. SIMEST also set up a financial support scheme for enterprises which plan to launch products or services in new markets outside the EU.

3. Good practice

To show what the government actually does to promote SMEs, we include an example of good practice.

The Certified Statement of Business Start up (SCIA) and the Electronic Unique Communication ('Comunica') are two different but complementary measures that enable new enterprises to become operational in one day. For this reason, they are jointly considered as good practice. The SCIA transfers the responsibility for starting up an enterprise from the Public Administration to the entrepreneur, who is allowed to become operational immediately, even before the administrative checks are carried out. These checks, however, need to be performed within the following 60 days and after this period for very exceptional circumstances (such as for public safety reasons). The entrepreneur now needs to fill in only one electronic form, the 'Comunica', instead of 4 different forms in hard copies, previously required. Thanks to these two measures, the targets set by the EC have been fully achieved: according to the government, a new enterprise can now be set up in only one day for less than € 100.

About the SBA Fact Sheets

The Small Business Act (SBA) Fact Sheets are produced by DG ENTR as part of the SME Performance Review (SPR), which is its main vehicle providing an economic analysis of SME issues. They combine the latest available statistical and policy information for the 27 EU Member States and another 10 non-Member States which also contribute to the EU's Competitiveness and Innovation Framework Programme (CIP). The Fact Sheets — produced annually — help to organise the available information to facilitate SME policy assessments and monitor SBA implementation. They document the status quo and progress. They are not an assessment of Member State policies but should be regarded as an additional source of information designed to improve evidence-based policy making. For example, the Fact Sheets cite only those policy measures deemed relevant by local SME policy experts. They do not, and cannot, reflect all measures taken by the government over the reference period. More policy information can be found on a database accessible from the SPR website. Please see the end notes overleaf.

For more information

SME Performance Review:

http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/index_en.htm

Small Business Act:

http://ec.europa.eu/enterprise/policies/sme/small-business-act/index_en.htm

The European Small Business Portal:

http://ec.europa.eu/small-business/index_en.htm

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¹ The SBA Fact Sheets 2010-2011 benefited substantially from input by 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.

² The three graphs below describe the trend over time for the variables. They consist of index values for the years since 2003, with the base year 2003 set at a value of 100. As from 2008, the graphs show estimates of the development over time, based on 2003-2007 figures from the Structural Business Statistics Database (Eurostat). The estimates were produced by Cambridge Econometrics. The data cover the 'business economy', which includes industry, construction, trade, and services (NACE Rev. 1.1 Sections C to I, K). The data do not cover enterprises in agriculture, forestry, fishing or largely non-market services, such as education and health. A detailed methodology can be consulted at: http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/index_en.htm.

³ The SBA radar chart plots for the different SBA areas the relative position of an individual country vis-à-vis the EU average. The individual values represent averages across all available indicators for this area. The scale is from '0' (minimum or 'worst in the EU-27 class') to '1' (maximum or 'best in class'). The EU average is located between those extremes and plotted as a grey band in the chart. The area average for principle 9 ('environment') is missing for all countries due to a lack of data.

⁴ The policy measures presented in this SBS Fact Sheet may only be a selection of the measures taken by the Government in 2010 and the first three months of 2011. The selection was made by the SME policy country expert contracted by Ecorys (DG ENTR's lead contractor for the 2010-2011 Fact Sheets). The experts were asked only to select those measures that, in their view, were the most important, i.e. were expected to have the highest impact in the specific SBA area. The complete range of measures that the experts compiled in the framework of producing this years' Fact Sheets will be published in the form of a policy database on the DG ENTR website alongside the Fact Sheets.

⁵ The quadrant chart combines two sets of information: firstly it shows the status quo 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 EU-27. The vertical corridor marked by the dotted lines defines the EU average. Secondly, it reveals progress over time, i.e. the average annual growth rates for the period 2005-2011. The growth rates are those of the individual indicators which make up the SBA area averages. Hence, the location of a particular SBA area average in any of the 4 quadrants provides not only status quo information about where the country is located in this SBA area relative to the rest of the EU at a given point in time, but also to the extent of progress made in the period 2005-2011.

⁶ These figures are based on World Bank data. For methodological details on the start-up indicators please consult the Doing Business 2011 report at <http://www.doingbusiness.org/>. It should be noted that these findings differ from corresponding figures obtained directly from Member States, through a self reporting exercise according to which, in 2010, it took 1 day and a cost of €2 673 to start a business in Italy. For more details please see: http://ec.europa.eu/enterprise/policies/sme/business-environment/start-up-procedures/index_en.htm.