



Ministero dello Sviluppo Economico

Small Business Act

Support initiatives for micro, small and medium enterprises implemented in Italy in 2015 and in the first half of 2016

2016 Report



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The Report has been prepared by Unit VII – SMEs, innovative start-ups and networks of enterprise of the General Directorate for Industrial policy, Competitiveness and Small and Medium Enterprises of the Ministry of Economic Development, headed by Stefano Firpo.

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Chapter 3 is based on research carried out by the European Research Centre (ERC).

Attachment 2 was drafted by the “Production activities” Commission of the Conference of the Regions and the Autonomous Provinces.

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INTRODUCTION

The overall strategy of the Italian Government continues to focus on implementing a modern industrial policy - concentrated on factors and not on sectors - which takes account of the specific dimensional characteristics of the production system: it is a well-known fact that SMEs hold an important position in the Italian production fabric, not only as a percentage of the total number of enterprises, but above all in terms of their contribution to employment and GDP. However, they continue to be penalised by delays in investment and in recovering productivity. Their central role is confirmed by the numerous initiatives undertaken in favour of Micro-SME's over recent months, by enhancement of the Central Guarantee Fund and also by the numerous and carefully structured actions in favour of the ecosystem of innovative start-ups and SMEs, ranging from simplification of the balance sheets of small enterprise to the measures aimed at assisting the start-up of new business activities.

The recent economic debate rightly returned the challenge of productivity to a central priority, alongside the dimensions of the enterprise. In fact, although it is true that small enterprise in Italy has a lower average productivity and less propensity for internationalisation and innovation compared with other countries, it should also be emphasised that the size of firms is not enough in itself to explain the weak performance of the Italian economy. Many studies (Banca d'Italia, Istat, MET study centre) highlight how the question of low quality enterprise is an overarching aspect with respect to the size of enterprise and how even the smallest firms may have an excellent ability to compete on the market.

The key issue is therefore the propensity of the entrepreneur to take a modern path towards growth and consolidating competitiveness. This change can only be triggered by creating the right external conditions to encourage it, such as improving the tax situation, by creating a taxation system which rewards those who invest, particularly in research, development, *know how* and innovation; reducing energy consumption, particularly for firms operating in the most energy-intensive sectors; modernising funding for enterprise, by creating a more well-structured supply, which is less bank-centric and more capable of giving access to the open capital market to SMEs as well; improving both tangible and intangible infrastructures, by investing in ultra broadband based on a fibre to the factory model, and also by undertaking initiatives which act on internal company factors, such as overcoming the paradigm of family capitalism, in which management of enterprise is mainly family-run.

The question should therefore be reformulated: which policies could best contribute to increasing the productivity of small Italian enterprises?

How can SMEs be encouraged to innovate and to export, thus indirectly ensuring their growth in size, financial consolidation and increased competitiveness?

The challenge the Government faces therefore relates to four main issues: how to ensure more favourable taxation for enterprise, how to encourage capitalisation and financial consolidation of enterprise through a more efficient allocation of capital to industrial applications, how to promote investment in innovation, digitalisation and internationalisation and how to make it more profitable for small and medium-sized enterprise to abandon investment strategies, market strategies, financial structures and governance which are frequently unsuitable for maintaining competitiveness and productivity.

A great deal of work has already been done, from deregulation of non-bank channels of business funding to the tax measures aimed at encouraging investment in renewing capital goods (so-called Super-depreciation) or innovation (such as tax credit on R&D and the Patent Box), without forgetting that technology renewal and digitalisation of the manufacturing system is a cornerstone of the “Industry 4.0” strategy recently introduced by the MISE through the wide range of measures included in the 2017 Budget, to name but a few.

These are important processes of development in regulations which will not only encourage the most dynamic and best-equipped firms to invest in digitalisation, but also move the inefficient ones from situations of inertia and non-productivity and thus relaunch the entire Italian production system.

The Report, which is now in its VII edition and was cited as a “best practice” by the European Commission in February 2011, accompanies other official monitoring and assessment documents of the MISE, such as the third Report to Parliament on the state of implementation of regulations supporting the ecosystem of innovative start-ups and SMEs, which is currently being prepared and will provide a detailed analysis of the impact the various measures will have on the Italian production system.

The Report has been translated into English to ensure the information it contains reaches a wider audience and will be distributed at the major European and international institutions.

I would also like to take this opportunity to thank the “Production Activities” Commission of the Conference of the Regions and the Autonomous Provinces for drafting Attachment 2 on the most recent measures adopted by the Regions to support enterprise networks.

The Director-General

PREFACE

The SBA Report is prepared annually, on the basis of art. 6 of the Directive of the Presidency of the Council of Ministers dated 4 May 2010, “Implementation of the notice of the European Commission dated 25 June 2008 on: “Think Small First” a “Small Business Act” for Europe”, with the aim of ongoing analysis of the actions undertaken by the Italian Government to assist the economic activity of micro, small and medium-sized enterprise.

This Report is a reference document for public and private entities that deal with policies in favour of Micro-SMEs and it is also a useful source of information in proposing strategies consistent with their needs.

The Report is divided into several chapters, the first of which gives an overview of the principal measures adopted by the Government to support the revival of private investments. During 2015 and the early months of 2016, the focus was on ensuring continuity of the various measures adopted in previous years to allow access to capital markets and support investments. Several of these measures aim to support creation of enterprise, while others aim to increase the investments of existing enterprises.

The second chapter deals with several topical discussions concerning the issue of innovative start-ups and SMEs, the Central Guarantee Fund, the “Nuova Sabatini”, the mini-bond market and the Innovation Package: the “figures” it reports confirm the major success of the industrial policy for innovation of the MISE over recent years.

A chapter on the specific dimensional characteristics of Italian enterprise has been added to the 2016 report, summarising the principal results of a survey conducted by the European Research Centre (ERC) on behalf of the MISE, which confirms the dominant role played by micro and small enterprise in Italy and compares several recent measures for dimensional growth adopted in the major European countries.

Chapter four describes the principal results of the survey conducted in May 2015 by the MISE on a representative sample of 1,000 excellent Micro-SMEs - as defined on the basis of a series of innovation parameters - aimed at highlighting their degree of computerisation and the most recent investment, innovation and internationalisation strategies.

The Report also has two attachments: the first provides a detailed description of the principal measures adopted during 2015 and the first half of 2016 for each of the SBA principles.

The second attachment, which was prepared by the “Production activities” Commission of the Conference of the Regions and the Autonomous Provinces, presents a range of recent measures adopted by the Regions to support the creation and development of business combinations, with specific focus on the “network” as a means of development and competitiveness of enterprises and enhancement of the areas where they are located.

CHAPTER 1

The measures in favour of Micro-SMEs adopted in implementing the ten SBA principles

1.1 The strategy pursued by Italy to support Micro-SMEs

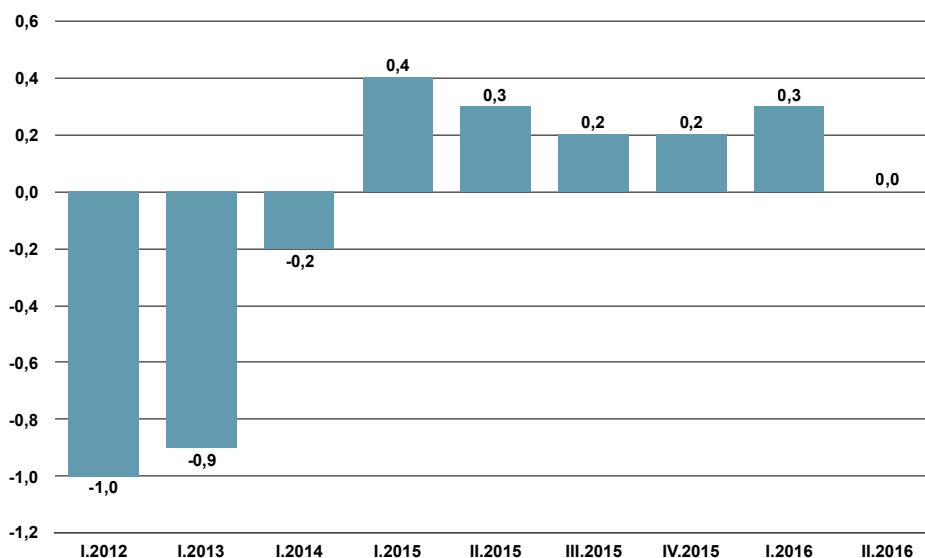
There was a slowdown in the economies of emerging countries in 2015, together with basically stationary growth in industrialised countries. The situation is likely to remain the same this year.

Growth of the US economy continues at a sustained pace (a 2.9% increase of GDP for the third quarter of 2016 on an annual basis). Net exports, together with family consumption expenditure and stocks, contributed positively to growth of GDP, while the fall in residential investments continued (-6.2%).

Growth increased in pace in the Euro countries in 2015, due primarily to domestic demand, particularly the investments component, supported by the measures of the European Plan for strategic investments (the Juncker Plan). Growth is expected to improve in 2016, primarily due to the effects of the expansionary monetary policy of the ECB and the fall in oil prices.

Expansion of the Italian economy continued into the early months of the year, albeit to a moderate extent: there was a fifth consecutive cyclical increase in GDP (0.3%) in the first quarter of 2016. However, the ISTAT indications in early September on GDP for the second quarter suggest a partial slowdown, with zero growth of the economy with respect to the first three months of this year (graph 1).

Graph 1 - Cyclical fluctuations in GDP



Source: ISTAT

There was further deterioration on both the international and domestic front during the summer. On the international front, as emphasised in the Report of Centro Studi Confindustria (CSC) in September 2016, “a series of factors are leading, even in the countries considered the most dynamic, to the much-feared secular stagnation: slowdown and declining population growth, lower earnings on the productivity generated by the current innovations, dispersion of human capital

due to high unemployment, slower capital accumulation rate, natural slowdown of China, creeping protectionism". At the same time, the Italian economy is weaker than expected at the start of this year, as confirmed by the modest performance of the most recent economic indicators. This led the CSC to lower the growth forecasts, placing GDP at 0.7% in 2016 (against 0.8% in the June forecasts) and 0.5% on 2017 (against 0.6%).

There was a partial slowdown in gross fixed investments in the second quarter of 2016, although a recovery in growth rates of the accumulation process is expected in 2016; in particular, investments in machinery and means of transport should increase by 2.9%, according to the CSC estimates, due to interaction of a series of factors, including improvement of credit market conditions, greater optimism of the business community on the prospects for the economy and profits and recovery of domestic demand. Consolidation of the growth in investments will also be influenced by the industrial policy measures recently adopted (discussed below), particularly the complete elimination of IRAP on labour costs, the removal from corporate income tax of the figurative return on increases in equity capital (the so-called ACE, or Economic Growth Aid), super-amortisation for new investments in capital goods between 15 October 2015 and 31 December 2016. Furthermore, as emphasised by the ISTAT (May 2016) *"the accumulation of venture capital should benefit over the coming years from the measures in favour of innovative start-ups and SMEs, with potentially positive effects for productivity"*.

In this scenario, the Government has paid increasing attention to Micro-SMEs and has tried to overcome the short-term emergencies and adopt measures aimed at resolving certain structural problems of our productive system¹, in keeping with the Directive of the Presidency of the Council of Ministers in implementing the SBA.

A particular strategic objective of the Government is reviving private investments. The various support policies adopted in previous years were therefore implemented in 2015 and the early months of 2016, through various measures ranging from access to the capital market to support for investments, through tax reductions and incentives. Several of these measures aim to support creation of enterprise, while others aim to increase the investments of existing enterprises. The first group includes the subsidies granted to create and start micro and small enterprises, granted to firms with a prevalent or total presence of young people and/or women, in the form of interest-free loans, providing financial resources totalling Euro 50 million (the loan covers a maximum 75% of the investments, up to Euro 1.5 million per enterprise).

The Special Section of the European Investment Bank (EIB) of the Guarantee Fund has also been operational since mid-April 2016, which will provide loans totalling at least Euro 500 million, directly or through banks and financial brokers, for the performance of large-scale industrial research and innovation projects by Italian firms of any size. Created as part of the *"Risk sharing finance facility for industrial innovation"*, a joint initiative of the Ministry of Economic Development, the Minister of the Economy and Finance and the EIB, the Special Section guarantees a loans portfolio granted by the EIB with maximum coverage of 20%, up to Euro 100 million. The loans may be disbursed directly by the EIB or through banks and financial brokers. Applications for loans, both direct and through brokers, will be assessed independently by the European Investment Bank.

¹ A detailed diagram of the measures adopted and the relative contents is contained in Attachment 1 to this Report.



At the same time, a series of massive and carefully structured actions in favour of innovative start-ups and SMEs have continued, primarily the creation of a specific venture capital fund² and passing of the MISE-MEF inter-ministerial decree in February 2016, aimed at extending tax subsidies for investors in these types of enterprise to this year as well, and raising the admissible investment threshold to Euro 15 million for each start-up, for the entire period of registration in the special section of the Companies Register. THE new Consob regulation on *equity crowdfunding* was also approved in February, aimed at simplifying raising of risk capital compared with the past, by reducing the costs of raising capital and extending the group of financiers, while the ministerial decree of February 2016 introduced a new on-line procedure for innovative start-ups with digital signature (the procedure entered into operation following the managerial decree dated 1 July 2016 on “Approval of the technical specifications for the structure of the computer model and the articles of association of innovative start-up limited liability companies, according to the ministerial decree dated 17 February 2016”). In conclusion, in May 2016, the MISE-MEF inter-ministerial decree gave innovative SMEs access to the Central Guarantee Fund through a simplified procedure, according to which the enterprise has access to the Fund without a credit rating. A recent study of Banca d’Italia (May 2016) indicated that the various subsidies have had a positive impact; in particular, between 2012 and 2014, there was an increase in external loans for innovative start-ups operating in the services sector compared with a core group of new enterprises with similar characteristics and high technology content not registered in the Special Section of the Companies Register, through debt or risk capital, and a sustained increase in investment rates.

At the same time, numerous initiatives were carried out to support technological innovation, including tax credit for the incremental part of R&D expenditure between 2015 and 2019, compared with the average cost sustained for the 2012-2014 three-year period, while increasing attention was focused on patenting (in the broadest sense) by enterprises, such as the Patent Box, which excludes 50% of income deriving from direct/indirect use of original works, industrial patents and trademarks from total income.

There is also the Brevetti+ measure, which is intended to encourage financial exploitation of the patents deriving from academic research by university spin-offs (sub-measure Brevetti+2, in particular, aims to provide subsidies and concession and payment of grants up to Euro 140 thousand for the purchase of specialist services for financial exploitation of a patent in terms of profitability, productivity and market development). The Patent box introduced by the 2015 Stability Law has also allowed enterprises to exclude from taxation part of the income (up to 50%) obtained from use of original works, industrial patents, trademarks, etc.

Partly as a result of these two measures, there has been a boom in patent applications from Italy at the European Patent Office (EPO), up 5% in 2015 compared with the previous year (+4.8% on the EPO average), the highest increase of the last ten years.

2 This Fund, which was created through a MISE decree of January 2015 (called Fondo Italia Venture I), has initial funding of Euro 50 million and was created for innovative start-ups and SMEs operating in sectors with a high growth potential (including ICT, Biotech&Health, Clean Energy and green tech). During the early months of this year, important subscribers (Cisco Investments, Fondazione Sardegna) purchased stakes in the Fund for a total Euro 5 million. At the end of June 2016, the Fund had reached Euro 65 million, making it one of the largest Italian Funds.

Specific measures have also been adopted to encourage European and international extensions of national trademarks, through two separate procedures: a) Marchi+ (the Marchi+2 procedure is currently open, which provides subsidies for purchases of specialist services); b) Disegni+ for economic and financial exploitation of industrial designs (models through a capital contribution up to 80% of the expenditure (the Disegni+3 procedure, which opened on 2 March 2016, was extremely successful: the number of applications received was well above the amount of resources available, so the procedure was closed on 30 March).

The Government has also introduced a series of measures to support investments and an important role has been played here by the Sabatini – ter law for revival of investment by micro, small and medium-sized enterprise for the purchase, also under leasing agreements, of new machinery, plant, capital goods and production equipment (see para. 2.5 of the next chapter for analysis of the recent dynamics of gross fixed investments and the principal effects of the Law). Under the MISE-MEF inter-ministerial decree (January 2016), contributions may be granted to SMEs which purchase capital goods even with loans from banks and leasing companies, with different funding to the specific ceiling of the Cassa Depositi e Prestiti fund; the decree also reduces the granting times and simplifies the procedures.

In order to stimulate the investment demand further, the 2016 Stability Law has increased by 40% the depreciation for purchase of all new capital goods by enterprises and professionals for the period 15 October 2015 – 31 December 2016. It is also planned to reduce the amortisation times for goodwill from ten to five years. According to a recent study (Gastaldi F., et al., 2016), increasing amortisation would lead to a tax saving for enterprise totalling Euro 385 million in the period 2016-2021; the highest reduction in taxes would be concentrated in the manufacturing industry (34.3% of the total) and in services (48.2%). It has also emerged from the Invind Survey conducted by Banca d'Italia (May 2016) that around one quarter of the firms interviewed indicated a positive effect of maxi-amortisation.

The 2016 Stability Law also includes tax credit for enterprises which purchase new capital goods destined for production plant in assisted areas of Southern Italian regions, from 1 January 2016 to 31 December 2019. The tax credit is inversely proportionate to the size of the company, i.e. 20% for small-sized firms, 15% for medium-sized firms and 10% for large-sized firms.

Among the various measures adopted to assist entry of firms onto the capital market, the Central Guarantee Fund for SMEs has continued to play a central, supporting and counter-cyclical role in assisting access to the credit market for enterprises which do not possess real guarantees (the figure would appear to have reached also all applicant firms in 2015, at 99.3%). Another recent measure for issue of mini-bonds by unlisted companies, adopted through DL 83/2012, was also quite successful: in May 2016, 173 mini-bonds were listed, issued by just under 74% of small and medium-sized enterprises (more detailed analysis is provided in para. 2.6 of Chapter 2).

The Government strategy has simultaneously been concentrated on internationalisation and on attracting foreign investment. Through the Extraordinary Plan for *Made in Italy and attracting investment to Italy*, the Government intends to strengthen the international element of the production fabric. Implementation of the plan was accompanied by provision of additional resources to upgrade the ICE and to support export credit activities.

Innovation, finance and internationalisation. There is more. Over the last two-three years and in the first half of 2016, a series of important measures and structural reforms have been introduced in Italy. In the first place, again through the 2016 Stability Law, several measures were introduced for the building, agricultural, culture and tourism sectors. The Government measures for the building sector are directed at boosting demand and include a residential property leasing agreement with tax incentives on purchase or construction of buildings for use as a main home. The 2016 Stability Law also includes a fund of Euro 45 million for 2016 and Euro 35 million for 2017, to finance the purchase or rental with purchase agreement of forestry agricultural machinery characterised by innovation solutions for reducing environmental and noise pollution and also improved performance. The Government has made significant efforts to strengthen and improve the culture and tourism sector; in the culture sector, the measures include an increase in the quantity and quality of museum services, reorganisation of the various institutions responsible for protecting cultural assets and stabilisation of tax credit for individuals and corporations making cash donations to support culture and entertainment (so-called Art-bonus). It is also planned to revise the Strategic Plan for development of tourism in Italy and to strengthen the organisational structure and functions of the ENIT.

More generally, a recent series of Government measures have attempted to “attack” several structural aspects of the national economic system. In particular, there were major developments in creating a more contemporary and competitive banking system in 2015 and the early months of 2016. These include reform of cooperative banks and credit cooperatives, reform of insolvency and debt recovery procedures, introduction of a system of public guarantees for disposal and securitisation of non-performing bank loans. The primary aim of the package of measures is both strengthening the banking system’s resistance to shock and encouraging banks to fund the economy, and also seeking partially to overcome critical aspects of the cooperative model attributable to its modest dimensions and the tendency to be too local in outlook.

The aim of the 2015 Competition Law, which is yet to be approved, is to remove certain regulatory restrictions which impede competition and innovation in many production sectors, including insurance, telecommunications, postal services, banks, professional services and pharmacies. In the case of professional services, the Government presented the National Plan for reform of professions in February 2016, which implements the European Directive on recognition of professional qualifications, and has already started a series of initiatives for transparency and simplification of regulations.

The reform of the employment market (Jobs Act) is also continuing: the enacting phase of Enabling Law 183 of 2014 was completed in September 2015 and all the required legislative decrees have now been passed. The Jobs Act procedure should be concluded during this year, as the two national agencies created by the reform enter into full operation: these are the Agency for Active Employment Policies (ANPAL) and the Employment Department, which will deal with all controls relating to employment, social security and accident prevention. Creation of the ANPAL will lead, in particular, to formation of a national network of services for employment policies, which should assist in creating the personalised employment paths useful in acquiring the skills needed for effective placement and for reallocating the unemployed on the employment market.

Several measures have been adopted for the education system (Buona Scuola), including introduction of new forms of professional training by alternating school and employment and apprenticeships, in accordance with the Jobs Act. Italia Lavoro is completing the selection of 300 professional training centres which will also extend the trial to high schools, in order to direct higher education choices and create a better link between the worlds of education and employment.

The Enabling Law to Reform the Public Administration was also approved in August 2015, the main objective of which is to improve efficiency and provide better services to citizens and enterprise. Several decrees were also approved for the simplification and acceleration of administrative measures, transparency in public-sector competitive bidding procedures, companies partly owned by central and local administrations and chambers of commerce. The Enabling Law to Reform the Public Administration also plans further legislative decrees containing anti-corruption regulations, reform of the public management system, reorganisation of the rules on subordinate employment in the public administration, reorganisation of the Presidency of the Council of Ministers and non-economic public entities.

Important measures are also continuing in the legal system, where considerable progress has been made over the last two years, including introduction of the on-line civil trial and extension of the area of application of extra-judicial agreements. Decree Law no. 83/2015 approved significant measures for insolvency and enforcement procedures. In March 2016, the Italian Senate approved the enabling Bill for reform of the honorary magistrate and justice of the peace system, and an enabling bill for reform of the regulations governing insolvency and bankruptcy crisis was also approved in February of this year.

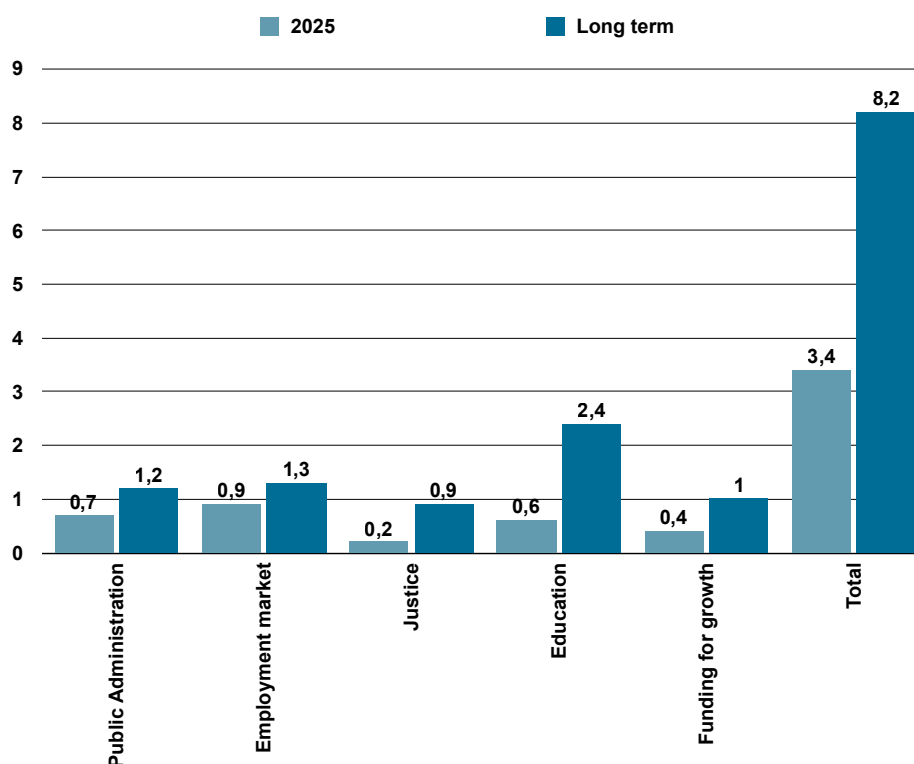
After the Italian parliament approved the enabling law implementing European directives on public-sector contracts in mid-January 2016, the Government definitively approved the legislative decree reforming the Public-sector Contracts Code in mid-April. A series of proposed guidelines for operational implementation of the new Code were resolved by the Anti-Corruption Authority (ANAC) in June-August 2016. The planned reform reduces the number of articles of the Code from over 600 to 220 and increases the powers of the ANAC which, in addition to laying down the guidelines of the new Code, can also block irregular bidding procedures and impose sanctions. There will also be a significant reduction in the number of contracting entities (currently 36 thousand), which will only be able to put out calls for bids if they possess ANAC “certification”, and awarding of contracts over Euro one million not only based on the lowest price, but also on the most advantageous bid in terms of price/quality. The dual purpose of the Reform is to improve efficiency and fight corruption, thus contributing to reviving investments in public works, which have fallen drastically over recent years and which could, if revived, revitalise consumption and private investment and thus contribute to long-term and sustainable growth of the Italian economy.

The various tax measures and reforms are part of a long-term strategy started in 2014 (with the 80 Euro on the payslips of low/medium-income employees) and continued in 2015 (with elimination of the employment component of IRAP and with measures to reduce the tax burden for enterprises investing in research and development). The measures reducing the tax burden on employment were also accompanied, in the 2016 Stability Law, by those directed at enterprises, with reduction of the IRES rate from 27.5% to 24% from 1 January 2017. The 2016 Stability Law also continues to follow the Government strategy of reducing

the tax burden of citizens and enterprise in the case of local taxes (particularly IMU and TASI), with benefits primarily for the lowest incomes. This essentially involves elimination of the TASI tax on the main home, excluding luxury homes, and the IMU tax on farmland and “fixed” agricultural machinery. The Stability Law also includes a package of measures for enterprise, including confirming, albeit in reduced form (from €8,000 to €4,000 and from 3 to 2 years), social security relief for enterprises which hire employees on long-term contracts in 2016, incentives for decentralised bargaining which include both productivity and tax incentives for collective contractual welfare agreements, initiatives for freelancers and professionals, extending access to the lump-sum system by increasing the revenues threshold by €15,000 for professionals and by €10,000 for the other categories of firms.

The various reforms should give a strong boost to the Italian economy; in March of this year, the Ministry of the Economy and Finance estimated that the impact of the principal structural reforms on GDP in 2025 and over the long-term (in terms of additional growth) will be quantifiable as 3.4% and 8.2% respectively. The impact of the various measures on performance of the employment market and those relating to the Public Administration and education, in both the medium and long term, will be particularly significant (graph 2).

Graph 2 - Impact of the principal reforms on GDP in 2025 and over the long term (% changes with respect to the base scenario)

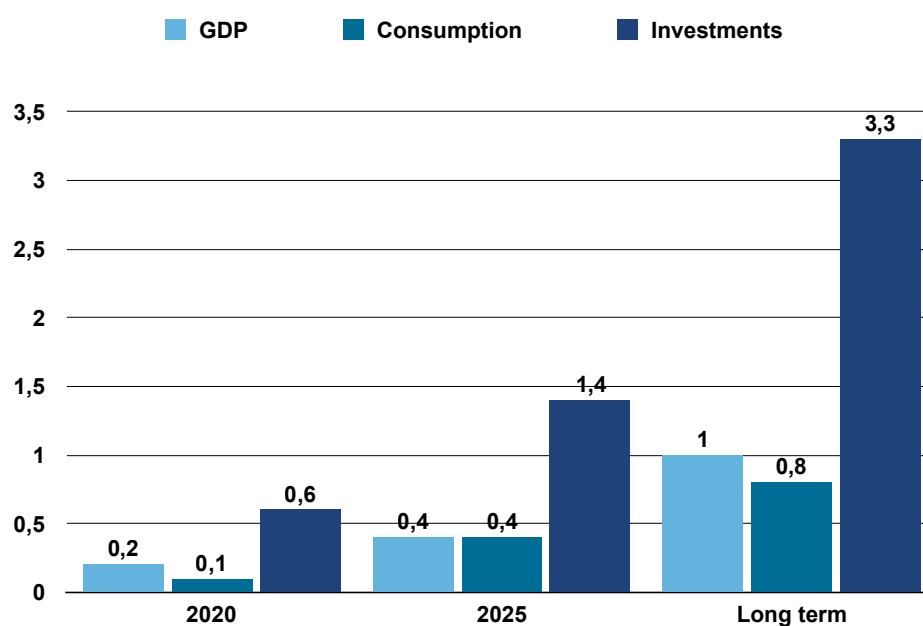


Source: MEF, March 2016

There would appear to be a slightly lower impact of the various measures for funding for growth (including the measures on the Patent Box, the planned

incentives of the “Nuova Sabatini” subsidy, introduction of mini - bonds, measures to encourage capitalisation of enterprises, particularly the ACE³, etc.). According to the estimates of the MEF model, the better conditions of access to credit should lead, over the long term, to an increased propensity of enterprise to invest in capital goods: the percentage deviations with respect to the base scenario indicate a change in investments of 1.4% and 3.3%, respectively, in 2025 and over the long term (graph 3).

Graph 3 - Impact of the measures on Funding for growth in GDP in the short/medium/long-term (% changes with respect to the base scenario)



Source: MEF, March 2016

The table below briefly summarises, among the regulatory measures considered as having the greatest expected impacts for SMEs, the principal measures in favour of SMEs introduced by the Government during the period examined (Tab. 1); said measures are divided by the principles of the SBA⁴.

3 According to recent ISTAT estimates (April 2016), the effect of the ACE in 2016 should be a reduction in the effective rate for the beneficiary firms of over three percent to 26%, lower than the value established for non-beneficiary firms (27.4%).

4 The ten guidelines of the SBA are: 1) Enterprise: create an environment in which entrepreneurs and family businesses can thrive and entrepreneurship is rewarded; 2) Second chance: ensure that honest entrepreneurs who have faced bankruptcy quickly get a second chance; 3) Think small first: design rules according to the “Think Small First” principle; 4) Responsive administration: make public administrations responsive to SME’s needs; 5) Adapt public policy tools to SME needs: facilitate SMEs’ participation in public procurement and better use State Aid possibilities for SMEs; 6) Finance: facilitate SMEs’ access to finance and develop a legal and business environment supportive to timely payments in commercial transactions; 7) Single market: help SMEs to benefit more from the opportunities offered by the single market; 8) Skills and innovation: promote the upgrading of skills in SMEs and all forms of innovation; 9) Environment: Enable SMEs to turn environmental challenges into opportunities; 10) Internationalisation: encourage and support SMEs to benefit from the growth of markets.

See Attachment 1 for more details on the various initiatives.

Attachment 2 (prepared by the “Production activities” Commission of the Conference of the Regions and the Autonomous Provinces), describes the principal regional best practices aimed to support the creation and development of business combinations, with specific focus on the “network” as a means of development and competitiveness of enterprises and enhancement of the areas where they are located.

Tab.1 - List of the principal measures for enterprise, divided by the principles of the SBA

Details of the measure	Brief name	Most significant measures for enterprises	SBA principles
Law no. 208/2015	Stability Law	Art. 1, paragraphs 91-97: A 40% increase in the tax cost of new tangible assets (also purchased under leasing agreements)	Enterprise
		Art. 1, paragraphs 98-108: Tax credit on capital goods	Enterprise
		Art. 1, paragraphs 178-181: Maintain, albeit in reduced form, social security relief for enterprises which hire employees on long-term contracts in 2016	Enterprise
		Art. 1, paragraph 61: A 3 percent reduction in the IRES taxation rate from 1 January 2017	Finance
		Art. 1, paragraphs 182-191: Reduced taxation of productivity bonuses for employees and tax incentives for collective contractual welfare agreements	Finance
		Art. 1, paragraphs 111-113: initiatives in favour of freelancers and professionals: extension of access to the lump-sum system	Finance
		Art. 1, paragraph 11: Exemption from payment of IMU tax for agricultural firms	Finance



Details of the measure	Brief name	Most significant measures for enterprises	SBA principles
		Art. 1, paragraph 74: Extension of reduced taxation for energy efficiency initiatives	Environment
		Art. 1, paragraphs 370-371: Enhancement of the Ice-Agency for promotion abroad and internationalisation of Italian enterprises and funding for the MCC Fund to support export credit and internationalisation activities of enterprises	Internationalisation
Decree Law no. 83/2015, converted into Law no. 132/2015	Reform of the legal system	Measures on bankruptcy, civil law and civil actions, organisation and functioning of the judicial administration	Responsive administration
Legislative Decrees nos. 156-160/2015	Implementation of the tax proxy	Measures to simply taxation and pre-compiled tax returns form; composition, duties and functioning of census commissions; certainty of the law; electronic invoicing; internationalisation of enterprises; disputes with the revenue agency; reform of the sanctions system; reorganisation of the payment system; tax expenditures	Responsive administration
Decree Law no. 18/2016	Urgent measures in the credit sector	Reform of cooperative credit banks (BCC) and the guarantee system to assist banks in disposal of non-performing loans	Finance
Law no. 11/2016	Reform of the Public-sector Contracts Code	Mandate to the Government on public-sector contracts for works, services and supplies, awarding of concessions, bidding procedures of utilities suppliers in the water, energy, transport and postal services sectors	Contracts

Details of the measure	Brief name	Most significant measures for enterprises	SBA principles
Law no. 114/2015	2014 European delegated law	Introduction of European directives: the principal ones are those on Assessment of Environmental Impact, electronic invoicing of public-sector contracts, damages caused by breaching competition regulations	Domestic market
Law no. 221/2015	Environmental aspect	Measures to protect nature and sustainable development, environmental assessments, energy, green purchases, management of waste and clean-ups, protection of the soil and water resources	Environment

1.2 The evaluation by the European Commission of the measures adopted in Italy

Every year, the EU Commission assesses the degree of implementation of the SBA Notice by each Member State, comparing the performance of the various EU countries⁵. The principal results of the initiatives carried out in Italy over the last few years are reported on the various “Italy Fact Sheets”⁶.

Analysis shows that, in the period 2008 – third quarter of 2015 (reference period of the indicators), Italy made important progress in promoting and supporting the Micro-SME system, through approval of ad hoc measures.

Some of the progress achieved by Italy for the individual indicators is shown (Tab. 1); in particular, analysing the rate formed of growth in the various summary indicators in the period 2008-2015 (third quarter) and comparing them with performance of the EU27 average variation shows that five out of nine indicators⁷ had a positive growth rate.

The highest positive variations, in order, were achieved for the principles “Single market” (the growth rate of the summary indicator is 5.1% for the period in question), “Skills and innovation” (+2.3%), “Think small first” (+1.0%), “Internationalisation” (+0.9%), “Enterprise” (+0.2%). The indicators which continued to be negative

5 The Commission assessment is divided into a group of summary indicators, for each of the ten SBA principles, using a statistical method which groups together and standardises a set of duly chosen indicators for each area, collected in a specific database.

6 The European Commission prepares the Fact Sheets for each country in the EU28 Area every year and, in addition to several descriptive statistics on the production structure, they provide a summary of the principal industrial policy measures adopted according to the ten SBA principles.

7 The European Commission did not calculate the growth rate for the summary indicator of the “Responsive administration” principle this year.

over the medium term were those for the objectives “Public-sector contracts and State subsidies” (-8.1%), “Finance” (-4.2%), “Second chance” (-0.7%).

If the analysis is extended to comparison with the major European countries and the average for the EU27 Area countries, the average result for Italy improved considerably, particularly for the objectives “Single market” and “Skills and innovation”. It is worth emphasising that the major European countries do not appear to have achieved significant results for the various SBA principles in the period examined, with the exception of Germany for the principles “Enterprise” (+1.5%) and particularly “Internationalisation” (+5.7%) and the UK for allowing business to thrive (+4.6%).

The progress achieved in the degree of technological innovation is at least partially attributable, in Italy, to the various ad hoc measures adopted by the Government, particularly over the last three to four years, which are analysed in the previous paragraph.

Tab. 1: Rates formed of growth in SBA summary indicators (2008-2015)

SBA principles	UE27	France	Germany	Italy	United Kingdom
Enterprise	0.6	-1.0	1.5	0.2	4.6
Second chance	-0.1	0.8	-1.6	-0.7	-0.3
Think small first	2.0	1.9	1.7	1.0	2.3
Public procurement and State aid	-0.2	1.6	2.2	-8.1	1.2
Finance	-0.6	-1.3	-0.3	-4.2	-0.3
Single market	1.5	4.7	3.3	5.1	4.5
Skills and innovation	-0.6	0.0	-3.4	2.3	0.6
Environment	0.0	0.0	0.0	0.0	0.0
Internationalisation	1.3	-0.5	5.7	0.9	-0.2

Source: MiSE processing of European Commission data

CHAPTER 2

Topical discussions

2.1 Preface

This chapter presents a detailed examination of several important and recent industrial policy measures for innovative start-ups and SMEs and the Innovation Package, SME access to the Guarantee Fund, better funding conditions for purchase of capital goods (“Nuova Sabatini” subsidy). These measures satisfy three separate purposes: the first ones are aimed at assisting innovative enterprises in the initial phases of their life and, more generally, small and medium enterprises already operating on the markets and heavily committed to innovation strategies, partly in order to support them in better protecting their industrial property rights and in exploiting them; the Guarantee Fund is an attempt to attenuate the effects of the credit crunch, at least partially, allowing SMEs access to State guarantees free of charge; the third initiative aims to boost demand for capital goods in an economic situation characterised by modest signs of recovery in GDP and domestic demand, after years of severe recession.

The “numbers” reported in the following paragraphs offer proof of the success of the measures and their impact on the performance of the real economy.

2.2 Innovative start-ups and Innovative SMEs

As mentioned in the previous chapter, over recent years the Government has passed a series of measures to promote sustainable growth, technological development and employment, particularly youth employment, combination of an innovation ecosystem, and also to assist greater social mobility, strengthen the links between universities and enterprise and also the ability to attract foreign capital and talent to Italy.

In order to achieve these objectives, the Government has introduced a complex set of regulations designed to support the creation and growth of innovative new firms with a high technological value since 2012. A milestone of this initiative was Decree Law 179/2012, also known as the “Growth 2.0 Decree”, containing “Further urgent measures for the growth of the country” and converted by Parliament into Law no. 221 of 18 December 2012. Continuing on this path and encompassing the indications of international economic doctrine, which is unanimous in viewing technological innovation as having a decisive effect on productivity levels and competitiveness and on the processes of creating employment, and proposing to support in an even more massive and pervasive manner the spread of technological innovation within the country’s production fabric, Decree Law no. 3 of 24 January 2015 (known as “Investment Compact”), converted with amendments into Law no. 33 of 24 March 2015, assigned a large part of the planned measures to benefit innovative start-ups to a potentially much wider group of enterprises: innovative SMEs, meaning small and medium enterprises which operate in the sector of technological innovation, irrespective of the date of incorporation, the corporate purpose and the level of maturity.

2.2.1 Innovative start-ups

The status of innovative start-up has been given to 5,912 enterprises since the new section of the Companies Register was introduced on 27 June 2016.

There are 39 certified incubators, of which 31 are in Northern Italy, 7 are in Central Italy and 1 is in Southern Italy.

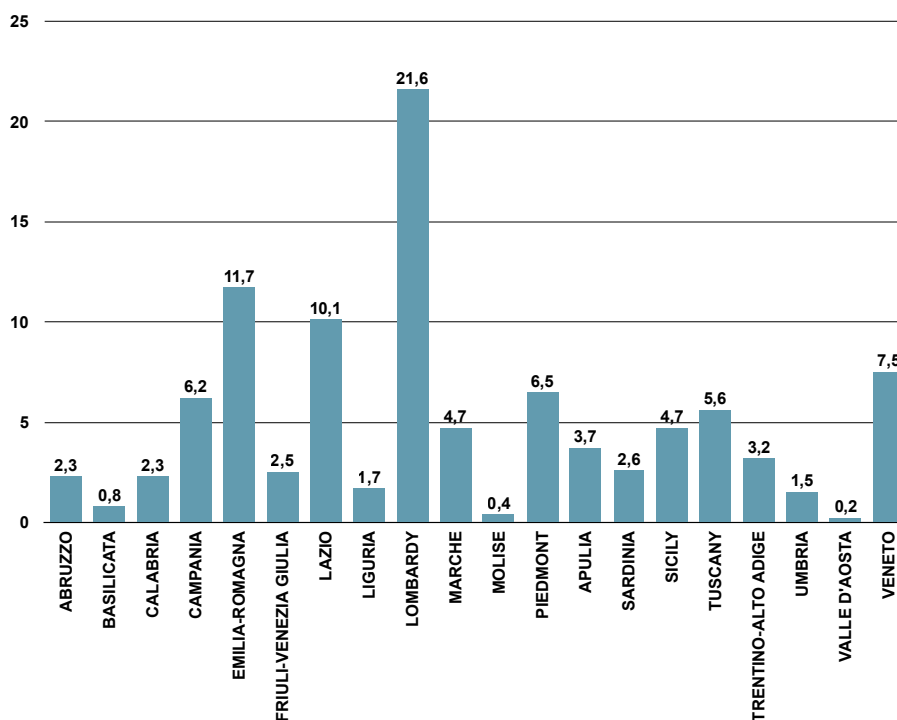
Around 79.7% of the innovative start-ups are limited liability companies, a further 14.9% are simplified limited liability companies, 2% are cooperatives, 1.9% are single-member limited liability companies and 1% are joint-stock companies.

Innovative start-ups operate primarily in the services industry (over 75% of firms), particularly IT consultancy and software production (around 30% of total start-ups) and scientific research and development (15%). Only 18% of start-ups operate in industrial sectors.

55% of innovative start-ups are located in Northern Italy, 22% in Central Italy and 23% in Southern Italy.

The first four regions are home to around one half of innovative start-ups (Graph 1): Lombardy (21.6%), Emilia Romagna (11.7%), Lazio (10.1%), Veneto (7.5%), confirming that a favourable environment, in terms of tangible and intangible infrastructures, proximity to universities and research centres, etc., boosts the creation of new enterprises, particularly those with a high technological value. Although the presence of innovative start-ups in Southern Italy has been fairly limited so far, analysis of entry on chamber of commerce registers shows that there is a gradual intensification in the Southern Italian regions as well, and a reasonable presence particularly in Campania (6.2%), Sicily (4.7%) and Apulia (3.7%).

Graph 1 - Distribution of innovative start-ups in Italian regions – June 2016
(% weight)



Source: MISE processing of Infocamere data

It is interesting to note that innovative start-ups experienced considerable growth during the years of economic crisis. This bucks the trend in terms of total new Italian firms which, over recent years, has seen a constant erosion of these figures. As a whole, the number of new innovative start-ups registered in 2015 increased by over 52% compared with 2014.

Since the Law came into force, the average number of new registrations per month has increased from 86 in 2013 to an average 128 in 2014 and 187 in 2015 and this pace has been maintained in the first six months of 2016 (average 181 new registrations per month). There has also been a considerable increase in the number of companies which are created as innovative start-ups.

According to data up to June 2016, 78% of them selected a single requirement from those needed for registration in the special section of the Companies Register (R&D, expenditure, highly qualified human resources, registered patent); 19% satisfy two requirements, whereas only 3% indicated that they satisfy all three requirements.

In detail, the most frequently selected requirements for registration in the special section was R&D expenditure, chosen by 3,833 enterprises, followed by highly qualified human resources, chosen by 1,729 enterprises, and lastly possession of industrial property rights.

2.2.2 Innovative SMEs

With the aim of strengthening competitiveness of the national production fabric and boosting the spread of technological innovation to all economic sectors, Law no. 33 of 24 March 2015, which converted Decree Law 3/2015 (“Investment Compact”) into law, introduced a new type of enterprise, called innovative Small and Medium Enterprise, and allocated to said firms a large part of the subsidies already allocated to innovative start-ups by the “Growth 2.0 Decree” at the end of 2012.

The status of innovative SME has been given to 198 enterprises since this law came into force on 27 June 2016.

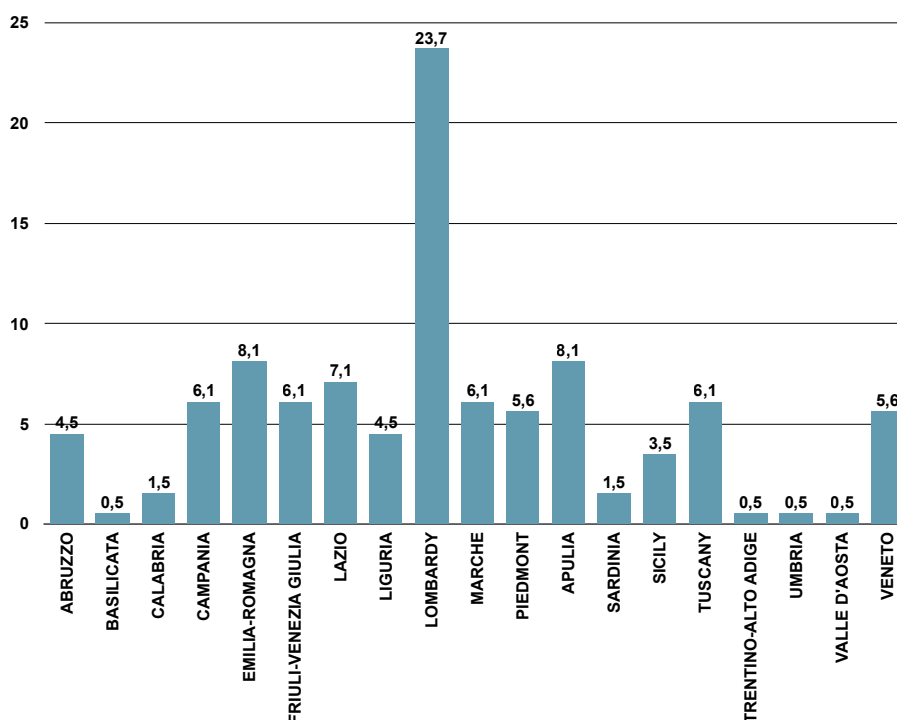
Around 65% of innovative SMEs are limited liability companies and a further 28% are joint-stock companies.

Innovative SMEs operate primarily in the services industry (over 62% of firms), particularly IT consultancy and software production (around 28% of total start-ups) and scientific research and development (13%). Only 34% of the SMEs operate in industrial sectors.

54% of innovative start-ups are located in Northern Italy, 20% in Central Italy and 26% in Southern Italy.

The first four regions are home to around 47% of innovative SMEs (Graph 2): Lombardy (23.7%), Emilia Romagna (8.1%), Apulia (8.1%), Lazio (7.1%).

Graph 2 - Distribution of innovative SMEs in Italian regions – June 2016 (% weight)



Source: MISE processing of Infocamere data

2.3 Focus on the Innovation Package

Recent studies⁸ have highlighted, to a much greater extent compared with the past, the increasing importance of intellectual property rights (IPR) for a company and the European economy, indicating that industries with a high intensity of intellectual property rights directly and indirectly account for 35% of jobs, almost 39% of the GDP of the EU and 90% of foreign trade. Enterprises possessing intellectual property rights, which account for 9% of SMEs, against 40% of larger enterprises, produce higher revenues per employee and higher employment and salary levels than those which do not possess them. This ratio is particularly high for SMEs, which represent over 98% of European enterprises and provide around 67% of jobs in the European Union.

In line with the development trajectory outlined by the European Union in Europe 2020 “A strategy for smart, sustainable and inclusive growth”, the MISE (Directorate-General for the Fight Against Counterfeiting - Italian Patents and Trademark Office) has been promoting a program of actions and instruments to support development and competitiveness of the business system for some time now, at various levels.

8 EUIPO – EPO Study on “The contribution of industries with a high intellectual property content to economic results and employment in the European Union”, 2013, and EUIPO-EPO Study on “Intellectual property rights and company results in Europe: an economic analysis”, 2015 – available at: <https://euiipo.europa.eu/ohimportal/it/web/observatory/ip-contribution#2study>

This is the so-called “Innovation Package”, through which the MISE has developed trial measures to assist the objective of supporting SMEs in better protection of their industrial property rights and their economic exploitation.

In detail, the Innovation Package essentially consists of aid measures, under a *de minimis* system, in favour of SMEs which, for the first time, are aimed exclusively at possessors of industrial property rights or patents (“Brevetti+”), designs and models (“Disegni+”) and trademarks (“Marchi”).

The first two measures, introduced in November 2011, were developed to support two lines of business: the first aims at internationalisation and increasing the quality and quantity of numbers of designs and patents, while the second focuses on the exploitation of industrial property rights owned by SMEs. These actions were supplemented, in November 2012, with the “Marchi+” measure, which aims to further the extension of trademark registration in the EU and internationally.

These initiatives have given extremely positive results over time, to the extent that the measures have been further strengthened and extended.

The Brevetti+ procedure allocated Euro 30.5 million in aid both to increase the number of patents filed and, for the most part (over 2/3 of the provision) to support their economic exploitation, in order to increase the competitiveness of SMEs. This has recently been joined by the new “BREVETTI + 2”, with the aims of furthering economic exploitation of patents, technology transfer and innovation of SMEs, by extending the group of beneficiaries (in addition to micro, small and medium enterprises, also capital companies, following the university/academic spin-off operation, with participation of the research organisation in the capital), greater financial support, particularly for spin-offs (maximum aid from 70,000€ to 140,000 €, but never higher than 80% of the admissible costs or 100% in the case of university/academic spin-offs). Just a few days after the new initiative was opened up to enterprises (on 6 October 2015), the level of interest of firms was enough to use up all the available financial resources in just a few months. Both measures (Brevetti+ and Brevetti +2) were suspended in December 2015.

In its first version, the Disegni+ (15 m€) procedure aimed to encourage registration of designs and models, while the Disegni + 2 (5 m€ + 20m€) and Disegni +3 (4.7 m€) procedures, started in March 2016 aim to support the ability to innovate and the competitiveness of SMEs, through economic and financial exploitation of designs/models on the domestic and international markets. The aid supports purchase of external specialist services to assist production of new products linked to a registered design/model - including creation of prototypes and templates - and marketing of a registered design/model. The Disegni+2 procedure was suspended on 13 January 2015, since the number of applications received from SMEs was 4 times the amount of financial resources available. Around 900 applications have been presented during this period. There was also a great deal of interest in the Disegni +3 procedure, so much so that it was suspended in April 2016 as all the financial resources had been used up.

“Marchi+” (4.5 m€) and, from 2015, “Marchi+ 2” (2.8 m€) are a program of subsidies to assist registration abroad (both EU and international) of national and international trademarks of micro, small and e medium-sized firms, with the objective of supporting their innovation and competitiveness. There was also a great deal of interest in these measures and “Marchi + 2” was suspended in December 2015, again after all the financial resources had been used up.

These aid measures are accompanied, in the Innovation Package, by the National Innovation Fund. The National Innovation Fund (FNI) is a procedure available to micro, small and medium-sized firms to grant them access to financial resources

for innovation, in the form of a stake in risk capital or unsecured subsidised loans. The FNI invests in firms through joint participation of public resources in transactions which are planned, co-funded and managed by financial brokers, asset management companies and banks.

The Fund is divided into two lines of activity: one dedicated to risk capital (i.e. investments in joint-stock companies and solely for industrial invention patents) and the other to subsidised loans (for industrial invention patents and for registered designs and models).

In order to acquire a stake in the risk capital of micro, small and medium-sized firms developing investment programs to maximise the economic value of a patent on an industrial invention, the Ministry of Economic Development has set up a Euro 40.9 million closed-end fund known as IPGEST, managed by INNOGEST sgr. Although the Ministry of Economic Development only has a 50% stake in IPGEST, almost the same as the private investors (Euro 20 million, against Euro 20.9 million), it is participating to a greater extent in covering any losses, with a lower share in earnings compared with the private partners. This leads to a wider participation of the private partner and to higher capitalisation of the investment fund which, as a result, has more resources at its disposal to invest in innovative firms.

The measure through which selected banks provide subsidised loans to micro, small and medium-sized enterprises is currently closed. The incentive provided to banks to give firms access to their resources is a pledge by the Ministry of Economic Development to cover any initial losses they suffer on the loan portfolio. Technically speaking, this is a form of virtual securitisation.

The commitment of the MISE to promote patenting is also reflected in another initiative: in August 2015, it announced funding of enhancement and capacity building projects of the Technology Transfer Offices (UTT) of Italian universities and public research agencies (EPR) in order to increase the capacity for innovation of enterprises, particularly SMEs, assisting the absorption and development of scientific and technological know-how in specific production sectors and local contexts, and in order to increase the intensity and quality of technology transfer (UTT) from universities and public research agencies to enterprise, by increasing the staff and improving skills. The 12-month program (renewable for a further 12 months), in which 34 universities and EPR are participating, with a total of 60 projects (1.5m€), covers 50% of the costs of long-term employment or the costs of a research grant for additional staff (maximum 1 or 2 people), when specific and predetermined objectives are achieved.

2.4 The Central Guarantee Fund for SMEs

This fund assists access to credit and development of micro, small and medium-sized enterprises, by providing them with public security on bank loans. If certain conditions are satisfied, the guarantee allows easier access to bank loans, by transferring the enterprise's insolvency risk from the bank providing the loan to the Guarantee Fund (for the part secured by the Fund) and, in the last instance, to the State, if the resources of the Fund are used up, as the Italian Government secures, in the last instance, the obligations of the Fund.

There are various operating methods. In the first place, the Fund may intervene through guarantees granted directly to the loaning banks (direct guarantee) or

through a counter-guarantee to the joint backers and other guarantee funds, the guarantors, in the first instance, of the loaning banks (counter-guarantee). A marginally important aspect, compared with operation of the Fund as a whole, are the co-guarantees, meaning the guarantees granted by the Fund jointly with a joint backer or another guarantee fund and directly to the loaning banks.

Through the Guarantee Fund, an SME has access to loans granted by banks covering up to 80% of the loan with a public guarantee of a maximum Euro 2.5 million of the secured amount. Through the Fund, the enterprise has access to credit, due primarily to the lower absorption of banks' regulatory capital as a result of zero weighting of the transactions secured by the Fund, provided they can be better, in terms of both the lower interest rates applied to the loan and the higher credit granted or accessory guarantees required by the lender. The Fund is also provided at low costs and, for enterprises in Southern Italy, those run by women and other types of beneficiary, completely free of charge.

Various corrections, improvements and additions have been made to the Guarantee Fund since 2011, through a series of laws and enacting decrees which have considerably extended its role and strengthened its operational capacity.

In contrast with the dynamics of credit in the country as a whole, over 102 thousand applications were accepted in 2015, up 19% on the previous year (Tab. 1). Most of the applications accepted came from micro enterprises, which account for 59.2% of the total (60,759 applications accepted). There was a higher increase for micro enterprises compared with the previous year (+23.7%). Industry was the sector with the highest number of applications accepted (46,587 transactions, or 45.4% of the total), followed by trade (39,354 transactions, or 20.7% of the total) and services (16,267 transactions, or 15.9% of the total). Compared with the 2014 data, there was an increase for trade (+20.7), industry (+18.4) and services (+15.9).

Tab. 1 - Operation of the Central Guarantee Fund – 2013/2015

	2013	2014	2015
No. applications accepted	77,234	86,231	102,607
Loan (Euro mln)	10,810.6	12,865.0	15,064.9
Secured (Euro mln)	6,414.0	8,342.9	10,215.5

Source: MISE processing of FCG data

The results for the different territorial areas show that most of the applications accepted in 2015 came from enterprises located in Northern Italy (48,815 companies, or 47.6% of the total) and Southern Italy (28,564 companies, or 27.8% of the total). Comparison with 2014 data indicates growth of 35.6% in Central Italy, 20.4% in Southern Italy and 11.2% in Northern Italy.

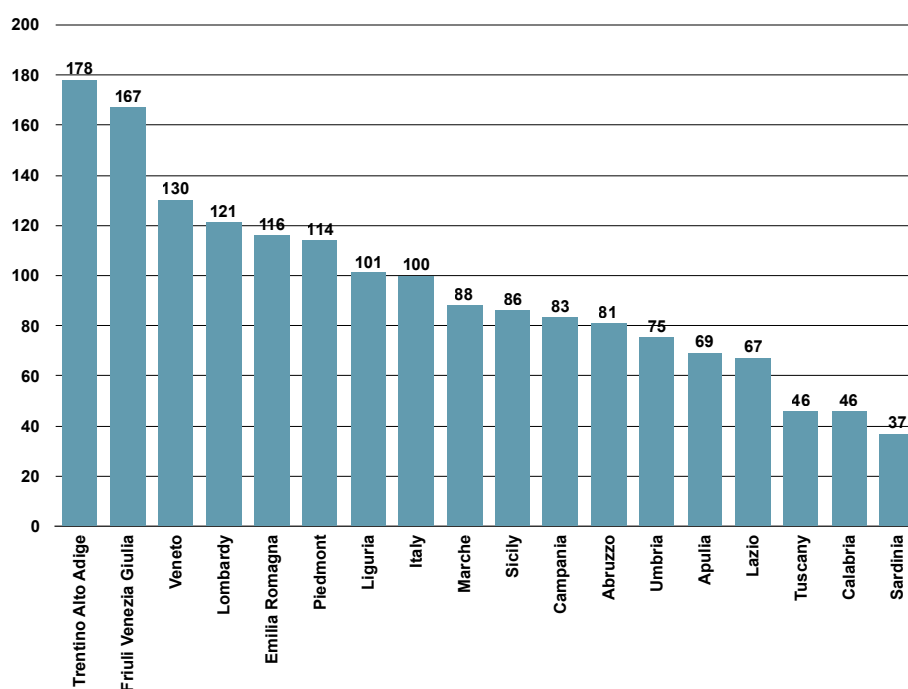
There was a slight drop in the average loans granted to enterprises, which was Euro 146.8 thousand this year, against Euro 149.2 thousand in 2014.

2.4.1 The Central Guarantee Fund for innovative start-ups and SMEs

The Central Guarantee Fund is now also available to innovative start-ups and SMEs. With particular regard to the first type of enterprise, 1,653 transactions had been guaranteed at 30 June 2016, of which 426 covered short-term bank loans. The total amount of FGPMI-assisted loans requested by innovative start-ups comes to just over Euro 417 million (with short-term loans accounting for around Euro 47 million); the secured amount is Euro 327 million (with short-term loans accounting for around Euro 36 million); the average amount of the loans requested by innovative start-ups is just under Euro 253 thousand, while the duration of the loans is fairly lengthy (54.2 months).

The Fund also supported six certified incubators in Lombardy (2), Lazio (2), Emilia Romagna and Veneto (one incubator each), with 11 directly secured transactions totalling around Euro 8.3 million in secured credit and activation of Euro 10.8 million in bank loans.

Graph 3 - Capacity for access to the FGPMI of innovative start-ups (Italy Index=100)*



Source: MISE processing of Infocamere and Mediocredito Centrale data

*Incidence of number of **start-ups** secured by the FGPMI as a percentage of the number of start-ups present in each region, in relation to the same percentage weight of Italy

Access to the guarantees offered by the Guarantee Fund for SMEs would appear to be a prerogative primarily for innovative start-ups in Northern Italian regions, which show a higher propensity than the national average. In particular, the index obtained as the weight of the number of start-ups using the Guarantee Fund for SMEs against the total number of start-ups present in each region shows that Trentino Alto Adige and Friuli Venezia Giulia are in the lead, with an index of over 1.7 times the Italian average value. They are followed by a group of regions formed of Veneto, Lombardy, Emilia Romagna and Piedmont, where the weight of start-ups secured by the Fund out of total start-ups present in the territory is,



in any case, higher than the national figure (index values between 1.2 and 1.5 times the Italian average). The indicator values in Liguria are in line with the national average. The remaining regions, located mainly in Central and Southern Italy, demonstrate a low propensity to use the fund, particularly start-ups in Lazio and Tuscany. Analysis conducted on data on applications secured by the Fund shows that use is much higher in the Northern Italian regions: Lombardy tops the list, with the highest number of applications (26% of the total), followed by Emilia Romagna (12.3%) and Veneto (11.1%).

2.4.2 The Central Guarantee Fund: from scoring to rating

A credit scoring system is currently used to assess the enterprises applying to use the fund, which combines the following four balance sheet indicators:

(Equity + m/l term liabilities)

Fixed assets

Equity

Fixed assets

EBITDA

Gross financial expenses

EBITDA

Revenues

A mark between 0 and 3 is awarded for each indicator, referring to the enterprise's last two financial statements, as a function of the deviation between the value of the indicator recorded by the enterprise and the "optimum reference value" for said indicator. A level is allocated to the firm (A, B or C) as a function of the total mark obtained – varying between a minimum of 0 and a maximum of 12 points. The enterprise is therefore associated with a specific level (e.g. year n-1, level B; year n, level A) for each company year. The levels registered by the firm in the two years examined, when combined, place the enterprise within a specific evaluation band. The table below shows that only enterprises in Band 3 are directly excluded from using the Guarantee Fund.

Table 2: Method of allocating enterprises to each evaluation band

YEAR N° - 1	YEAR N°	EVALUATION	
A	A	BAND 1	Enterprises with a good financial situation and economic-financial equilibrium
B	A		
A	B	BAND 2	Enterprises requiring detailed evaluation, based on further balance sheet indicators (analysis of cash-flow, current ratio, ROE, ROI, etc.)
B	B		
C	B		
C	A		
A	C		
B	C	BAND 3	Enterprises which are economically and financially “unhealthy”, excluded from the Guarantee Fund.
C	C		

Source: *Mediocredito Centrale*

The ministerial decree passed on 29 September 2015 started a project to review the SME Guarantee Fund evaluation system, with conversion from the current credit scoring model described above to a rating model which determines the probability of the enterprise defaulting beforehand by analysing its financial statements.

As a function of the value of probable default allocated to each enterprise following evaluation, the enterprise is placed on one of the different credit rating classes envisaged by the model, each of which has a specific range of probable default values. The Fund rating model currently being issued classifies enterprises as a function of their credit rating, on the basis of the following *rating scales*:

Table 3: Division by rating classes

RATING CLASSES	AREA	DESCRIPTION
1	Security	Enterprise with a highly positive economic profile and capacity to honour its commitments. Low credit risk
2	Solvency	Enterprise with a sufficient capacity to honour its commitments. Limited credit risk
3	Vulnerability	Enterprise with areas of vulnerability. Acceptable credit risk
4	Riskiness	Enterprise with areas of fragility. Significant credit risk
5	Serious riskiness	Enterprise with extremely serious problems jeopardising its capacity to honour its commitments, or already defaulting. High credit risk

Source: *Mediocredito Centrale*

As emerges from the table, the enterprise's riskiness increases moving from the highest to the lowest classes of the rating scale. Enterprises in the lowest class have a particularly high risk and are therefore excluded from use of the Guarantee Fund. After describing the rating model, it is possible to analyse the possible consequences of adopting it. In the first place, it is worth noting that introduction of the rating model serves two purposes: pursuing more selecting and efficient credit policies and a better and more efficient allocation of resources, which could also assist in curbing public expenditure.

The aim is to make the Guarantee Fund more selective, targeted and effective, increasing coverage as the riskiness of the enterprises increases and favouring those which effectively need State support. Creation and use of the rating model allows this objective to be pursued: the model classifies firms according to their riskiness and scales the intensity of coverage accordingly, thus improving allocation of public resources.

In the current situation, the Fund provides guarantees irrespective of the degree of riskiness of the secured enterprises. This means that the levels of coverage are also not differentiated as a function of riskiness. The result is that, with the current credit scoring system, enterprises with a good, or even excellent, rating have benefited and continue to benefit from the Guarantee Fund, even when there is no actual and effective need for the "subsidy" provided by public purse. The level of coverage set is also the one envisaged for each enterprise, without any distinction. This risks improper use of public resources, which are removed from those who actually need them and used by others who have no actual need.

After the economic and financial crisis of recent years, which led to a general increase in the coverage provided by the Fund up to the maximum ceiling set by EU regulations, with a consequent increase in the financial requirement and growing absorption of public resources, use of the rating model, which makes the entire public guarantee process more efficient, should contribute to improving allocation of resources and probably to limiting public expenditure.

2.5 Focus on “Nuova Sabatini”: elements of assessment

Article 2 of Decree Law 69/2013 introduced a subsidy known as “Nuova Sabatini”, which consists of subsidised loans for purchase, through leasing operations, of new machinery, plant and equipment for production plants. The two main objectives of “Nuova Sabatini” are increasing competitiveness of Italy’s production system and encouraging growth of investments. “Nuova Sabatini” is one of the incentives available to small and medium enterprises to renew their plant and equipment and exploits all the potential for recovery.

Various entities are involved. The Cassa Depositi e Prestiti (Cdp) has set a resources cap (Euro 5 billion) and provides the funds to banks and financial brokers. Credit institutes which have signed the MISE-ABI-Cdp Conventions or leasing companies possessing the guarantee issued by a bank which has signed the conventions can use the cap to grant loans.

The MISE grants a contribution to SMEs which covers the interest on bank loans, in relation to the investments made (with a total provision of Euro 385.8 million for 2014-2021). The contribution is equal to the total amount of interest, calculated on a standard repayment plan with six-monthly payments, at an annual rate of 2.75% for five years. The SMEs benefit from the contribution and the loan, which may also be secured by the “Guarantee fund for small and medium enterprises”, up to the maximum envisaged by current regulations (80% of the loan), on a bank loan with priority access.

The Inter-ministerial Decree of the Minister of Economic Development and the Minister of the Economy and Finance dated 25 January 2016, which revised the regulations of the “Nuova Sabatini” subsidy, was published in Official Gazette no. 58 of 10 March 2016.

According to the new regulations, the contributions for SMEs which purchase capital goods may also be granted on loans provided by banks and leasing companies for a different amount to the specific cap imposed by the Cassa Depositi e Prestiti. The decree reduces the times for the contributions to be granted and simplifies the procedures and the documentation to be produced for them to be granted.

At the end of June 2016, 79% of the total financial resources available had already been allocated. The resources resolved on the Cdp cap total around Euro 3.2 billion, with around 12 thousand applications. The corresponding MISE contribution totals Euro 245 million. Banks and financial brokers have resolved loans for investments of an average amount of around Euro 266 thousand.

76% of the applications have come from Northern Italy, which is home to around 49% of total non-agricultural Italian enterprises, 14% from Central Italy and 10% from Southern Italy. The most active region is Lombardy, followed by Veneto, Emilia Romagna, Piedmont and Tuscany.

47% of total applications have come from small enterprises (10-49 employees), 27% from medium enterprises (50-249 employees) and 26% from micro enterprises (0-9 employees). The Manufacturing sector leads the field, followed by Trade, Transport and Agriculture.

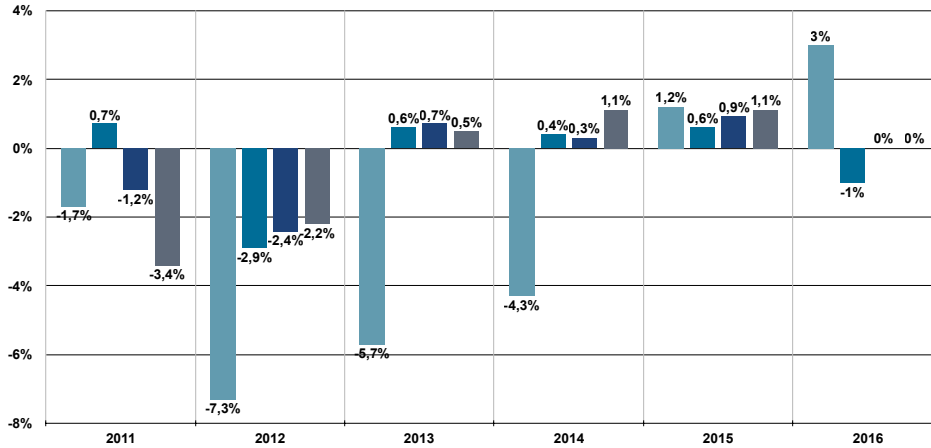
Aggregate quantitative data shows an increase trend for investment by enterprises: in 2015, gross fixed investments in plant, machinery and equipment increased constantly; after an extremely positive first quarter, there was a slight change in the second quarter (Graph 4).



According to UCIMU data, orders for machine tools, after an extremely positive first quarter of 2016, registered a 6.9% fall on an annual basis, while 2015 closed on average up 8.6% on 2014.

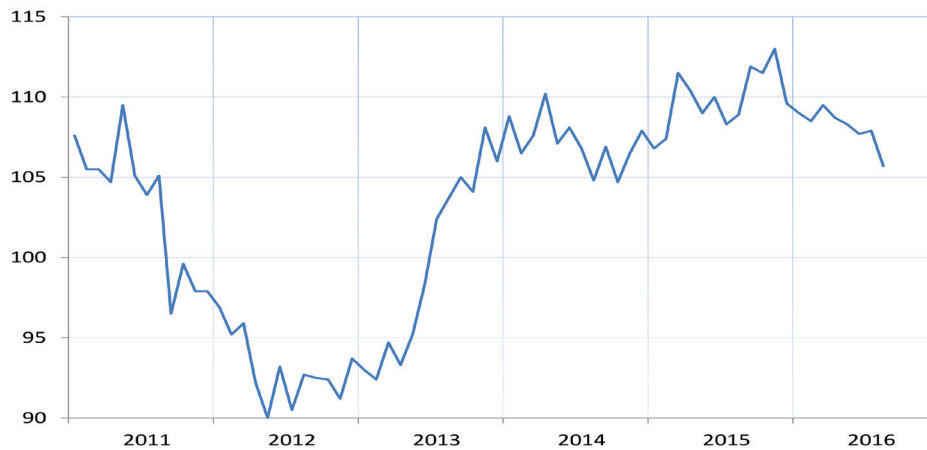
Surveys conducted on enterprises by the Istat confirm a slight drop in the confidence of firms manufacturing capital goods, although the levels remain similar to the pre-crisis levels (Graph 5).

Graph 4 - Dynamics of investments in plant, machinery and equipment – % variations on the previous quarter



Source: Istat

Graph 5 - Confidence of capital goods manufacturers- base index number 2010=100



Source: Istat

Interaction between public subsidies and a series of favourable internal factors (including better access to credit and more favourable expectations on development of production activity) should lead, according to recent forecasts of the CSC (September 2016), to a growth in investments during this year of 1.8%, mainly to support expenditure in machinery and means of transport (+2.9%).

2.6 Italy's mini-bond market

According to analysis by the Mini-bond Observatory of the School of Management of Milan Polytechnic, 'mini-bonds' are debt instruments (bonds and commercial papers falling due within 36 months) issued by listed and unlisted companies, due to the regulatory innovations introduced from the 'Development' Decree onwards. This relates, in particular, to issues by joint-stock companies and cooperatives with their own operations (excluding banks and insurance companies), for a maximum up to Euro 500 million, not listed on lists open to retail investors.

The mini-bond industry has confirmed constant development, which started in 2012 in response to the difficulties caused by the financial crisis and the credit crunch. The combined effect of reduction in company margins and the lower credit supply by the Italian banking system has led many firms to seek alternative sources of financing.

Once the regulatory framework was complete, 2015 marked the end of a transitory phase characterised by 'ad hoc' operations based on the needs of a small number of enterprises and the start of a genuine 'engineering' of the market, with the arrival of private debt funds and the insurance market.

2016 is also proving to be a year of gradual growth for the ExtraMOT PRO trading platform managed by Borsa Italiana, which allows firms to identify the most 'suitable' secondary market for mini-bonds, with simple, rapid and inexpensive admission procedures.

The search identified 173 enterprises which, at 31 May 2016, had placed mini-bonds in Italy (of which 23 for the first time in 2016). They include 77 identifiable as non-financial SMEs. Compared with 2015, the proportion of SMEs increased in 2016, from 48.3% to 73.9%. Most of the issuers are joint-stock companies (86.1%), but there are also limited liability companies and cooperatives. The sample also includes 18 firms already listed on the Stock Exchange.

The revenues of the issuing companies vary greatly; the highest number is concentrated within the range between € 100 million and € 500 million, but there are also a full 30 companies with revenues lower than € 10 million.

Over the first five months of 2016, there was particular growth in the number of issuers with revenues between € 10 million and € 25 million, while those with revenues between € 100 million and € 500 million fell. The manufacturing sector is by far the one which predominates. A wide variety of sectors are present, including trade and utilities, financial services and property brokerage, IT and construction.

Geographically speaking, Northern Italian regions prevail, supported by a considerable improvement of Veneto, although 2016 also saw a slight 'revival' of Southern Italy and a 'collapse' of Trentino Alto Adige, which fell from 20.7% of issuers in 2015 to 4.3% in the first five months of 2016.

The survey conducted by the Observatory also provides an overview of reasons, first among which is the objective of funding internal growth of the company (in 62.4% of cases, particularly for SMEs). Restructuring debt is in second place (particularly for large enterprises). This is followed by external growth strategies pursued through acquisitions, and the need to increase cash flows.

Analysis of the financial statements of non-financial companies which issue mini-bonds shows, on average, positive trends in profitability and liquidity prior to issue, linked to a good reduction in financial leverage.

Analysis of the financial statements of 34 enterprises which obtained capital through mini-bonds from 2012 to the first half of 2014 highlights the investment flows and post-issue funding. The 'three' most widely used 'models' are: 'aggressive growth' (increase in invested assets, but also in bank debt), 'prudent growth' (increase in invested assets and reduction of bank debt) and 'weight loss' (reduction in assets and bank debt).

A number of issues (10) were also listed on foreign exchanges (in Germany, Ireland, Austria and Luxembourg). Maturity date confirms a clear concentration on 5 years, particularly for large enterprises. The average value for the entire sample is 5.73 years and the median is 5 years. Several mini-bonds (particularly commercial papers) have a short-term maturity; however, there are 30 securities with a maturity date exceeding 7 years.

2016 saw an increase in maturity, with an average of 6.02 years, compared with 4.89 in the same period of 2015. In the majority of cases (59.9%) the security is repaid in full on maturity (bullet repayment), particularly for large enterprises and those listed on the Stock Exchange. In SMEs and in issued under € 50 million, the amortizing method is relatively frequent, with gradual repayment up to maturity. The coupon rate was almost always established at the start of the loan, while in 22 cases it was linked to a variable benchmark. The average value of the fixed coupon rate for the entire sample is 5.40%, while the median value is 5.5%.

The survey then identified the value chain on the mini-bond market. The advisor is a consultant who assists the company in making the initial strategic decision, in analysing the business plan and the information memorandum and in definition of the issue times and methods. Legal advisors check the formal aspects and compliance with the loan contracts, regulations and prospectuses. The arranger places the securities on the market, identifying potential investors and dealing with any 'fine tuning' in definition of the returns offered. A rating company is also involved, providing independent opinions on the issuer's solvency. Another important role is played by the agent bank and the custodian bank, which assist the issuers in the administrative processes associated with paperless securities and management of payments.

The Report of the Milan Polytechnic Observatory identifies the key players existing on the Italian market for each of these roles. Closed end funds subscribed the lion's share of mini-bonds in 2015, with around 36% of the total capital obtained on the market, followed by foreign banks (essentially the EIB, with 15.3%), Italian banks (14.9%), foreign funds (11.4%) and open end funds and Italian property management companies and SGR (9.7%).

The survey examined 12 private debt closed end funds which, at 31/12/2015, had already invested € 450 million in Italian mini-bonds. There are also 7 funds in the closing phase shortly and 4 initiatives in the initial fund-raising phase. Several of these initiatives will be supported by the Italian Investment Fund. As a whole, the estimate of further available resources for mini-bonds, if the planned targets are reached, could be € 900 million.

The potential for development of mini-bonds among SMEs remains high. Expectations for 2016 are for growth in line with 2015 data and incremental innovation in the type of securities and the methods.

CHAPTER 3

Dimensional growth: an industrial policy objective?

3.1 Introduction

SMEs are an important part of the European production structure, in terms of both percentage of total firms and in terms of their contribution to employment and value added. This role is even more important in Italy (particularly for micro enterprises), particularly for employment and revenues.

It is also a well-known fact that, compared with other countries, Italian small enterprise has lower productivity levels and a lower propensity for internationalisation. The questions to ask are therefore: does the small size of enterprises represent a structural weakness in itself or does the low quality of enterprise reach across the entire spectrum, irrespective of size? What are the mechanisms which convince an enterprise to increase in size? Does the agenda of *policy makers* in the major European countries include adoption of measures to boost growth in size, or do they mainly “compensate” smaller companies for the difficulties they encounter in staying on the market?

The MISE commissioned a survey from the European Research Centre (CER)⁹ to seek an answer to these questions and the results are summarised in this chapter.

The first part of the survey presents the most recent Eurostat data on the production structure of the EU28 and the major European countries (Germany, Spain, France, Italy, UK) and highlights how smaller Italian firms, compared with the rest of Europe, have characteristics which lead to a conflict with the aims of increasing productivity and internationalisation. In contrast, they would appear to contribute more to full employment than their counterparts in the rest of Europe (see paragraph 3.2 for the statistics).

The survey then concentrates on the key factors behind the preference of firms to remain small in Italy: these are internal (such as the desire to maintain family control and the idea that the success of an enterprise depends on unrepeatable models, i.e. that it is the result of the attitude, intuition, the business acumen of the individual entrepreneur and that little depends on adopting more complex organisational structures) and external (the Italian regulatory and administrative context would appear to have caused segmentation which has led to discontinuity in choices over size, such as the limit - now removed - of 15 employees in employment protection laws, the prevalence of a system of incentives which has allowed the choice to remain small to be accompanied by pockets of inefficiency, a banking system which is excessively local, etc.).

The industrial policy measures most recently adopted by the major European countries to accompany, encourage and maintain sustainability in consolidation of small enterprises are also examined. It would seem to emerge from this review that the objective of dimensional growth is not actually a priority of industrial policy and that “compensatory” measures would seem to prevail, i.e. policies aimed at

⁹ CER – Centro Europa Ricerche, La crescita dimensionale d’impresa in una prospettiva europea, October 2016.

compensating smaller enterprises for the additional difficulties they encounter in operating on the market. The CER Report also examines, for each country, what are considered to be the best initiatives for boosting the dimensional growth of enterprises. These initiatives range from measures to increase the degree of capitalisation of small and medium enterprises in Spain to those which seek to strengthen enterprise networks in France, initiatives which introduce vouchers to support high-technology firms in the United Kingdom, and plans to promote enterprise in Germany.

On the domestic front, the CER survey provides several recommendations for industrial policy to strengthen dimensional growth.

In the first place, the issue is examined in terms of priorities, in the sense that measures for growth in company size already exist, but their relevance tends to be concealed within a wider spectrum of measures dedicated to the system of small enterprises. As in other European countries, these measures tend to be compensatory in nature, i.e. they aim to reduce the disadvantages created by small dimensions in access to credit, development of innovation and expansion on foreign markets. However, compared with other countries, Italy suffers greater diseconomies deriving from size and this is precisely the specific characteristic which would justify placing dimensional growth as a primary objective of industrial policy.

This allocation of priority should also be accompanied by simplification which reduces the number of measures - and strengthens the most efficient ones - and assigns precise intermediate objectives to each of them.

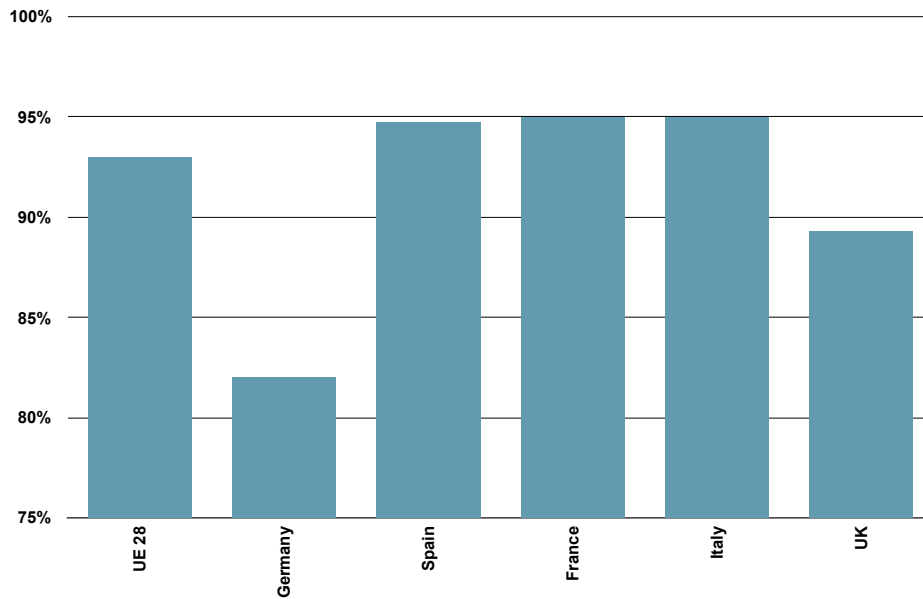
The proposal is to organise an initiative based on three measures only, which strengthen capitalisation with the company's own equity, to boost combination and to offer stakes to external capital (see paragraph 3.4)

3.2 Comparison with Europe

The prevalence of small enterprises in the Italian production system is a well-known fact. This emerges from Graph 1, which shows that, in 2013, the share of firms with less than 10 employees is basically identical in Italy, France and Spain, with a value around 95%. In contrast, the share of small firms is below 90% in the United Kingdom and 82% in Germany.



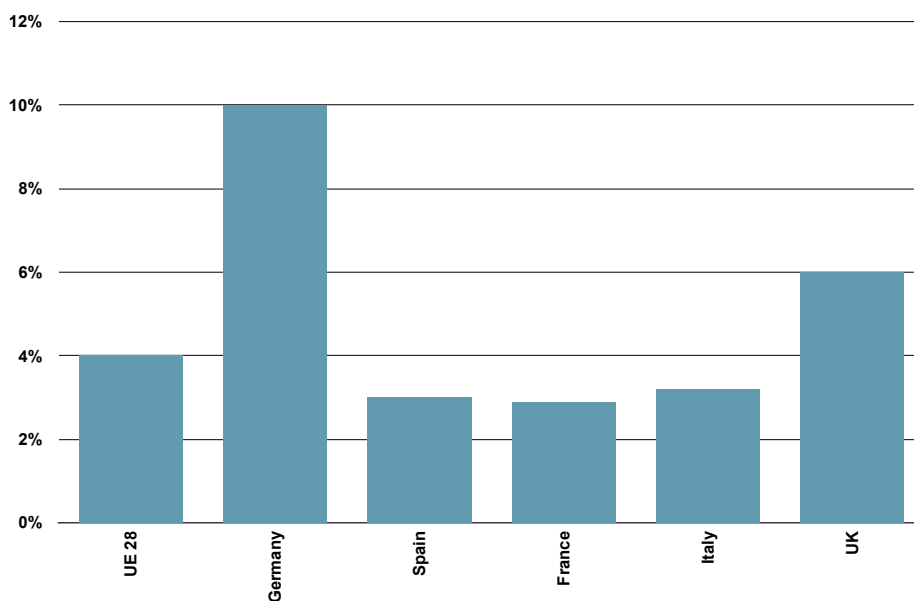
Graph 1 - Percentage of enterprises with 0-9 employees out of the total



Source: Processing of Eurostat data

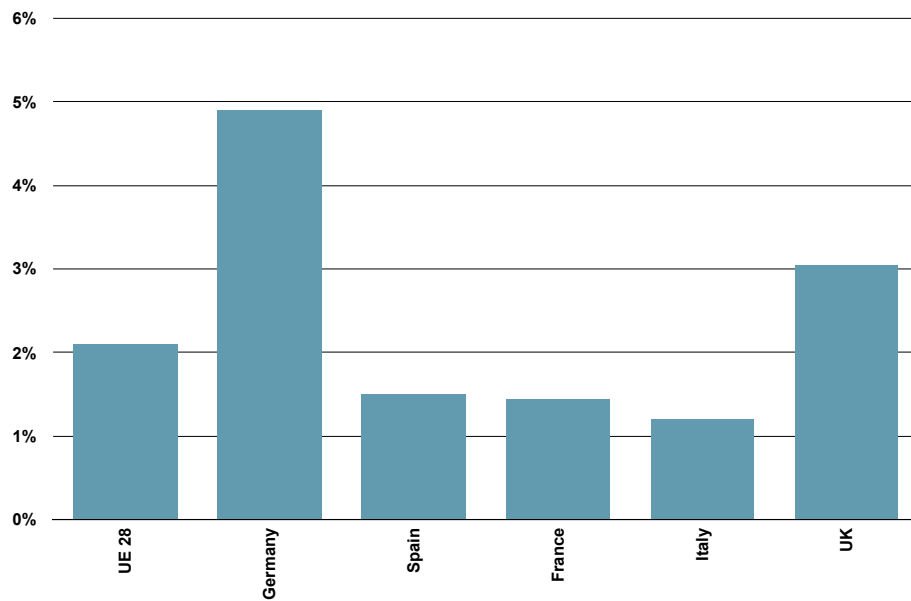
There is also alignment between Italy, Spain and France for larger enterprises, although the Italian share is always the lowest starting from 20 employees (Graphs 2-5). The difference in the United Kingdom and Germany is once again clear, with the latter country have the highest values for all classes starting from 20 employees upwards in the European comparison. As a whole, the distinguishing characteristic would appear to be the large size of German enterprises, rather than the prevalence of small enterprises in Italy.

Graph 2 - Percentage of enterprises with 10-19 employees out of the total



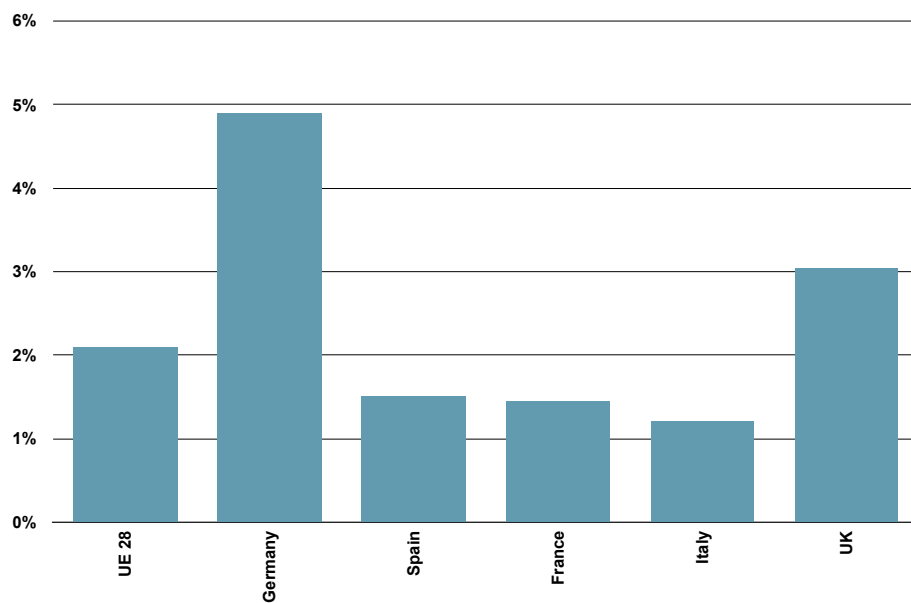
Source: Processing of Eurostat data

Graph 3 - Percentage of enterprises with 20-49 employees out of the total

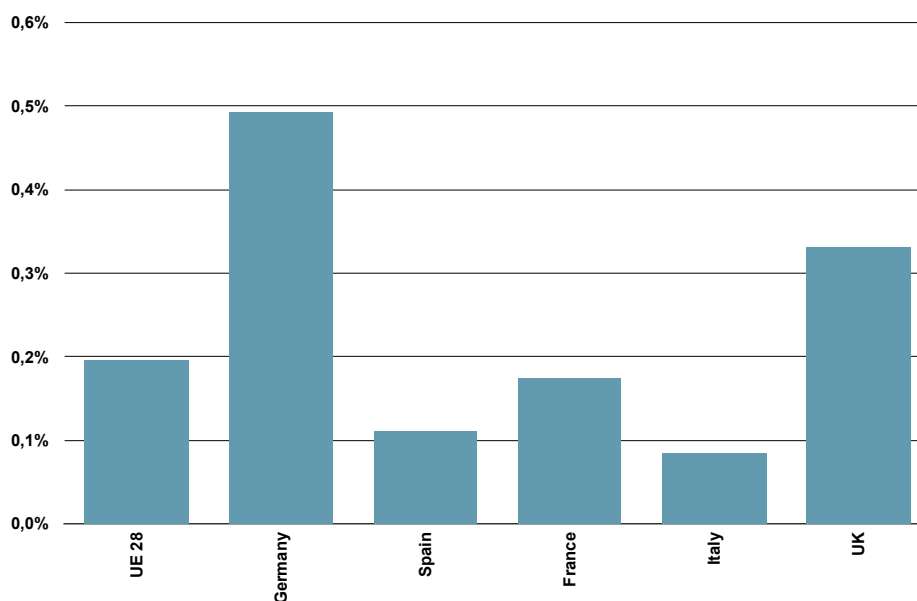


Source: Processing of Eurostat data

Graph 4 - Percentage of enterprises with 50-249 employees out of the total

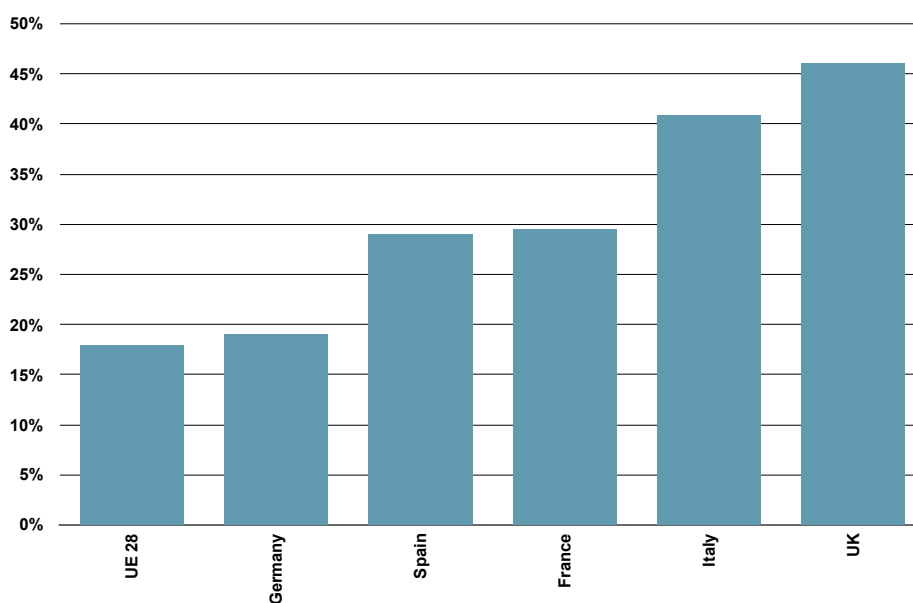


Source: processing of Eurostat data

Graph 5 - Percentage of enterprises with over 250 out of the total


Source: processing of Eurostat data

In contrast, the concentration of employment in smaller enterprises is entirely Italian, with over 46% of employees absorbed by the lowest class (Graph 6). The country closest to Italy is Spain, which concentrates 41% of workers in micro enterprises, while the percentages of other countries are much lower (comprised between 18.1% in the United Kingdom and 29.5% in France).

Graph 6 - Percentage of workers employed in the size class of 0-9 employees


Source: processing of Eurostat data

The marked differences between Italy and other countries in terms of distribution of employment are related to a lower average size not of the smallest enterprises, but rather the largest ones. The average dimensions of Italian enterprises in class 0-9 employees is, in fact, once again, in line with Spain and France - even though German and British small enterprises are larger than ours - while in the groupings from 20 employees upwards, the Italian enterprises are always smaller (the exception is in the class over 250 employees, where Germany registers the lowest average value) (Table 1).

Tab. 1 - Average size of enterprises (employees/number of enterprises)

	Total	0-9 employees	10-19 employees	20-49 employees	50-249 employees	over 250 employees
EU 28	5.9	1.9	13.9	31.7	102.7	1,011.2
Germany	12.1	2.8	13.4	30.3	99.1	931.4
Spain	4.5	1.9	13.2	29.5	99.0	1,052.5
France	5.1	1.6		35.0	115.6	
Italy	3.8	1.9	13.1	29.7	96.5	947.8
UK	10.2	2.1	14.4	36.3	108.7	1,410.6

Source: processing of Eurostat data

The evidence therefore shows an Italian anomaly in the right column of dimensional distribution of enterprises, i.e. in the fact that our medium-large enterprises are not as large as those in the rest of Europe. This may be attributable to the greater capacity to absorb employment of Italian micro and small enterprises compared with European enterprises of the same dimensions. The support provided by Italian small enterprise to employment is not accompanied by an equally important contribution to the process of economic growth. This is due to the low levels of productivity which characterise Italy's system of smaller companies as a whole. In this regard, Table 2 compares the levels of productivity by size of enterprise in Italy and in other European countries and shows that Italy is in penultimate place in the class up to 9 employees (only Spain is worse), while it is in second place in all the other dimensional groups. The lower productivity of the smallest companies is also such that it influences the overall figure, for which Italy is also in the penultimate place.

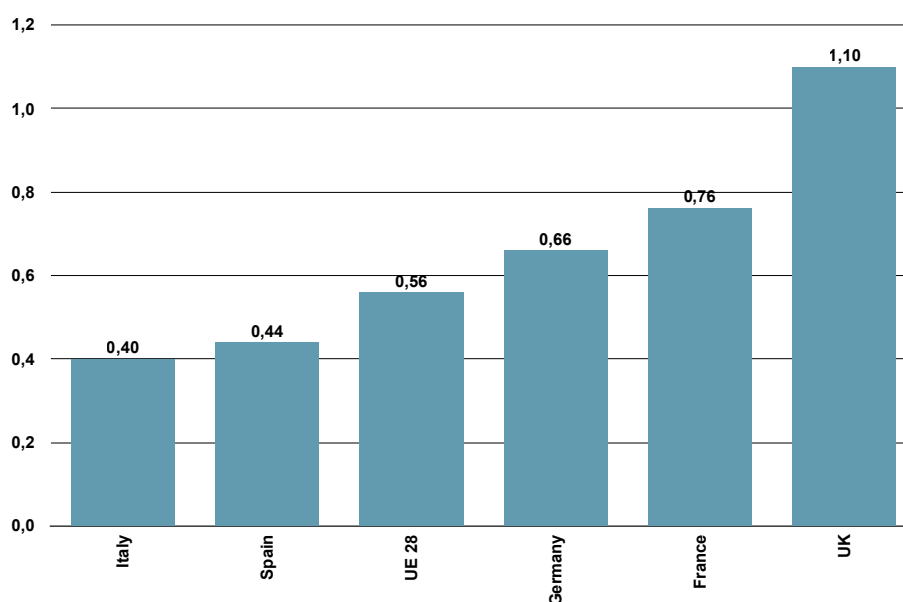
Tab. 2 - Ratio between value added to cost of production factors and number of employees

	Total	0-9 employees	10-19 employees	20-49 employees	50-249 employees	over 250 employees
EU 28	46,859	33,333	38,170	43,270	49,147	59,608
Germany	53,866	43,808	39,401	44,821	53,420	66,288
Spain	39,560	24,866	34,774	42,607	51,898	56,508
France	58,437	50,347		53,169	58,099	66,193
Italy	44,032	27,620	42,197	50,840	59,920	69,386
UK	57,948	64,097	48,061	48,843	62,118	58,067

Source: processing of Eurostat data

Perhaps an even more important aspect is the productivity differential between small and large enterprises, which is much wider in Italy than in the other countries. The productivity level of Italian small enterprise is just 40% of that of large enterprises, whereas this figure is 44% in Spain, 66% in Germany, 76% in France, while small enterprise in the United Kingdom is actually more productive than large enterprise (Graph 7).

Graph 7 - Levels of productivity of labour (enterprises up to 9 employees/enterprises with 250 employees and above)



Source: processing of Eurostat data

An important question is whether or not the low productivity levels of small enterprises can be explained by the particularly high presence in sectors characterised by low efficiency levels. However, the sector-based explanation would not appear to be confirmed empirically. In the first place, this is because small enterprise in Italy overarches all branches of production. In particular, the share of small companies is the highest in Europe in 8 sectors out of 12: in the

second place, the low productivity level of Italian small enterprises is found in all sectors, including manufacturing.

Based on the evidence available, the low productivity level is therefore a specific overall characteristic of Italian small enterprise, irrespective of the sector where it operates. From this viewpoint, there is therefore an effective conflict between the dimensional structure of the production system and the objective of economic growth.

The same type of conflict is also found for internationalisation objectives. Table 4 shows the highest concentration of Italian exporting firms in the first two size classes (less than 10 employees and between 10 and 49 employees). In other countries, despite the presence of high percentages, the values are lower than for the Italian ones. At the same time, the share of exports attributable to smaller enterprises is lower in Italy than elsewhere. This means the Italian small enterprises have a lower propensity to export than their European counterparts. The difference is most clear with respect to French small enterprises, which have an average export value which is considerably higher than the one for Italian enterprises. The value registered for UK enterprises is also much higher, while the figures for average export value of Spanish and German small enterprises is double the figure registered for Italian enterprises.

Tab. 4 - Exporting enterprises by employee class, international comparison

Employee class	Exporting enterprises	%	Exports*	%	Average exported value**
GERMANY					
less than 10	105,397	58%	39,808	4%	378
from 10 to 49	52,397	29%	63,316	7%	1,208
from 50 to 249	19,170	11%	128,799	14%	6,719
over 250	5,550	3%	692,518	75%	124,778
Unclassified	129,285		168,717		1,305
Total	311,799		1,093,160		3,506
SPAIN					
less than 10	62,541	66%	22,371	10%	358
from 10 to 49	23,128	24%	31,344	15%	1,355
from 50 to 249	7,328	8%	48,344	23%	6,673
over 250	2,140	2%	111,641	52%	52,169
Unclassified	61,834		22,075		357
Total	156,971		236,333		1,506
UNITED KINGDOM					

Employee class	Exporting enterprises	%	Exports*	%	Average exported value**
less than 10	86,772	65%	50,788	14%	585
from 10 to 49	33,258	25%	30,385	8%	914
from 50 to 249	10,387	8%	51,882	14%	4,995
over 250	3,449	3%	241,387	64%	69,987
Unclassified	3,331		32,613		9,791
Total	137,204		407,056		2,967
FRANCE					
less than 10	76,097	65%	83,965	20%	1,103
from 10 to 49	28,600	24%	42,528	10%	1,487
from 50 to 249	9,610	8%	62,760	15%	6,531
over 250	3,229	3%	229,418	55%	71,049
Unclassified	2,789		12,503		4,483
Total	120,325		431,174		3,584
ITALY					
less than 10	125,404	66%	22,523	6%	180
from 10 to 49	53,649	28%	69,706	19%	1,299
from 50 to 249	10,349	5%	107,442	29%	10,382
over 250	1,861	1%	170,871	46%	91,817
Unclassified	28,164		19,692		699
Total	219,428		390,235		1,778

Notes: * millions of Euro; ** thousands of Euro.

Source: processing of Eurostat data. Note: the percentages are calculated excluding "Unclassified enterprises" from the calculation.

Another area in which small enterprise has characteristics which are inconsistent with the growth process is the spread of innovation.

Various empirical studies have demonstrated that there is a positive correlation between size of the enterprise and innovation. However, this result is overarching, since it is valid both for the various countries analysed and for the various production sectors. Italian enterprises would not appear to be that distant from their foreign counterparts here and, on the contrary, the percentages show a level of innovation which is actually higher than many foreign enterprises.

Analysis of the data on research and development (Tab. 5) confirms that, on average, expenditure compared with GDP is lower in Italy than in other European countries, with the exception of Spain. However, if the Italian figure is compared with the German one, it may be noted that a difference is attributable only to larger enterprises, i.e. those with over 500 employees. In the other dimensional classes, the Italian figure is practically the same as the German one.

Tab. 5 - Expenditure in R&D compared with GDP, by size (2013)

	Total	0-9 employees	10-19 employees	20-49 employees	50-249 employees	over 250 employees
EU 28	5.9	1.9	13.9	31.7	102.7	1,011.2
Germany	12.1	2.8	13.4	30.3	99.1	931.4
Spain	4.5	1.9	13.2	29.5	99.0	1,052.5
France	5.1	1.6		35.0	115.6	
Italy	3.8	1.9	13.1	29.7	96.5	947.8
UK	10.2	2.1	14.4	36.3	108.7	1,410.6

Source: Eurostat

As far as concerns spread of innovation, the prevalence of small enterprises may therefore be considered as a “viscosity factor”, but, at least here, there would not appear to be a genuine disadvantage compared with the other countries.

3.3 The most recent policies in favour of SMEs in several European countries

3.3.1 An overview

Several conclusions emerge from examining the most recent measures adopted by several European countries in favour of small and medium enterprises:

- dimensional growth does not appear to be a priority on the Agenda of the *policy makers*; “compensatory” measures would appear to prevail, i.e. those aimed at compensating the smallest enterprises for the difficulties they may encounter compared with large enterprises;
- most of the measures appear to concentrate on entrepreneurship, in the belief that a more widespread spirit of enterprise, supported by a higher level of technical and scientific education and by a widespread campaign of information at schools, can have a positive effect on economic growth;
- size is the last variable of a more general growth process, so it will be the enterprise’s own choice to internationalise and/or to increase its own degree of innovation which then lead to a more complex *governance* and, subsequently, to larger dimensions: measures aimed at boosting internationalisation/innovation strategies may therefore indirectly constitute a “vehicle” for encouraging an enterprise to absorb more employment.

Analysis of the measures adopted in the individual countries shows that, in recent years, Spain has promoted important measures for small and medium enterprise, particularly for finance and internationalisation. In particular, starting from 2012, the Spanish government started dealing with the issue of late payments, e.g. through the *Pago un Proveedores* Plan and a fund to increase liquidity (*Fondo de Liquidez Autonómica*) for regional administrations, to assist them in paying outstanding invoices. Furthermore, at the end of 2013, the European Directive on late payments was incorporated into national law. As part of the Plan to eliminate late payments in the public sector, the Plan for payments to the supplier set aside Euro 75.5 billion to pay Euro 10.1 million in invoices to just over 293 thousand suppliers, 47% of which are SMEs. Over 70% was allocated to pay for basic public services.

Another area where Spain registers better performance than the EU average is the “Second chance”, i.e. those actions which ensure honest entrepreneurs declared bankrupt have a second chance. In this case, several important measures were adopted in 2015, including:

- the Relanza Program, a program introduced to support honest entrepreneurs who have faced bankruptcy to recover and recommence their business activities.
- Royal decree 1/2015, which deals with the problems of heavily indebted SMEs. This facilitates extra judicial agreements to improve debt restructuring of SMEs more rapidly and simply.
- Royal decree 11/2014 on urgent insolvency measures, which changes the agreement procedure with the creditor in order to avoid companies being liquidated. Like the previous measure, the objective is to restructure debt and guarantee profitability of the companies concerned.

There is also the tax reform, which forms part of a more complex set of structural reforms and which has led to a new process of economic growth in Spain. It came into force in January 2015 and plays a key role for recovery. Reduction of the taxes included in the tax reform is not limited solely to giving taxpayers a higher disposable income, but also aims to assist development of a more competitive business context.

Reduction of income tax (from 30 to 28% in 2015 and to 25% in 2016) makes this tax rate lower than the one of its main business partners, such as Germany, France or Italy.

At the same time, several measures have been adopted to improve technological innovation; in particular, public-private sector cooperation projects have been promoted to stimulate cooperation between research and technological sectors of firms in the form of networks.

Support for internationalisation of SMEs is another important priority and the 2014-2015 Plan for internationalisation of the Spanish economy is particularly important. This includes 41 measures which cover six main areas: employment environment, access to foreign markets, access to loans, business promotion and support for enterprises, in order to promote internationalisation and innovation.

France has introduced various initiatives to encourage entrepreneurship, such as the “self-governance” Charter (which simplifies administration of the enterprise), the EIRL Charter (which allows entrepreneurs to separate their personal assets from company assets) and the NACRE Program (support for the unemployed in opening or purchasing a company).

Since 2014, the PEPITE program has been supporting business projects of students in higher education, providing customised training and coaching and other support. The student-entrepreneurs benefit from a special status. Progress has also been made in starting cooperation between educational institutes and firms, but more training courses and apprenticeships are necessary to allow SMEs to find qualified personnel.

As part of the so-called Second Chance, the most important recent initiative was abolition of the “code 040” attributed to bankrupt entrepreneurs. Abolition of this code has assisted access to bank loans in the case of a single negative event over the previous five years. However, even though “code 040” has been abolished by the Central Bank of France, commercial banks still seem reluctant to grant new loans. France has also introduced measures to complete bankruptcy procedures within one year (the average period in France is currently 15 months).

On the issue of skills and innovation, France has introduced a series of measures to support R&D and, in one particular measure, innovation, including loans to assist innovation incubators and a Charter for innovative young firms aimed at introducing cuts to income tax and exemption from social security contributions on salaries for research and innovation activities.

Alongside the tax credit for research (CIR), aimed primarily at reducing research costs, tax credit for innovation (CII) has also been introduced as an extension of the CIR, intended particularly for SMEs with innovation projects: they offer tax credit equal to 20% of expenditure on projects to create prototypes and trial projects on new products, up to Euro 400 thousand.

In conclusion, measures for internationalisation have been adopted over recent years with the aim of simplifying the network of operators who assist in encouraging trade and exports. In 2015, the French agency for promotion of exports (UBIFRANCE) and the French agency for international investments (AFII) were merged to form the Business France Agency.

The priorities for measures in favour of SMEs in the United Kingdom have related primarily to improvement of conditions, particularly favouring a reduction in administrative costs, improvement of access to loans and strengthening of the innovation potential of SMEs.

The UK Government has announced five new measures starting from 2015. The most important of these measures is the Small Business, Enterprise and Employment Act. This is designed to reduce barriers and create new opportunities for small enterprises in innovating and competing and to assist them in obtaining the loans needed to create employment and contribute to growth and exports. The Act includes a wide and complete range of measures, including: access to loans; reform of regulations; public-sector contracts; training assessment (from school to the employment market); transparency of companies; simplification measures; directors’ debarment measures; insolvency.

An important part of the Government’s 2010-2015 strategy to reduce the flow of regulations for enterprises was introduction of the “*one-in, one-out*” rule, in which the Government agreed to eliminate the cost for enterprises of new measures. This rule was strengthened in January 2013 to become the more demanding “*one-in, two-out rule*” which forced government departments to double the savings in compensation of any costs created by the new regulations.

Over recent years, the Government has introduced a series of measures to support start-ups. These included systems of financial incentives, such as the 2010 *New Enterprise Allowance*, and technical support programs, such as the 2012 *Growth Accelerator*.

Three further new measures have been introduced to supplement the existing programs. The first is the new “My Business” support tool, which has been launched to assist companies in obtaining the most appropriate public or private support. Enterprises can contact a consultant through a *helpline* or directly through the enterprise assistance service. The second initiative was the *Business Growth Service*, which provides consultancy of an expert to SMEs to help them improve their business. The service aims to support up to 20,000 SMEs every year. The service has also been conceived as a way to create a community of ambitious entrepreneurs and firms with high growth. The third initiative provides support for those managing home-based businesses. The aim is to encourage people to start and develop this activity, by making it easier to manage a business from home.

The Government has introduced 13 principal measures for skills and innovation over recent years. Examples of these measures include the creation of a network of *Catapult Centres*, which provides companies with the opportunity to transform innovative ideas into products and services by providing access to the latest innovative technologies in sectors such as high-value products, cell therapies and offshore renewable energy. Various financial and tax incentive systems have been introduced. An example is the increase of the tax rebate for SMEs for R&D to 225% in the 2011-2012 tax year (and to 230% for the 2015-2016 tax year).

There are various priorities in the Agenda of measures in favour of SMEs in Germany: enterprise support programs for the unemployed as part of the approach to selective entrepreneurship directed towards quality¹⁰, coordination of business training, support for start-ups, full implementation of measures to reduce bureaucracy, support for risk capital, particularly *crowdfunding* and *crowdsourcing*.

Over recent years, the most significant progress has been made in measures for entrepreneurship and access to loans. This includes, in the first area, three important initiatives introduced in 2015. Two were dedicated to promoting entrepreneurship and a third created a network of successful women entrepreneurs.

The Council of the young digital economy created a new platform for correspondence between new young entrepreneurs and secondary schools. The schools are encouraged to invite the founders of successful companies and women entrepreneurs to come and talk about their business experience.

EXIST is a long-term support program aimed at improving the business environment at universities and research institutes and increasing the number of enterprises based on technology and on know-how. Conditions for *university-based* start-ups improved considerably in 2014.

Another important measure related to the principle of a second chance: the *Company Restructuring Simplification Act*, which came into force in 2012, aimed to strengthen the influence of creditors and shareholders, also assisting restructuring of self-governed enterprises at the same time. The regulations on insolvency were also changed, with a reduction in the procedure time from six to three years. This means that a debtor may be freed rapidly from the remaining debt and start a new enterprise.

10 This Program was drastically reduced and this caused a fall in the number of start-ups supported, from just over 146 thousand in 2010 to almost 32 thousand in 2014.

3.3.2 Best practices

The survey conducted by the CER extrapolated a best practice in each country from the various policies in favour of SMEs, i.e. the initiative considered to be the best in terms of impact on dimensional growth. These initiatives range from measures to increase the degree of capitalisation of small and medium enterprises in Spain to those which seek to strengthen enterprise networks in France, measures which introduce vouchers to support high-technology firms in the United Kingdom, and plans to promote enterprise in Germany.

Analysing the 4 best practices for each country separately, Law 27/2014 in Spain introduced a new capitalisation reserve: this means that companies may allocate up to 10% of the benefit obtained during the tax year to a tax-free reserve, with their own resources. This will serve to promote company self-financing and to reduce dependency on external resources. SMEs may further reduce their taxable income up to 10% through the creation of a compensation reserve (or reserve for future losses), with a maximum of Euro 1 million. This is aimed at compensating future tax losses with a limit of five years. Using the two reserves (capitalisation and compensation), SMEs can reduce their tax burden to 20.25%.

In France, companies have understood the importance of operating on a network to develop their own business for some time now. French chambers of commerce are heavily involved in the initiative and have assisted in the creation of a variety of business networks (sector networks, territorial networks, topic-based networks, etc.) and have developed specific skills on this issue. The chambers of commerce are involved in almost 2,000 enterprise networks, which represent over 200,000 companies. Over 500 full-time employees have been mobilised at the chambers of commerce to create these networks, using a series of methodological tools including:

- developing a training program to identify and strengthen the skills of business network leaders;
- making the diplomatic network a point of reference for the actions of network leaders;
- developing tools for maintaining the link between the local chamber of commerce and the network throughout its life cycle.

Several important results have been achieved, mainly in terms of good integration into the ecosystems of innovation and economic development of the local territory, greater involvement of micro and small enterprises in the networks and a greater boost for innovation.

The *Growth Voucher Programme* (GVP) is, according to the CER, the best practice in the United Kingdom. The objective of the program, launched in January 2014, was encouraging small enterprises to access the consultancy services of experts to assist their growth. At the deadline for filing applications in March 2015, over 28 thousand firms had successfully completed the procedure. The Program also includes an impact analysis. 6 months after it was introduced:

- there is proof of an impact on revenues, with a higher percentage of enterprises which received the GVP compared to the excluded ones indicating an increase in revenues compared with the six months prior to the program;
- there is evidence of a greater probability among enterprises with the GVP (compared with the control enterprises) of having undertaken actions which could be considered as intermediate steps on the route to achieving growth of the business and therefore employment. These include both general planning measures and specific actions;

- companies which received a GVP have a greater propensity to consider an application for consultancy in the future and have indicated that they are more willing to use the services of experts/consultants.

The comments by the enterprises and the consultants suggest that, in general, the diagnostic steps are working well and the enterprises are generally satisfied. The on-line procedure is considered to be simple and quick. However, firms would appear to appreciate more the possibility of discussing their long-term objectives and issues directly with an expert.

Two initiatives were adopted in Germany in 2015 aimed at promotion of entrepreneurship in schools:

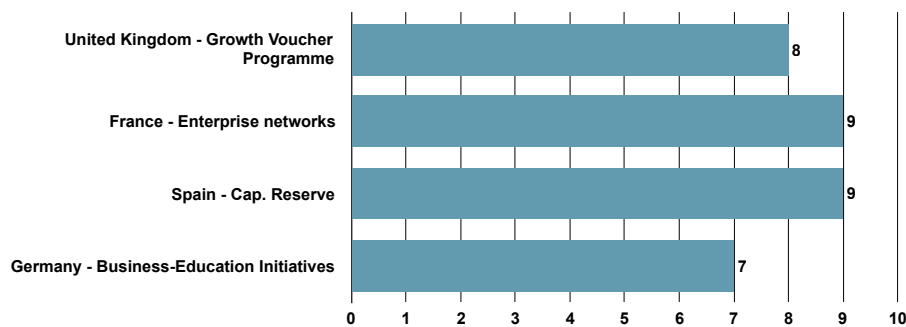
- Gründerstunde* The founder's time
- EXIST

Through this first initiative, the Council of the young digital economy created a new platform for correspondence between new young entrepreneurs and secondary schools. The schools are encouraged to invite the founders of successful companies to come and talk about their business experience. Training for teachers in developing business ideas suited to the strengths of young people is also planned.

EXIST is a long-term support program aimed at improving the business environment at universities and research institutes and increasing the number of enterprises based on technology and on know-how. The subsidies to cover costs for material and equipment in the pre-start-up and start-up phases have been tripled. An important factor is continuity of the program over time.

The impact of these measures on dimensional growth has been high and ranges between 7 and 9 (Graph 8)¹¹.

Graph 8 - Impact of best practices on dimensional growth (values from 1 to 10)



Source: CER – Centro Europa Ricerche, *La crescita dimensionale d'impresa in una prospettiva europea*, October 2016.

¹¹ For this purpose, the CER awards each measure a mark from 1 to 10, with a purely qualitative and discretionary approach.

3.4 A possible dimensional growth incentives plan for Italy

The Italian Government has adopted various measures to support the production system over the last two years. Refinancing of the Sabatini law, reduction of the IRES income tax rates, elimination of labour costs from the IRAP taxable base, exclusion of the so-called “fixed machinery” from IMU tax, tax relief for new recruitments and super-amortisation are just several of the initiatives through which the Italian Government has attempted to lighten the tax burden for companies, for a total amount which increased from around Euro 5.5 billion in 2015 to almost Euro 17 billion in 2017¹².

This refocusing of national legislation on the system of enterprise is partially offset by the reduction in resources provided by the Regions, which have fallen drastically over time. Irrespective of the opinion on the excellent level of public support for the production system, the recovery of weight for central Government initiatives has direct implications for the choice of means of intervention. State intervention must necessarily be directed towards use of general incentives, i.e. those which can be used by companies located throughout the country, with all this implies in terms of heterogeneity of specialisation and company behaviour. These needs for transverse intervention are probably better satisfied by tax measures (automatic), which act not by contributing State resources to the production system, but rather in the opposite direction, i.e. by reducing the resources which firms pay to the State.

Tax measures are also extremely popular, as they are governed by automatic mechanisms which allow firms to benefit from them, if the requirements are satisfied, without passing through authorisation procedures or selections made through specific bidding procedures. Measures aimed at encouraging dimensional growth of the production system must be included within these boundaries, at least at state level. It is therefore necessary not just to choose an objective, but also to pursue it with horizontal measures. How can these two components be reconciled?

A first suggestion is to use a small number of measures. This is partly due to the fact that dimensional growth would not appear to be high on the list of priorities of enterprises, particularly in Italy. Faced with low demand for this type of incentive, introducing too wide a range of measures would lead to a “confusion” which could reduce the impact. In contrast, it is important for the public operator to gamble on the efficacy of a small number of measures and attract the maximum number of enterprises possible to them.

On this basis, there are three types of measures which could be adopted: one to strengthen assets, one for combination and one to assist shareholder mobility. These are measures which the enterprise may decide to use singly or in combination.

The need for a measure to strengthen assets derives from a simple observation; industrial policy cannot choose the moment when an enterprise decides to increase in size, but it can attempt to remove the obstacles to this decision. Since opting for growth requires investment to adopt more complex organisational models and extend the sale markets, absence of capital is frequently an insurmountable obstacle, whether the intention is to seek additional resources through the banking system or to use forms of self-financing. It is therefore likely

12 A detailed analysis of the various industrial policy measures adopted in Italy over recent years in favour of SMEs as part of the ten SBA principles is contained in the Chapter One of this Report.



that under-capitalised enterprises are unable to move, whereas companies with sufficient capital could be ready to seize the growth opportunities offered by the market. In other words, it may be assumed that the probability of increasing in size is a direct function of the capital the individual companies possess.

A further measure could be aimed at business combinations, since this would allow a reduction in systemic diseconomies of scale caused by a fabric of small enterprises, increasing the degree of interconnectivity of the economy and thereby accelerating the accumulative component in development processes. The forms of combination allow this diseconomy to be reduced, even when there is no change in the original size.

It is also necessary to encourage greater mobility of company ownership. In this sense, it would appear strategic to encourage the private equity/Venture Capital market in Italy by introducing regulations for these operators which are better aligned with international best practices. The system of subsidies for the SME system would appear to include no means of guarantee for equity operations. Guarantee funds are, in fact, widely used for ordinary credit (the success of the Central Guarantee Fund for SMEs comes to mind, discussed in chapter two of this Report), and venture capital initiatives are also present, although not to the same extent as in other countries. A hybrid risk sharing measure could be prepared, which does not envisage direct entry into capital of the public operator, but rather a guarantee provided to private subscribers who participate in increasing the capital of a small enterprise.

Systematizing the three types of measures described could allow a clearer distinction to be made between the objectives of industrial policy. The objective of dimensional growth would become more important than now and could become one of the priorities of national policy. The remaining “compensatory” measures would remain, but their complementary role in an economic policy proposing to return the misalignment between the dimensions of the production system and macroeconomic results to the European average would become clearer. The three types of measure would respect firms’ allocation choices, but – by improving the degree of capitalisation and/or encouraging combination and/or offering guarantees to investors in private capital – could increase the convenience of increasing in size. In conclusion, division of duties by levels of governance could be assisted, with the national policy maker more greatly focused on the objective of dimensional growth and local administrations more active in use of compensatory measures, the efficiency of which increases the greater the ability to respond to specific requirements of the territory.

CHAPTER 4

The MISE Survey on excellent micro, small and medium-sized enterprises

4.1 Summary of the principal results

In May 2015, the Ministry of Economic Development carried out a survey on a representative sample of 1,000 excellent micro, small and medium-sized enterprises, with the principal aim of examining several issues in detail, including:

- the degree computerisation and investment strategies;
- innovation strategies;
- internationalisation strategies.

There is no single definition of excellent enterprises in the literature; for purposes of this analysis, 1,000 enterprises were chosen - from around 61 thousand enterprises (between 10 and 250 employees) with revenues between Euro 2.5 and 50 million - which satisfy at least two of the following three requirements: R&D expenditure in the 2012-2014 three-year period, a good level of management (presence of at least three managers/middle managers), made investments in innovation in 2014 or planned to make them in 2015.

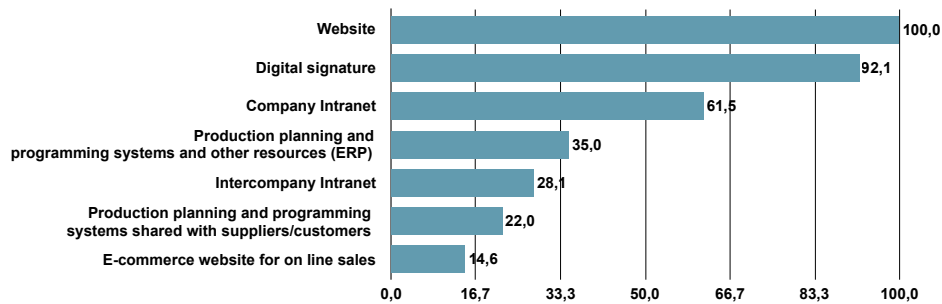
As indicated in Chapter 1, particularly in the recent period, the Government has adopted a series of measures to encourage research and development activities and technological innovation in general, adopting the so-called “picking the winners” approach; these measures aim to support and strengthen the most successful firms, which are projected towards international markets and adopt carefully structured technological innovation and internationalisation strategies. This is in the knowledge that innovative firms have an “edge” compared to ones which do not innovate (as confirmed by numerous studies and surveys), particularly as concerns the main company variables (revenues, employment, investments). The support aimed at this group of successful enterprises therefore provides a further stimulus for economic growth.

The purpose of the survey is to examine this type of enterprise, highlight the principal strengths and weaknesses and suggest several policy interventions as a consequence.

A) The degree computerisation and investment strategies

The degree of computerisation of excellent SMEs is satisfactory as a whole: the firms (particularly medium-sized ones) indicated that they are equipped with the major and latest IT tools; however, the percentage of firms which use a website for on-line sales is low (14.6%; 5.5% for enterprises supplying services to people and 8.3% for Southern Italian ones, Graph 1). Use of e-commerce for on-line sales and more complex ICT in general would also appear to be modest, confirming a considerable immaturity of excellent SMEs in terms of digitalisation of use of company data (Big Data).

Graph 1 - Degree of computerisation (% values)



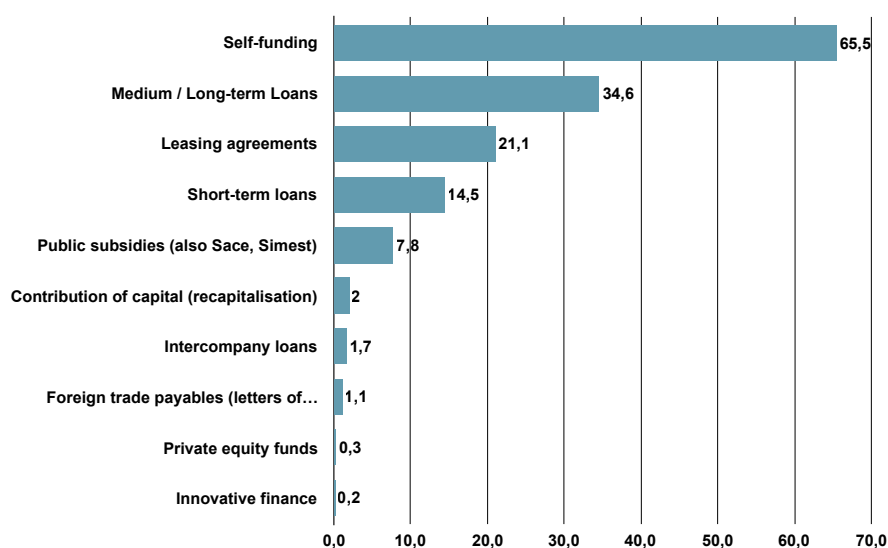
Source: MISE Survey, May 2015

The commitment to investment strategies of the firms interviewed was considerable: 83.7% of the firms indicated that they intend to make investments in 2015 (this percentage increases considerably as the size of the company increases and is particularly high in manufacturing and services for people). This high propensity for investment is worth mentioned, since it has occurred after a large number of years of “refusal” to invest¹³.

Most of the investments are concentrated on purchase of machinery (64% of the sample; 74.2% for manufacturing enterprises), in software and patents (37.9%) and for staff training (31.6%). Product and process innovations account for 30% of investments, while around 11% is spent on capital goods to achieve greater energy efficiency. The incidence of investments on revenues is around 8%, with peaks of 8.8% and 8.6% for companies supplying services to enterprise and manufacturing companies.

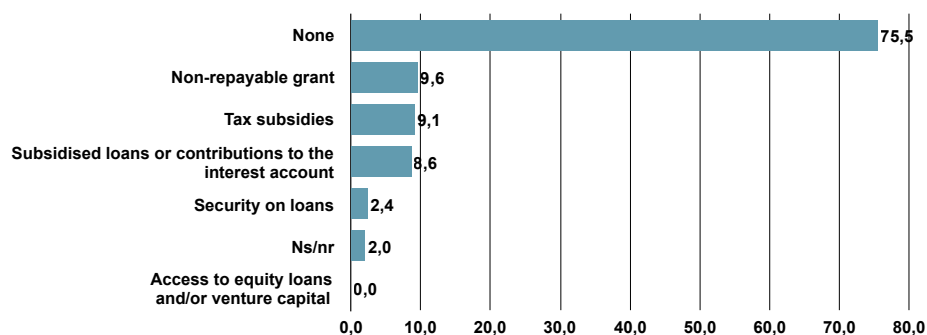
Concerning their principal sources of funding, excellent SMEs confirm that they are heavily dependent on the banking system (Graph 2): against a 65.5% contribution to total sources of funding of their own resources (self-financing), the enterprises indicate that they have used primarily medium/long-term borrowing, an indicator of greater planning and a company vision; in contrast, use of alternative and innovative sources of funding (such as mini bonds) is very modest.

13 The negative performance of investments over recent years has characterised not only Italy, but the entire European Union; in particular, from 2008 to 2014, gross fixed investments as a percentage of GDP fell by four percent (Baldi et al., 2014). For a more detailed analysis of the dynamics of investments in Italy and the interaction of the various negative factors, particularly the “uncertainty” factor, see Carnazza (2014).

Graph 2 - Principal sources of funding of investments (% values)


Source: MISE Survey, May 2015

It emerges from the survey that 75.5% of the sample does not use any public source to fund investments (this percentage tends to decrease as the size of the company increases); just over 27% declare that, of the various subsidies, they use the tax and monetary ones and non-refundable grants in a fairly homogeneous way (Graph 3).

Graph 3 - Public sources of funding for the investment process (% values)


Source: MISE Survey, May 2015

B) Innovation strategies

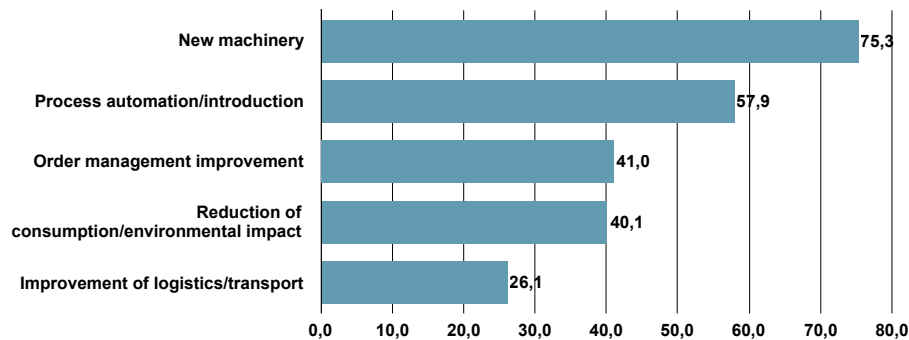
A high percentage of enterprises (96.7%) declared that they had invested in innovation during 2014 and planned investments in 2015 (95.4%).

Most innovations would appear to be concentrated on process innovation (62.1%; 73.9% for manufacturing firms), followed by product innovation (54.4%; 64.1% in manufacturing), and lastly organisational innovation (50.5%; the highest figure of 88.8% is for firms supplying services to people)¹⁴.

¹⁴ According to a survey carried out by Eurostat (January 2015) on the innovation strategies

Process innovations are directed, in the enterprises' intentions, mainly at the purchase of new machinery, process automation and improving order management. A certain "attention" is also focused on reducing consumption in terms of environmental impact (Graph 4).

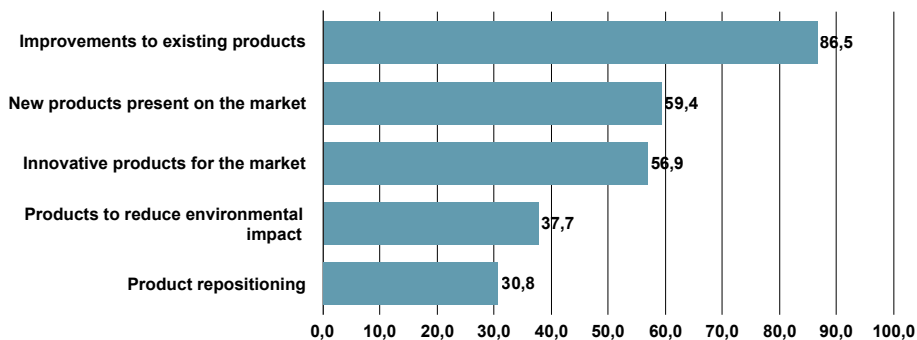
Graph 4 - Principal aims of process innovation (% values)



Source: MISE Survey, May 2015

In the case of product innovation, most of the responses concentrate on strategies to improve the quality of existing products; a considerable "effort" by enterprises to change their production range (aimed at manufacturing products already present on the market) and to create innovative products for the market also emerges (Graph 5).

Graph 5 - Principal aims of product innovation (% values)



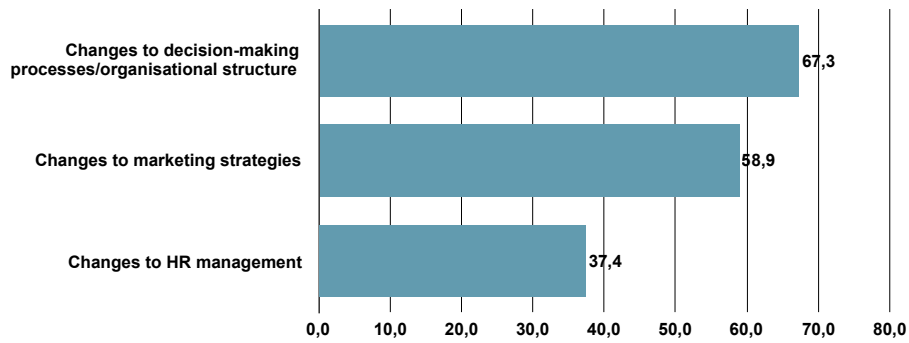
Source: MISE Survey, May 2015

Organisational innovations would seem to relate primarily to changes in organisational structure and marketing strategies (Graph 6).

of European enterprises in the 2010-2012 three-year period, Italy has a fairly homogeneous percentage of enterprises which have carried out product and process innovations, 29.1% and 30.4% respectively. In contrast, a net prevalence of enterprises focused on process innovation rather than those focused on product innovation emerges from the MiSE survey. However, the different results are not comparable, since the Eurostat survey refers to a representative sample of SMEs, whereas the MISE survey refers to a sample of 1,000 excellent SMEs.



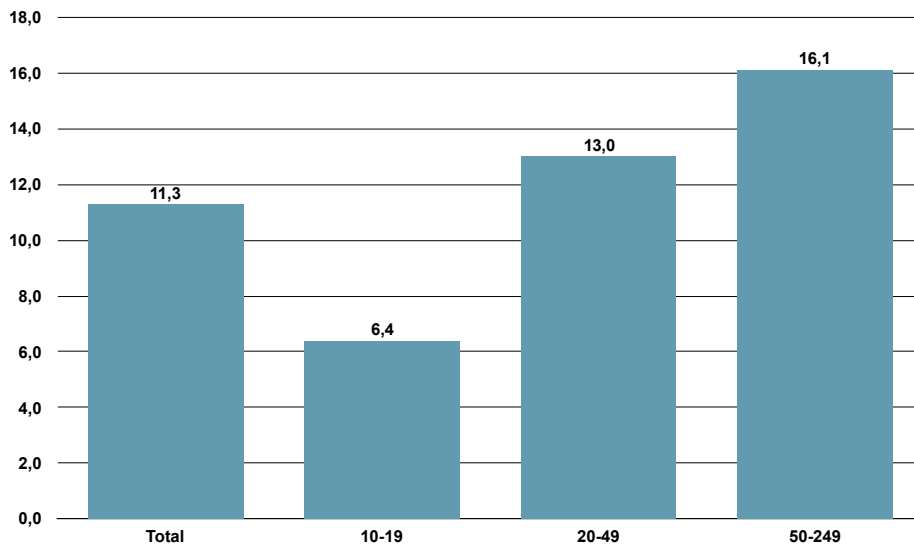
Graph 6 - Principal aims of organisational innovation (% values)



Source: MISE Survey, May 2015

Public financial support for innovation appears to be modest: only 11.3% of excellent SMEs declare that they have applied for public subsidies; this percentage increases considerably with the size of the company (Graph 7).

Graph 7 - Enterprises which have received public support for their innovation activities (% values)

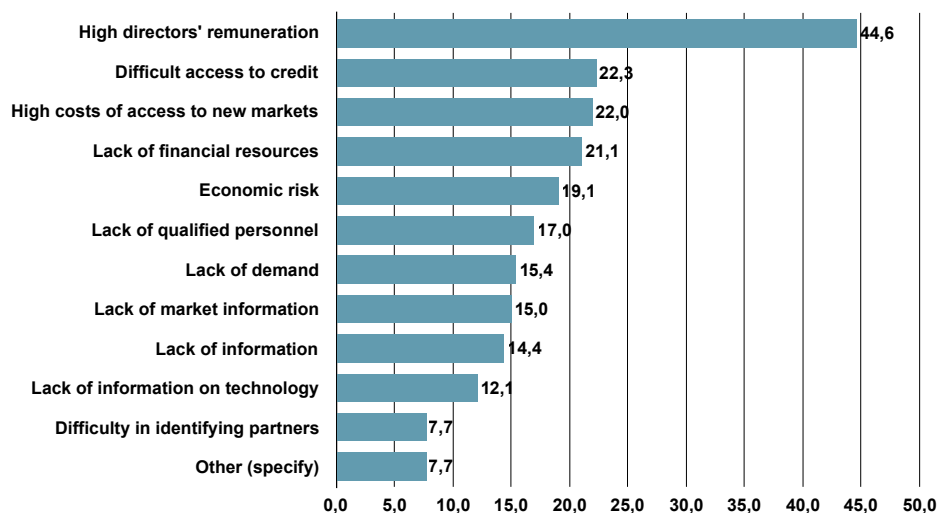


Source: MISE Survey, May 2015

Public resources come primarily from local or regional authorities (67.3%); the contribution of central government is more modest (27.4%).

The reasons for low use of these subsidies are primarily attributable to the high administrative and bureaucratic costs, the difficulties in access to credit and the lack of financial resources. These are followed, at some distance, by a lack of information on demand and on markets and on the principal tax and monetary subsidies for innovation (Graph 8).

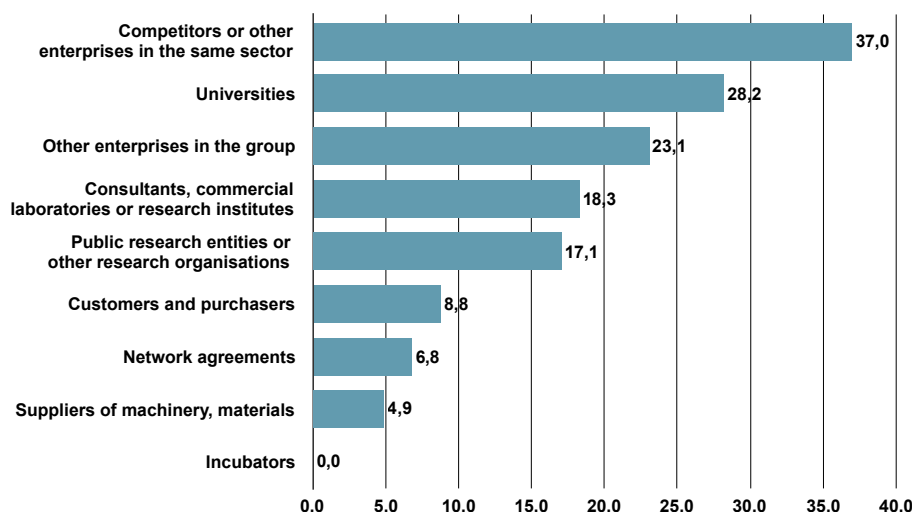
Graph 8 - Main obstacles to innovation (% values)



Source: MISE Survey, May 2015

Another weakness emerges from the survey, relating to the high degree of isolation which appears to accompany many enterprises in their innovation activities: in particular, 79.6% of the sample indicate that they do not cooperate with other “parties” (this drops to 76% among enterprises with 50-249 employees and to 60.1% among those supplying services to people). In the case of enterprises which do cooperate, the greatest degree of involvement relates primarily to competing enterprises or others in the same sector, universities, other enterprises in the same group (Graph 9); use of network agreements appear to be modest, despite the boom in use of this new instrument of industrial policy over recent years.

Graph 9 - Main parties cooperating in innovation (% values)



Source: MISE Survey, May 2015

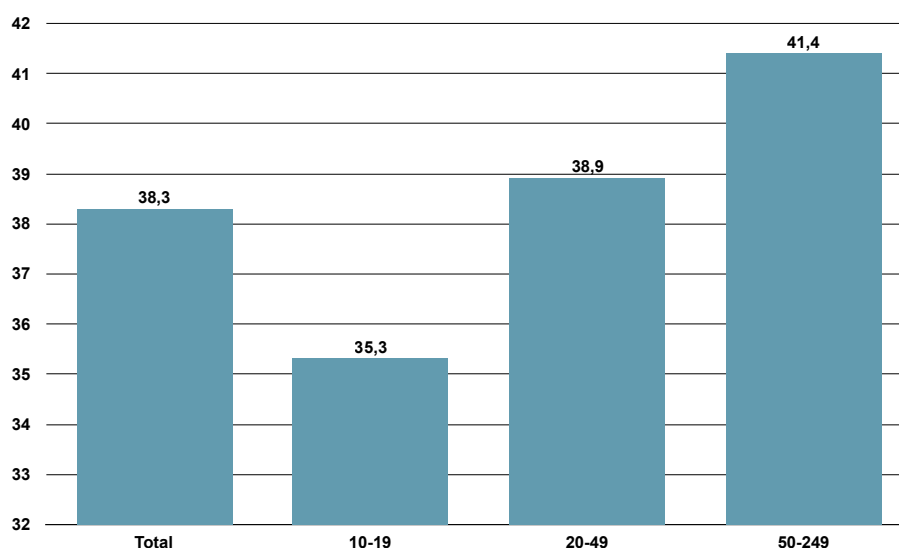
It is also worth noting that 27.1% of the sample stated they had never encountered any obstacle to innovation.

C) Internationalisation strategies

A large number of excellent SMES have distinguished themselves over recent years not only for the carefully structured investment and innovation policies, but also for having strengthened their degree of internationalisation outside the EU area, confirming that innovation and internationalisation strategies frequently intertwine. In particular, a high percentage of enterprises (56.3%; 73.4% among firms in the manufacturing sector) indicated that they performed activities abroad in the 2012-2014 three-year period, whereas 34.8% of revenues were exports, with a peak of 43.5% in the manufacturing.

Direct exports are indicated as the prevalent method (for 81.7% of total enterprises), followed, at a significant distance, by participation in trade fairs and exhibitions overseas (24%) and indirect exports (16.7%). These are followed by business agreement (for 6.2% of the enterprises interviewed) and partial and total production abroad (5.5%). At the same time, 38.3% of the sample (47.1% in manufacturing) indicate that they direct exports towards new markets; this percentage increases considerably as the size of the company increases (Graph 10).

Graph 10 - Enterprises which have exported to new markets (% values)



Source: MISE Survey, May 2015

Enterprises which directed their exports towards new markets respond predominantly (82%) that they have chosen non-EU countries.

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ATTACHMENT 1

The principal measures adopted in the second half of 2015 and the first half of 2016 to support micro, small and medium-sized enterprises

This Attachment summarises the principal measures adopted in the second half of 2015 and the first half of 2016 to support micro, small and medium-sized enterprises. The various measures have been “intersected” with the ten SBA principles, in the knowledge that many measures are over-arching and may involve several principles simultaneously.

As in the last edition, the 2016 SBA Report not only identifies the principal measures adopted, but also the relative state of functioning, indicating, for this purpose, whether the regulation is immediately functional or where it requires further enacting measures.

PRINCIPLE I – ENTERPRISE: CREATE AN ENVIRONMENT IN WHICH ENTREPRENEURS AND FAMILY BUSINESSES CAN THRIVE AND ENTREPRENEURSHIP IS REWARDED

The Government has adopted a large number of measures to favour enterprise; the most important include the initiatives approved in the Stability Law: tax credit for enterprises which purchase new capital goods destined for production structures located in subsidised areas of Southern Italy; extension to 31 December 2016 of the 65% tax deduction for anti-seismic work on buildings and 50% for building renovations; the extension, although with reduced amounts, of exemption from contributions in force in 2015.

Several measures have been adopted for the education system (Buona Scuola), including introduction of new forms of professional training by alternating school and employment and apprenticeships, in accordance with the Jobs Act.

MEASURE: National Fund for Youth Policies

REGULATORY REFERENCES: Decree dated 31 July 2015 of the Presidency of the Council of Ministers

BRIEF DESCRIPTION: THE decree dated 31 July 2015 of the Presidency of the Council of Ministers - Department for Youth Policies and National Community Service was published in Official Gazette no. 16 dated 21 January 2016, on the “Allocation of financial resources to the National Fund for Youth Policies aimed at promoting the right of young people to cultural and professional training and insertion into company life, also through measures to guarantee their right to qualification, and to assist access to credit for the purchase and use of goods and services”. The Fund for Youth Policies will fund, in 2015, projects of major national interest, and also actions and projects for the territory, identified jointly with the territorial agencies, according to the following allocation criteria: - with Euro 2,339,632.68 the “Actions and projects of major national interest” (art. 2); - with Euro 1,525,847.40 the “Actions and projects destined for Regions and Autonomous Provinces” (art. 3); - with Euro 1,220,677.92 the “Actions and projects for the territory” (art. 4).

FUNCTIONING OF THE REGULATION: Functional regulation.

MEASURE: School-employment alternation

REGULATORY REFERENCES: Law 107/2015

BRIEF DESCRIPTION: The alternation between school and employment is intended to provide young people with the necessary skills to enter the employment market, alternating hours of classroom training with hours spent at the company. With Law 107/2015, this new approach to teaching, aimed at students in the first two years and final year of secondary school, includes orientation to help the students in the choice they must make when they complete the study part. The period of alternation between school and employment is 400 hours for technical institutes and 200 for high schools. The school-employment training courses are possible for educational institutes under special conventions signed with enterprises, Chambers of Commerce and the third sector prepared to host the student during the learning period. Creation of the National Register for school-employment alternation at Chambers of Commerce is a means of facilitating the encounter between enterprises and educational institutes. The Register is divided into two sections: in the first, which is open and may be consulted free of charge, companies and public and private entities indicate the number of student they can host and the period of the year when training is possible. The second special section of the Register is for registration of the companies involved in the alternation courses and allows sharing of information on the company, the activity performed, the shareholders and other collaborators, revenues, equity, website and relations with other sector operators. Annual provision starting from 2016: 100 million. Impact forecasts: 1.5 students involved in the project in 2016-2018

FUNCTIONING OF THE REGULATION: Functional regulation.

MEASURE: Redetermination of the building register income of properties classified in building register groups D and E

REGULATORY REFERENCES: LAW 208/2015 - 2016 STABILITY LAW, art. 1, paragraphs 11-16

BRIEF DESCRIPTION: The new regulations on determination of building register income (through a direct estimate) for properties classified in building register groups D and E exclude from this direct estimate machinery, devices, equipment and other plant functional to the production process. The ground, constructions and plant structurally connected to them which normally increase the quality and utility of the property remain.

FUNCTIONING OF THE REGULATION: Functional regulation.

MEASURE: Tax deductions for building renovations, anti-seismic work and purchase of furniture

REGULATORY REFERENCES: LAW 208/2015 - 2016 STABILITY LAW, art. 1, paragraph 74

BRIEF DESCRIPTION: Both the tax deduction of 65% for anti-seismic work on buildings (buildings used as a main residence or for production activities in highly dangerous seismic areas) and the 50% deduction for building renovations have been extended to 31 December 2016. The Furniture Bonus has also been extended to 31 December 2016, i.e. the 50% deduction on a maximum expenditure of Euro 10 thousand for purchase of furniture and large household appliances in a class not below A+, and also A for ovens, equipment for which the energy label is required, in order to furnish the renovated building. For supply of

services relating to building recovery, routine and extraordinary maintenance on mainly private housing, a subsidised VAT rate of 10% is applied.

FUNCTIONING OF THE REGULATION: Functional regulation.

MEASURE: Company assets

REGULATORY REFERENCES: LAW 208/2015 - 2016 STABILITY LAW, art. 1, paragraphs 91-97

BRIEF DESCRIPTION: A 40% increase is planned in the tax cost of new tangible assets purchased (also by enterprises and freelance operators) from 15 October 2015 to 31 December 2016. The increase applies exclusively to amortisation and lease payments and also reduces Ires and Irpef, but not Irap. All capital goods are subsidised, with the exception of buildings and assets with an amortisation coefficient lower than 6.5%. The increase is also applied to motor vehicles, including those with limited deductibility, for which the maximum threshold increases from Euro 18,076 to Euro 25,306 (from Euro 25,823 to Euro 36,152 for agents).

FUNCTIONING OF THE REGULATION: Functional regulation.

MEASURE: Tax credit on capital goods

REGULATORY REFERENCES: LAW 208/2015 - 2016 STABILITY LAW, art. 1, paragraphs 98-108

BRIEF DESCRIPTION: Tax credit is granted to enterprises which purchase new capital goods destined for production plant in assisted areas of Southern Italian regions, from 1 January 2016 to 31 December 2019. The maximum tax credit granted is 20% for small enterprises, 15% for medium enterprises and 10% for large enterprises, within the limits of the regional aid charter. The form to be used by corporate taxpayers to benefit from the tax credit was published in the measure approved on 23 March 2016 by the Revenue Agency. The costs of granting tax credit to small and medium enterprises will be covered, for a total of Euro 250 million per annum (from 2016 to 2019, and therefore for a total Euro 1 billion), by European resources and national co-funding planned in the National Operating Plan "Enterprises and Competitiveness 2014/2020" and in the FESR Regional Operating Programs of the regions where the incentive is applied.

FUNCTIONING OF THE REGULATION: Functional regulation.

MEASURE: Exemption from social security contributions

REGULATORY REFERENCES: LAW 208/2015 - 2016 STABILITY LAW, art. 1, paragraphs 178-181

BRIEF DESCRIPTION: For long-term recruitment in 2016 by a private employer, an exemption from social security contributions will be granted for a maximum of 24 months and equal to 40% of the social security contributions paid by the employer, with a maximum annual cap of Euro 3,250. Apprenticeships and domestic employment contracts are excluded. The employee must not have worked for the same company in the three months prior to the law coming into force (1° January 2016). The subsidy reproduces, with reduced duration and amounts, the one already in force in 2015. Specific financial coverage is planned for recruitments in the agricultural sector. Use of the rotation fund envisaged by law

183/1987 for the plan of action and cohesion must be verified by 31 March 2016. The remaining amounts will be allocated to extending the renewed exemption, with reductions for 2016 for new long-term recruitments. The extension to 2017 relates to the Central and Southern Italian regions. The amount and duration may be altered to include procedures in favour of women who have been unemployed for more than six months.

FUNCTIONING OF THE REGULATION: Functional regulation.

MEASURE: Benefit companies

REGULATORY REFERENCES: LAW 208/2015 - 2016 STABILITY LAW, art. 1, paragraphs 376-384

BRIEF DESCRIPTION: “Benefit company” means those companies which, in performing an economic activity, not only pursue profits, but also one or more common benefits, and also operate responsibly, sustainably and transparently with people, communities, territories and the environment, cultural and social assets and activities, entities and associations and other stakeholders. “Common benefit” means the pursuit, in performance of the benefit company’s economic activity, of one or more positive effects, or reduction of the negative effects on one or more of the following categories: people, communities, territories and the environment, cultural and social assets and activities, entities and associations and other stakeholders. This regulation means that these companies can now be incorporated with any legal status envisaged by the Italian Civil Code, and particularly those identified in Book V, Titles V and VI, in accordance with the specific regulations, and, besides allocating their profits to shareholders, will also declare in their corporate purpose what type of positive effects their activities will have on the territory and community where they operate, thus binding the directors’ decisions. The transparency of benefit companies will be guaranteed by requiring them to prepare an annual report on pursuit of the common benefit, to be attached to the financial statements and published on the company website. A benefit company which does not pursue the common benefit is subject to the provisions of legislative decree no. 145 dated 2 August 2007, on misleading advertising, and the provisions of the Consumer Code indicated in legislative decree no. 206 dated 6 September 2005.

FUNCTIONING OF THE REGULATION: Functional regulation.

MEASURE: Incentives for Southern Italy

REGULATORY REFERENCES: LAW 208/2015 - 2016 STABILITY LAW, art. 1, paragraph 886

BRIEF DESCRIPTION: The paragraph establishes that at least 20% of resources of the SME Guarantee Fund must be allocated to enterprises and investments in the regions referred to in the Convergence Objective and those located in Molise, Sardinia and Abruzzo. The Guarantee Fund is a state subsidy which provides partial insurance of credit granted by credit institutes. With the current legislation, the related part of the budget has a provision of Euro 704 million 2016.

FUNCTIONING OF THE REGULATION: Functional regulation.

MEASURE: Third sector and social enterprise

REGULATORY REFERENCES: Law 106/2016



BRIEF DESCRIPTION: Over two years after publication of the “Guidelines for Reform of the Third Sector” by the Renzi government, the enabling draft law to reform the third sector, social enterprise and the regulations on community service has become law. A single national register, a Code for the third sector, reorganisation of regulations, including tax regulations, creation of universal community service and the National Council of the Third Sector and the Social Italy Foundation are the cornerstones of the reform law.

FUNCTIONING OF THE REGULATION: Regulation still to be implemented

PRINCIPLE II – SECOND CHANCE: ENSURE THAT HONEST ENTREPRENEURS WHO HAVE FACED BANKRUPTCY QUICKLY GET A SECOND CHANCE

Following approval of Decree Law no. 83/2015, converted into Law no. 132/2015, which introduced significant measures on enforcement and solvency procedures, the Council of Ministers approved the enabling draft law for reform and reorganisation of insolvency procedures in February of this year. In detail, the draft law continues in the same vein as the reform process introduced by Decree Law no. 83 of 2015, converted into Law no. 132/2015, which was adopted to provide urgent support to the activities of enterprises in crisis, by assisting their access to credit, and brings Italian insolvency laws into line with those of the other Member States, although regulatory harmonisation at EU level may follow on definition. The purpose of the draft law is completely to rewrite the regulations on insolvency procedures, by introducing warning mechanisms for prompt identification of company crisis, limitation on use of composition with creditors, extension of access to debt restructuring agreements with financial brokers introduced by Decree Law 83/2015 and definition of specific regulations for company group crisis. This is all supported by introduction of the “special court” for company crisis. The basic premise behind the measure is that a company with problems risks dragging other companies along with it (suppliers of goods and services and financial brokers), by continuing to accept obligations which it cannot satisfy. Dealing with cases of company crisis promptly limits the losses to the economic fabric, in both strictly business and also financial terms, or even allows the company to be restored to health, with benefits for employment and the surrounding economic fabric in general. The enabling draft law, which consolidates the initial steps taken by the Government in August 2015, marks a development in the reform, as immediate and urgent measures give way to a more broad and detailed reform of insolvency law. The law reforming bankruptcy law also:

- removes the word bankruptcy and focuses on the concepts of management of crisis and insolvency;
- simplifies the procedural rules, by reducing the uncertainties over interpretation and application which hinder insolvency procedures;
- includes regulations for review of extraordinary administration (Prodi and Marzano laws); the thresholds for access to the procedure are raised and the receivers are chosen from a specific professional register, all with the purpose of creating a balance between production continuity and employment of firms and protection of their creditors.

MEASURE: Measures on insolvency procedures

REGULATORY REFERENCES: Decree Law no. 83/2015, converted into Law no. 132/2015, arts. 1-11

BRIEF DESCRIPTION: The law contains several measures to support the credit market, which is currently weighed down by the huge amount of impaired loans, and to create a genuine secondary market of non-performing bank loans. The principal new features are:

Access to credit during a company crisis: the court may authorise temporary loans to assist a debtor who files for arrangement with creditors. This increases the possibilities of success of recovery plans for the enterprise in crisis.

Competing bids: the court may authorise bids to purchase company assets in arrangements with creditors, not only by the debtor, but also by third parties, provided they are better and comparable. This avoids impairment of company assets.

Alternative proposals to arrangements with creditors: possibility for one or more creditors to present alternative proposal's to the debtor's proposal in arrangements with creditors. This assists the entry of new capital into the enterprise in crisis and correct evaluation of the debtor's assets.

Official receiver: the figure of receiver is incompatible with the figure of court-appointed receiver. The receiver must be able to complete their duties within the required terms. This guarantees impartiality of the receiver and reduces the bankruptcy procedure times.

Debt restructuring: the agreement may be concluded with 75% of financial creditors, if they represent at least half the debt. This prevents several financial creditors from blocking the result of the procedure.

Deductibility of losses: losses on debts with banks and insurance firms will be deductible from Ires and Irap tax in the same year they are recorded on the balance sheet and no longer over five years, as has been the case until now. This encourages banks to dispose of impaired loans and increases the capital buffer for granting new loans.

FUNCTIONING OF THE REGULATION: Functional regulation.

MEASURE: Measures on enforcement procedures

REGULATORY REFERENCES: Decree Law no. 83/2015, converted into Law no. 132/2015, arts. 12-15

BRIEF DESCRIPTION: Decree Law 83/2015 has introduced numerous new provisions on enforcement procedures. The principal new features are:

Enforcement on unavailable assets or assets disposed of free of charge: introduction of the new art. 2929-bis of the Italian Civil Code allows enforcement for real and registered movable assets of the debtors, even if subject to the restriction of unavailability (or disposal free of charge), without a prior sentence declaring invalidity of the restriction or transfer, when the restriction has arisen after the credit and if foreclosure has been transcribed within one year of the date when the document itself has been transcribed. This possibility is also granted to prior creditors if, within one year of transcription of the prejudicial document, they participate in an enforcement action brought by others.

The “new” writ of execution: the reform also increases the content of the writ of execution, amending paragraph 2 of art. 480 of the Code of Civil Procedure to include the obligation for the creditor to warn the debtor, in the same document, of the possibility of requesting the assistance of a crisis settlement board or a professional consultant appointed by the court, in order to “settle the situation of over-indebtedness”, reaching a crisis settlement agreement with the creditor or proposing a consumer’s plan.

Conversion of foreclosure into “instalments”: the possibility for the debtor to convert foreclosure into “instalments”, if certain conditions are satisfied, has been introduced. According to the new paragraph four of art. 495 of the Code of Civil Procedure, the debtor may ask for the foreclosed assets or debts to be replaced with a cash sum, to be reimbursed in instalments.

Loss of efficacy of foreclosure: another important new feature of the reform is halving of the terms for loss of efficacy of foreclosure. By amending art. 497, paragraph one, of the Italian Code of Civil Procedure, the decree, starting from its entry into force, requires sale or assignment of the foreclosed assets to be requested within 45 days (in place of the current ninety days), failing which it is ineffective.

Sale of foreclosed assets and value of real property: the term for filing the petition is reduced from 120 to 60 days. It will also be the court which establishes the total number of attempted sales, which may not be less than three, and the “criteria for determining the relative reductions, the methods of depositing the sum obtained from sale and the final term, no less than six months and no longer than one year, at the end of which the party assigned to make sale must return the documents to the court records’ office”. According to the new art. 568 of the Code of Civil Procedure, the value of the foreclosed property will also be determined by the court, considering “the market value on the basis of the elements provided by the parties and the expert appointed pursuant to article 569, paragraph one”.

Limitations on salary and pension garnishment. The reform also alters the maximum limit of salary and pension garnishment, which is normally established as one fifth.

Public sales portal: auctions of real and registered movable property will be performed on line on the single portal of public sales and publication will be compulsory, failing which the procedure will be invalid.

Fast track for on-line search: the search for assets to be foreclosed, introduced by Decree Law no. 132/2014 (see art. 492-bis of the Code of Civil Procedure) and currently unenforceable, since the specific ministerial decree has not been passed, is reformed by the current decree. The measure allows the creditor immediate access to databases to search for assets to be foreclosed (contacting the providers independently), without having to wait for the enacting order. The measure, envisaged by the addition to art. 155-quinquies of the enacting provisions of the Code of Civil Procedure, will cease to be effective if the ministerial decree is not adopted within one year of the reform entering into force.

FUNCTIONING OF THE REGULATION: Functional regulation.

PRINCIPLE III – THINK SMALL FIRST: DESIGN RULES ACCORDING TO THE “THINK SMALL FIRST” PRINCIPLE

The “Think small first” principle is widely reflected in legislative decree 139/2015,

which distinguishes between micro and small enterprises in order to guarantee that the accounting costs of preparing annual financial statements are proportionate to the different company types.

MEASURE: Simplified annual accounts for micro and small enterprises

REGULATORY REFERENCES: Decree Law no. 139/2015

BRIEF DESCRIPTION: The legislative decree implements, at national level, directive 2013/34/EU, the new accounting directive which replaced directive EEC no. 78/660 (better known as the “Fourth Directive”), on preparation of annual accounts, and directive EEC no. 83/349 (better known as the “Seventh Directive”), on preparation of consolidated annual accounts. Legislative decree no. 139/2015 not only introduced highly significant changes to the regulations of the Civil Code on preparation of annual accounts, but also the new category of micro enterprises, for accounting purposes, maintaining the category of small companies. In contrast, the category of medium enterprises, for which the requirements on annual accounts are the same as for large companies, has not been introduced. In summary, therefore, for preparation of annual accounts, the Civil Code recognises: micro-enterprises, small companies; non-small companies. This is a momentous change, since the new system entirely replaces the “old” directives and does not simply correct several specific aspects. The new measures came into force for the annual accounts of company years from 1 January 2016.

FUNCTIONING OF THE REGULATION: Functional regulation.

PRINCIPLE IV – RESPONSIVE ADMINISTRATION: MAKE PUBLIC ADMINISTRATIONS RESPONSIVE TO SME’S NEEDS

For administrative simplification and innovation, the Italian Government has introduced two fundamental measures on the taxation and Public Administration front. Through the enacting decrees of enabling Law no. 23 dated 11 March 2014, the Government revised the taxation system in order to identify rapidly several solutions to the need for simplification and certainty of the taxation system, protection of taxpayers’ rights and reduction of the tax pressure on families and enterprises which the economic recession has made even more inevitable. Through reform of the Public Administration, the Government has aimed to recreate the relationship of trust between citizens and State, recovering resources in order to return them in the form of services, enhance the role of public-sector employees as the driver of change, support development and encourage employment. The reform has been conceived to be as simple as possible: it makes existing regulations more efficient, amending them where dialogue with citizens and with enterprise shows that obstacles have been created over the years. The reform was preceded by a public consultation on the guidelines of reform of the public administration, and around 40,000 e-mails containing citizens’ comments and proposals were received.

MEASURE: Electronic invoicing between private operators

REGULATORY REFERENCES: Legislative decree no. 127/2015 (implementation of the tax measure - Law no. 23 dated 11 March 2014)

BRIEF DESCRIPTION: After electronic invoicing between private operators and the Public Administration (art. 1, paragraphs 209-214, law no. 244/2007),

the decree extends voluntary use of electronic invoicing to the private sector from 1 January 2017. In exchange, taxpayers obtain simultaneous abolition of several reporting obligations; the register of income and expenses (i.e. the list of all transactions relevant for VAT purposes); transactions with black-listed countries; the list of intra-Community purchases of goods; the summary list of intra-Community services received.

FUNCTIONING OF THE REGULATION: Functional regulation.

MEASURE: Certainty of rights in the relationship between the taxpayer and the revenue agency

REGULATORY REFERENCES: Legislative decree no. 128/2015 (implementation of the tax measure - Law no. 23 dated 11 March 2014)

BRIEF DESCRIPTION: The measure contains the new regulations on abuse of the right, which is intended to govern situations in which the tax benefit gained from a business transaction is unlawful. The measure also introduces several rules on cooperation (“fisco amico”), whereby the revenue administration will improve relations with taxpayers by becoming a business consultant of enterprises, and circumscribes the possibility of doubling the times for audits in the case of criminal offences.

FUNCTIONING OF THE REGULATION: Functional regulation.

MEASURE: Disputes with the revenue agency and appeals

REGULATORY REFERENCES: Legislative decree no. 156/2015 (implementation of the tax measure - Law no. 23 dated 11 March 2014)

BRIEF DESCRIPTION: The aim of the decree is to make more room for tax mediation and judicial settlement, by extending mediation to documents issued by all taxing entities and not only those issued by the Revenue Agency, and to change the appeals system, by dividing them into five types. The intention is to facilitate discussions with the revenue agency; if it does not respond within the required times, the tacit consent principle applies.

FUNCTIONING OF THE REGULATION: Functional regulation.

MEASURE: Revenue agencies

REGULATORY REFERENCES: Legislative decree no. 157/2015 (implementation of the tax measure - Law no. 23 dated 11 March 2014)

BRIEF DESCRIPTION: The decree introduces public tenders to deal with the difficulties facing revenue agencies and the aim is to reduce management positions by up to 5%. The intention is to outline a model 2.0 for revenue agencies, which will be required to promote digitalisation of processes to reduce the costs of satisfying their obligations sustained by enterprises.

FUNCTIONING OF THE REGULATION: Functional regulation.

MEASURE: Reform of the penalty system

REGULATORY REFERENCES: Legislative decree no. 158/2015 (implementation of the tax measure - Law no. 23 dated 11 March 2014)

BRIEF DESCRIPTION: The decree, which amends the system of criminal and administrative penalties, increases from Euro 50,000 to Euro 200,000 the threshold for the offence of non-payment of VAT; the threshold for untruthful tax returns is also increased, from the current Euro 50,000 in evaded taxes to Euro 150,000; the threshold of non-punishability of 3% on the evaded taxable amount is abolished. The decree both reduces the penalties for conduct which, although unlawful, is not fraudulent, and increases the penalties for the most serious offences.

FUNCTIONING OF THE REGULATION: Functional regulation.

MEASURE: Reorganisation of collection

REGULATORY REFERENCES: Legislative decree no. 159/2015 (implementation of the tax measure - Law no. 23 dated 11 March 2014)

BRIEF DESCRIPTION: The decree reduces from 8% to 6% the commission for collection (i.e. the payment for debt recovery activities), the proceeds of which will no longer go to Equitalia, but entirely into the State coffers. The concept of “minor non-fulfilment” is introduced for payment in instalments, which means this benefit is not lost in the case of minor non-fulfilment.

FUNCTIONING OF THE REGULATION: Functional regulation.

MEASURE: Tax expenditures

REGULATORY REFERENCES: Legislative decree no. 160/2015 (implementation of the tax measure - Law no. 23 dated 11 March 2014)

BRIEF DESCRIPTION: The decree envisages the so-called “tax-cutting fund”, which will be created using the proceeds of the fight against tax and social security contributions evasion and a review of subsidies. Each year, the Government will inform Parliament of the regulations needed to eliminate, reduce or change tax expenditure. The sums recovered will be allocated to reduction of taxes, particularly those on employment.

FUNCTIONING OF THE REGULATION: Functional regulation.

MEASURE: Reform of the Public Administration - review and simplification of measures on prevention of corruption and transparency in the public administration

REGULATORY REFERENCES: Legislative decree no. 97 of 16 May 2016

BRIEF DESCRIPTION: The “public money” website was established, allowing a rise of eight places up the world ranking on transparency. It is planned to introduce the obligation of publishing the total amount of salaries of managers of the Publication Administration in aggregate and disaggregate form. Each single administration will be required to indicate clearly the total expenditure and the details of managers’ salaries. Access of citizens to all data possessed by the administration is planned. Access to the data is free of charge and the request must be satisfied within 30 days.

FUNCTIONING OF THE REGULATION: Functional regulation.

MEASURE: Changes to laws on dismissal

REGULATORY REFERENCES: Legislative decree no. 116 of 15 June 2016

BRIEF DESCRIPTION: The decree amends article 55-quater of legislative decree no. 165 of 30 March 2001, in the regulations governing the disciplinary offence of false certification of presence in service. A cautionary suspension of 48 hours will be applied to an employee caught in this offence and the disciplinary procedure started, which must be concluded within 30 days. There is also disciplinary responsibility for the manager (or service manager) who does not suspend the employee and start the procedure.

FUNCTIONING OF THE REGULATION: Functional regulation.

MEASURE: Regulations on certifying the start of activity (SCIA)

REGULATORY REFERENCES: Legislative decree no. 126 of 15 June 2016

BRIEF DESCRIPTION: A single standard form valid throughout the country may be filed at a single office, also on line. The public administration receiving the SCIA will publish the single and standard form on its website and will indicate the single office to which the person concerned may go. Asking the citizen to provide documents other than those envisaged will be considered as non-fulfilment subject to disciplinary action.

FUNCTIONING OF THE REGULATION: Functional regulation.

MEASURE: Rules on reorganisation of the services conference regulations

REGULATORY REFERENCES: Legislative decree no. 127 of 15 June 2016

BRIEF DESCRIPTION: It is planned to reduce the lengthy times by activating the simplified conference, with no actual meetings, but just on line sending of documents, and the simultaneous conference with a meeting (also on line) only when strictly necessary. The consent of the administrations which have made no comment is considered as tacitly acquired in both cases. A response will be received in a maximum 5 days.

FUNCTIONING OF THE REGULATION: Functional regulation.

MEASURE: Simplification of the regulatory system

REGULATORY REFERENCES: Legislative decree no. 10/2016, published in Official Gazette no. 22 dated 28 January 2015

BRIEF DESCRIPTION: The measure aims to simplify the regulatory system by abrogating the laws containing the enacting measures for which the conditions for adoption or amendment no longer exist, solely in order to assist enactment, ensuring, in any case, the legal, logical and systemic consistency of the regulation. This is why a census has been performed, with the cooperation of all central administrations, which identified an initial list of measures (46) for which the conditions for adoption no longer exist and abrogation of which would have no effect on public finance. Abrogation has been decided where the objectives of the regulations have already been achieved using different methods or in cases where the issue has subsequently been regulated in a more complex and detailed way. A second list of measures (12) for which enactment requires amendment of the primary regulation has also been prepared.

FUNCTIONING OF THE REGULATION: Functional regulation (in force from 29 January 2016).

Focus ----- Reform of the Public Administration

The Council of Ministers definitively approved the enacting decrees during the session on 20 January 2016, in enactment of the large number of parliamentary decrees envisaged by Law no. 124/2015 (so-called “Madia Reform”) on reform of the Public Administration: Regulations on reorganisation, rationalisation and simplification of regulations governing port authorities. Rationalisation of law enforcement agencies and absorption of the State Forestry Corps - Planned elimination of duplication of functions and associated management of shared services. Planned absorption of the Forestry Corps into the Carabinieri. Introduction of the European 112 single emergency number into Italy. Healthcare management – Planned preparation, at the Health Ministry, of a national list of anyone satisfying the requirements for appointment as general manager of local healthcare authorities. Rules on reorganisation of shareholdings in public administrations - Planned drastic reduction in unnecessary companies: shell companies, non-operational companies, micro companies and those which do not supply essential services to the community. 6) Consolidation Act of laws on local public services of general economic interest. Amendment and integration of the digital administration code - Structural change in the relationship between citizens and the public administration is given a digital identity, through which to access and use the on-line services provided by public administrations, and to a digital domicile (SPID), with a link to the registry of the resident population. Regulations for simplification and acceleration of administrative procedures - Alongside or as an alternative to ordinary procedures (Services Conference, tacit consent), municipal and regional authorities may identify, each year, strategic investments of major financial importance and a major impact on employment, for which to apply to the Council of Ministers for an accelerated procedure.

During the session on 15 June 2016, the Council of Ministers also preliminarily approved a second legislative decree on the SCIA which maps and identifies the activities for which a simple notification, a SCIA, tacit consent or an authorisation is necessary.

PRINCIPLE V – ADAPT PUBLIC POLICY TOOLS TO SME NEEDS: FACILITATE SMES’ PARTICIPATION IN PUBLIC PROCUREMENT AND BETTER USE STATE AID POSSIBILITIES FOR SMES

In mid-April, the Government definitively approved the legislative decree reforming the Public-sector Contracts Code. The dual purpose of the Reform, which considerably reduces the number of articles of the Code, from 600 to 220, is to improve efficiency and fight corruption, thus contributing to reviving investments in public works, which have fallen drastically over recent years and which could, if revived, revitalise consumption and private investment and thus contribute to long-term and sustainable growth of the Italian economy.

MEASURE: New Public-sector Contracts and Concession Contracts Code

REGULATORY REFERENCES: Decree Law no. 50/2016.

BRIEF DESCRIPTION: After a lengthy and difficult legislative process, the new “Public-sector Contracts and Concession Contracts Code”, which entirely replaces legislative decree no. 163 of 12 April 2006, has been published in the

Official Gazette. Legislative decree no. 50 of 18 April 2016, on “Implementation of directives 2014/23/EU, 2014/24/EU and 2014/25/EU on awarding of concession contracts, public-sector contracts and procurement by entities operating in the water, energy, transport and postal services sectors, and also reorganisation of current regulations on public-sector contracts for works, services and supplies” was published in Ordinary Supplement no. 10 to Official Gazette no. 91 dated 19 April 2016. The new Code - which came into force on 19 April 2016 - transposes, in a single 220-article decree, the three European directives on public contracts and awarding of concession contracts and reorganises current regulations on public contracts for works, services and supplies and concession contracts. The new regulations radically revolutionise the sector: a general concept of “bids always” for contracts and concessions “except in expressly envisaged cases” to eliminate the multitude of derogations, rationalisation and “centralisation” of contracting entities (currently 36 thousand) which can put out calls for bids only if they possess ANAC “certification”, an “improvement in the conditions of access to the market of public contracts and concessions” for SMEs, “a reduction in documentary costs” for anyone participating in calls for bids, a “review” of the Soa and the qualification system, introduction of French-style public debate to consult citizens and the territory on projects, strengthening of the competitive dialogue prior to the bidding phase, with participation of “qualified stakeholders”, the introduction of alternative methods of settling dispute to legal action, including in the bidding and awarding phases, innovative financial instruments and incentives for project financing and participation of private capital, increase in the powers of the ANAC which, besides laying down the guidelines of the new Code, can also block irregular bidding procedures and impose sanctions, awarding of contracts over Euro one million not only based on the lowest price, but also on the most advantageous bid in terms of price/quality. This is an extremely important measure not only for performance of administrative activities, with the aim of simplification and streamlining of procedures and the fight against corruption, but primarily to the extent that it will improve the administrative efficiency and competitiveness of the country. These are also self-operative regulations. There will not be, as in the past, a regulation on enforcement and implementation, but rather passing of general directives and guidelines, to be approved through a decree of the Minister of Infrastructures and Transport, on proposal of the National Anti-corruption Authority (ANAC) and after consultation of the competent parliamentary commissions.

FUNCTIONING OF THE REGULATION: Functional regulation (in force from 19 April 2016).

PRINCIPLE VI – FINANCE: FACILITATE SMES’ ACCESS TO FINANCE AND DEVELOP A LEGAL AND BUSINESS ENVIRONMENT SUPPORTIVE TO TIMELY PAYMENTS IN COMMERCIAL TRANSACTIONS

The measures reducing the tax burden on employment were also accompanied, in the 2016 Stability Law, by those directed at enterprises, with reduction of the IRES rate from 27.5% to 24% from 1 January 2017. The 2016 Stability Law also continues to follow the Government strategy of reducing the tax burden of citizens and enterprise in the case of local taxes (particularly IMU and TASI), with benefits primarily for the lowest incomes. This essentially involves elimination of the TASI tax on the main home, excluding luxury homes, and the IMU tax on farmland and “fixed” agricultural machinery. In addition to confirming, albeit in reduced form (from €8,000 to €4,000 and from 3 to 2 years), social security

relief for enterprises which hire employees on long-term contracts in 2016, the Stability Law also includes incentives for decentralised bargaining which include both productivity and tax incentives for collective contractual welfare agreements, initiatives for freelances and professionals, extending access to the lump-sum system by increasing the revenues threshold by €15,000 for professionals and by €10,000 for the other categories of firms.

MEASURE: Social enterprises

REGULATORY REFERENCES: Ministerial Decree Ministry of Economic Development of 3 July 2015; CIPE Resolution no. 74 of 6 August 2015

BRIEF DESCRIPTION: The Minister of Economic Development has passed a decree which introduced a system of aid to support the opening and growth of enterprises which pursue general interests and purposes of social utility, and which also includes subsidised loans for social enterprises, social cooperatives and cooperative companies which are non-profit organisations (ONLUS), granted under the de minimis regime on FRI resources. The funding for the aid system will be obtained from the remaining part of the 30 percent of unused resources of the rotating fund for support of enterprises and investments in research (FRI), according to effective availability of resources, which will be certified by Cassa Depositi e Prestiti S.p.A. and certification of which is conditional upon effective assignment ordered through the resolution. Through resolution no. 74 of 6 August 2015, published in Official Gazette no. 4 of 7 January 2016, the Inter-ministerial Committee for Economic Planning (CIPE) approved assignment of Euro 200,000,000.00 to said aid system.

FUNCTIONING OF THE REGULATION: Functional regulation.

MEASURE: Exemption from payment of IMU tax for agricultural firms

REGULATORY REFERENCES: LAW 208/2015 - 2016 STABILITY LAW, art. 1, paragraph 11

BRIEF DESCRIPTION: FROM 2016, the IMU tax has been eliminated for all properties of professional agricultural enterprises and direct crop-growers, even if they are located in towns on plains.

FUNCTIONING OF THE REGULATION: Functional regulation.

MEASURE: IRES rate

REGULATORY REFERENCES: LAW 208/2015 - 2016 STABILITY LAW, art. 1, paragraph 61

BRIEF DESCRIPTION: The IRES corporate income tax rate has been reduced from 27.5 to 24.5 percent, starting from 1 January 2017.

FUNCTIONING OF THE REGULATION: Functional regulation.

MEASURE: Exemption from IRAP for agriculture and fishing

REGULATORY REFERENCES: LAW 208/2015 - 2016 STABILITY LAW, art. 1, paragraphs 70-72

BRIEF DESCRIPTION: The beneficiaries are: those operating in the agricultural sector, small fishing cooperatives and their consortia, cooperatives and their

consortia which principally supply, also to third parties, services in the silviculture sector. The regulation established by the 2008 Stability Law, which extended the subsidised IRAP rate to cooperatives in the silviculture sector, has therefore been abrogated.

FUNCTIONING OF THE REGULATION: Functional regulation.

MEASURE: Initiatives in favour of freelancers and professionals

REGULATORY REFERENCES: LAW 208/2015 - 2016 STABILITY LAW, art. 1, paragraphs 111-113

BRIEF DESCRIPTION: Extended access to the lump-sum system, by increasing the revenues threshold by €15,000 for professionals and by €10,000 for the other categories of firms.

FUNCTIONING OF THE REGULATION: Functional regulation.

MEASURE: Reduced taxation of productivity bonuses for employees

REGULATORY REFERENCES: LAW 208/2015 - 2016 STABILITY LAW, art. 1, paragraphs 182-189

BRIEF DESCRIPTION: The Stability Law has restored reduced taxation of productivity and salary bonuses for 2016, with a provision of Euro 430 million for 2016 and Euro 589 million for the following years. It is also planned to extend the range of beneficiaries, raising the income levels admitted to the incentive to those up to a gross annual amount of Euro 50 thousand. The maximum amount subject to the reduced taxation of 10%, if linked to company productivity and profitability targets, has been established as Euro 2,500 (Euro 2,000 gross for companies which do not involve employees equally on organisation of work). The same limit and the same reduced rate (IRPEF lieu tax and regional and municipal surtaxes of 10%) for the profits companies distribute to their employees. The enacting inter-ministerial decree has been approved.

FUNCTIONING OF THE REGULATION: Functional regulation.

MEASURE: Fund for companies confiscated from organised crime

REGULATORY REFERENCES: LAW 208/2015 - 2016 STABILITY LAW, art. 1, paragraphs 195-198

BRIEF DESCRIPTION: Euro 30 million, 10 for each year from 2016 to 2018, have been set aside to support companies seized and confiscated from organised crime, to ensure they continue to obtain bank loans and access to them, support for investments and company restructuring, protection of employment, workplace health and safety, and also support of social cooperatives and those set up by employees of the confiscated enterprise. An annual 3 million Euros of said resources will be placed in the Guarantee Fund and an annual 7 million Euros in a special section of the Fund for sustainable growth for supply of subsidised loans. The granting of guarantees and loans must be governed by a decree of the MISE, in agreement with the MEF and after consulting the Justice Ministry. Extension of access to the lump-sum system, with an increase in the revenues threshold by €15,000 for professionals and by €10,000 for the other categories of firms.

FUNCTIONING OF THE REGULATION: Regulation still to be implemented

MEASURE: Fund for credit for companies which are the victims of non-payments

REGULATORY REFERENCES: LAW 208/2015 - 2016 STABILITY LAW, art. 1, paragraphs 199-202

BRIEF DESCRIPTION: THE MISE has set up the Fund for credit for companies which are the victims of non-payments, with a provision of Euro 10 million per annum for 2016- 2018, to which SMEs which are the damaged party in a criminal action, in progress when the law comes into force, against debtor companies accused of extortion, fraud, fraudulent insolvency, false company reporting. The decree of the MISE, in agreement with the MEF, will govern the criteria and methods of granting subsidised loans to said enterprises, which the beneficiaries are required to repay, if the defendant companies are acquitted, according to rules established by the same decree;

FUNCTIONING OF THE REGULATION: Regulation still to be implemented

MEASURE: Tourist hospitality structures and hotels

REGULATORY REFERENCES: LAW 208/2015 - 2016 STABILITY LAW, art. 1, paragraphs 320-321

BRIEF DESCRIPTION: Article 10 of Decree Law no. 83/2014, converted into Law no. 106/2014 (two new paragraphs, 2-bis and 2-ter added) has been amended to grant the 30% tax credit for requalification of hotels also when building renovation leads to an increase in overall volume, within the limits established by the House Plan. The Minister of Heritage, Cultural Activities and Tourism must pass a decree establishing the rules of application, particularly with reference to: a) the types of hotel structures granted tax credit; b) the types of work covered by the benefit; c) the procedures for admission, which will be according to a chronological order of filing of the related applications; d) the maximum expenditure thresholds admissible for each expenditure item; e) the recovery procedures in cases of unlawful use of the tax credit (paragraph 2-bis). Once again in order to improve the quality of hospitality facilities and increase the competitiveness of tourist destinations, as well as to promote the adoption and spread of “universal planning” and an increase in energy efficiency, the 2016 Stability Law establishes that minimum standards of services and provisions for classification of hospitality structures and tourism companies, including the so-called “condhotel” (combined home and hotel) and “alberghi diffusi” (hotel created by converting various historical buildings in a small community), must be revised and uniform throughout the country, taking into account the specific needs linked with hospitality capacity and use of the territory and the European and international hotel classification systems (paragraph 2-ter). Tax credit of 30% is also reserved to hotel structures existing at 1 January 2012, with at least 7 rooms, including hotels, holiday villages, tourist residences and “alberghi diffusi”, up to a maximum of Euro 200 thousand, of the expenditure sustained between 1 January 2014 and 31 December 2016, divided into 3 annual instalments (usable only as an off-set), which may not be accumulated with other tax subsidies. The subsidised expenditures are those sustained for: building renovation; restoration and recovery of historic buildings; energy requalification; elimination of architectural barriers; purchase of furniture, furnishings, kitchens, etc.

FUNCTIONING OF THE REGULATION: Regulation still to be enacted.

MEASURE: Digital makers

REGULATORY REFERENCES: LAW 208/2015 - 2016 STABILITY LAW, art. 1, paragraphs 641-643

BRIEF DESCRIPTION: The regulation revises the rules of the Fund for development of innovative activities, created by article 1, paragraphs 56 and 57, of law no. 147/2013 (2014 Stability Law), subsequently amended by article 1, paragraph 8, of law no. 190/2014 (2015 Stability Law). In detail, paragraphs 641 and 642 of Law no. 208/2015 intervene, respectively, in paragraphs 56 and 57 of Law no. 147/2013 (2014 Stability Law), reducing the minimum number of enterprises required to access the incentives, which is reduced from 15 to 5 and includes selection procedures and involvement of other parties. Paragraph 57 now establishes that the resources of the Fund will be allocated to beneficiaries “admitted through selection procedures put out by the Ministry of Economic Development able to improve involvement of public research institutes, universities, independent schools and autonomous entities representing the production fabric in the proposed programs, or use of the relative results. In order to be admissible, the programs must last at least two years” and aim to develop the following principles and contents: a) creation of open source code software and hardware centres for the growth and transfer of know-how to schools, citizens, small businesses and micro enterprises; b) creation of incubation centres for innovators in the digital makers sector; c) creation of digital manufacturing services for small business and micro enterprises; d) supply of digital manufacturing technologies by the parties indicated in paragraph 56; e) creation of new small businesses or manufacturing networks centred on digital manufacturing technologies. A specific decree of the Ministry of Economic Development will enact these measures by amending its own decree of 17 February 2015. The subsidy called “Digital maker enterprise networks”, aimed to support innovative programs throughout the national territory and carried out by enterprise networks for the spreading, sharing and development of digital manufacturing technologies, was created by the ministerial decree of 17 February 2015, published in Official Gazette no. 82 of 9 April 2015. The first procedure, which provides over Euro 9 million to support digital maker innovative projects carried out by enterprise networks, was contained in the decree of the General Manager for incentives for enterprise of the Ministry of Economic Development, of 11 May 2015 (notice published in Official Gazette no. 115 of 20 May 2015), was concluded on 25 September 2015. The beneficiaries of this subsidy were “enterprises formed of at least fifteen individuals who form a temporary association of enterprises (ATI) or a temporary grouping of enterprises (RTI) or enterprise networks with the shared program of development of innovative activities in order to operate in sustainable manufacturing and as digital makers, for the promotion, research and development of software and hardware and the creation of unconventional sales models and forms of cooperation between production firms”.

FUNCTIONING OF THE REGULATION: Functional regulation.

MEASURE: Funds for investments in new agricultural machinery

REGULATORY REFERENCES: LAW 208/2015 - 2016 STABILITY LAW, art. 1, paragraphs 493-495

BRIEF DESCRIPTION: A fund has been set up at the INAI with provisions of Euro 45 million for 2016 and Euro 35 million starting from 2017, in order to improve workplace health and safety and destined to fund investments for the purchase or hiring with purchase agreement of agricultural or forestry tractors or other

agricultural or forestry machinery, with the characteristics established therein, through the publication of annual tender notices by the Institute.

FUNCTIONING OF THE REGULATION: Functional regulation.

MEASURE: Access to the Guarantee Fund for enterprises which are creditors of companies managing strategic enterprises under special management

REGULATORY REFERENCES: LAW 208/2015 - 2016 STABILITY LAW, art. 1, paragraph 840

BRIEF DESCRIPTION: A specific decree of the MISE, in agreement with the MEF, will define, for purposes of access to the Guarantee Fund, specific economic and financial evaluation criteria of SMEs which are suppliers or creditors of companies which manage at least one industrial plant of strategic national interest and under special management (such as the ILVA plant in Taranto).

FUNCTIONING OF THE REGULATION: Regulation still to be implemented

MEASURE: Reserve for the Southern Italy Guarantee Fund

REGULATORY REFERENCES: LAW 208/2015 - 2016 STABILITY LAW, art. 1, paragraph 886

BRIEF DESCRIPTION: IT has been decided that no less than 20% of the resources of the Fund is reserved to enterprises located in 8 regions of Southern Italy.

FUNCTIONING OF THE REGULATION: Functional regulation.

MEASURE: Reform of cooperative banks (BCC)

REGULATORY REFERENCES: Decree Law no. 18/2016, converted into Law no. 49/2016

BRIEF DESCRIPTION: It is compulsory for BCC to join a cooperative banking group led by a joint-stock company with assets of at least Euro one billion. Any BCC which do not intend to join a banking group can comply by converting into a joint-stock company and paying a rate of 20%, but they must possess assets of at least Euro 200 million. The parent company administers and coordinates the BCC on the basis of contractual agreements called "cohesion agreements", which indicate the rules and the powers of the parent company over the individual banks. The majority of the capital of the parent company is held by the BCC in the group. The rest of the capital may be held by other similar entities (European cooperative bank groups) or destined for the capital markets. The Banca d'Italia is responsible for defining the minimum requirements of the new group parent bank and the cohesion contract and supervising correct implementation of the regulatory requirements.

FUNCTIONING OF THE REGULATION: Functional regulation.

MEASURE: Guarantee on securitisation of non-performing loans

REGULATORY REFERENCES: Decree Law no. 18/2016, converted into Law no. 49/2016

BRIEF DESCRIPTION: The State guarantee is provided for securitisation transactions on assignment of non-performing loans. The State guarantee is

only issued on senior class securities and is subject to the securities obtaining a rating from an external agency recognized by the ECB. The guarantee becomes effective when the bank has sold over 50% of the junior securities, it is for a valuable consideration and the price is obtained by using as a reference the prices of credit default swaps of Italian companies with a rating corresponding with the one of the senior securities which would be secured.

FUNCTIONING OF THE REGULATION: Functional regulation.

PRINCIPLE VII – SINGLE MARKET: HELP SMES TO BENEFIT MORE FROM THE OPPORTUNITIES OFFERED BY THE SINGLE MARKET

The Senate has approved, with amendments, the enabling bill “Provisions for fulfilment of the obligations deriving from Italy’s membership of the European Union - 2015 European Law”. The aim of the measure is to conclude the existing 4 infraction procedures, 10 EU pilot cases, one cooperation procedure for State aid and a procedure for State aid. It also implements directive 2014/86/EU and directive (EU) 2015/121 on the taxation system applicable to parent companies and subsidiaries and directive 2015/2060 on taxation of savings income.

The main provisions of this measure are:

Labelling of olive oil: the regulation reiterates the obligation of including a minimum conservation time on the label, but leaves the producers responsible for its effective identification and doubles the sanctions against retail and service business which supply oil without a use-by date. (EU pilot case 4632/13/AGRI); SOA: the regulation requires certification agencies (SOA) to have even only one operating unit in Italy and replaces the previous obligation of establishing a registered office in the country; European enforcement order: the regulation requires a certified public document such as a European enforcement order in the State of origin (e.g. a court sentence) to be immediately applicable in the other EU States, without the need for further procedures; compensation for victims of violent crimes: the right to compensation of victims of violent crimes and the crime envisaged by article 603-bis of the Criminal Code (so-called ‘gang-master system’) is recognised. Compensation paid by the State is also envisaged to cover medical and welfare expenses, except for acts of sexual violence and homicide, for the victims of which the compensation is paid even in the absence of medical and welfare expenses. A ministerial decree will decide the amounts of compensation; road tax: tourism vehicles of European citizens studying in Italy but maintaining their residence in another EU Member State will be exempt from payment of road tax; agricultural consortia: if tax subsidies are granted to agricultural consortia, the share of annual net profits of said agricultural consortia subject to taxation is increased from 40% to 50%. (State aid cooperation procedure no. 11/2010); shipping companies: The system of aid for shipping companies (so-called “Tonnage Tax”) is improved with essentially anti-avoidance measures which thus ensure the system satisfies the principles of competition better; contracts: the requirements on workers’ rights when a new contractor takes over are changed.

On 27 April 2016, the Chamber of Deputies approved the first draft of the 2015 European enabling act, presented by the Government on 18 January 2016.

The measure approved by the Chamber is formed of 21 articles and contains measures on transposition of 15 European directives, a CERS recommendation and a framework decision. It also contains regulations for adaptation of national regulations to 12 European regulations and measures authorising the

Government to transpose two directives as regulations. In particular, during Parliamentary examination, specific principles and criteria were introduced for transposition of three directives on the environment: directive 2015/720 on reducing the consumption of lightweight plastic carrier bags (art. 4); directive 2015/1513 relating to the quality of petrol and diesel fuels (art. 16) and directive 2015/2193 on the limitation of emissions of certain pollutants into the air from medium combustion plants (art. 17).

In the taxation and financial area, the regulation transposing directive 2014/17/EU on credit agreements for consumers relating to residential immovable property has been eliminated, since the Government has exercised its mandate and the relative legislative decree of transposition is currently being published. Directive 2015/2376 on mandatory automatic exchange of information in the field of taxation has been inserted in Attachment B and the directive principles and criteria for transposition of directive 2015/2366 on payment services in the internal market (art. 12) have been established.

On the issue of justice, the Government has been granted a mandate to implement framework decision 2003/568/GAI on the fight against corruption in the private sector (art. 19). On the issue of culture, the specific principles and criteria of the mandate have been established for transposition of directive 2014/26/EU on collective management of copyright and related rights and multi-territorial licensing of rights in musical works for online use in the internal market (art. 20), already present in the initial version of the enabling law.

MEASURE: Environmental impact assessment

REGULATORY REFERENCES: Law 114/2015 (2014 European delegation law), art. 14

BRIEF DESCRIPTION: article 14 identifies specific directive principles and criteria for exercising the mandate to transpose directive 2014/52/EU on the assessment of the effects of certain public and private projects on the environment (EIA). In particular, the delegated legislator must: simplify, harmonise and rationalise EIA procedures, also ensuring coordination with other procedures aimed at the issue of environmental opinions and authorisations; improve the quality of EIA procedures, aligning them with the principles of smart regulation and ensuring consistency with other European and national regulations and policies; revise and rationalise the sanctions systems, in order to define effective sanctions, which are proportionate and dissuasive and prevent violations more effectively; allocate proceeds from application of administrative sanctions to improving environmental vigilance, prevention and monitoring activities, to checking the conditions envisaged by the EIA procedure are satisfied, and also for protection of the population's health in the case of accidents and natural catastrophes.

FUNCTIONING OF THE REGULATION: Regulation still to be implemented

MEASURE: Electronic invoicing of public contracts

REGULATORY REFERENCES: Law 114/2015 (2014 European delegation law)

BRIEF DESCRIPTION: directive 2014/55/EU, which came into force on 26 May 2014, governs electronic invoicing in the public contracts sector in four articles. In particular, the area of application of the directive relates to electronic invoices issued following performance of the contracts envisaged by directive 2009/81/EU (public contracts in the defence and security sectors), 2014/23/EU (concession contracts),

2014/24/EU (public contracts) and 2014/25/UE (public contracts in the water, energy, transport and postal services sectors, i.e. the so-called special sectors).

FUNCTIONING OF THE REGULATION: Regulation still to be implemented

MEASURE: Damages from breaching competition laws

REGULATORY REFERENCES: Law 114/2015 (2014 European delegation law), art. 11

SUMMARY DESCRIPTION: directive 2014/104/EU establishes several regulations necessary to guarantee that anyone who has suffered damages caused by an enterprise or association of enterprises breaching competition laws may effectively exercise the right of demanding full damages from said enterprise or association. It establishes regulations for promoting undistorted competition on the domestic market and to eliminate obstacles to its correct functioning, guaranteeing that anyone who has suffered damages of this type equivalent protection throughout the European Union. The directive also establishes regulations for coordination between application of the rules on competition by the regulator and application of said rules in actions for compensation of damages before national courts.

FUNCTIONING OF THE REGULATION: Regulation still to be implemented

MEASURE: EPC - European Professional Card

REGULATORY REFERENCES: Legislative decree no. 15/2016

BRIEF DESCRIPTION: As of 18 January 2016, members of several regulated professions may use the European Professional Card (EPC) to move freely within the European market. The card is both for European professionals who intend to work in Italy and for Italian professionals who intend to work in another European country and will assist transfer of activity from one EU country to another, even only temporarily. The EPC will be an electronic certificate which the competent authorities of the Member State of origin and the host State will exchange through the internal market information system (IMI - Internal Market Information system). The EPC will be available for both temporary and occasional services and for permanent ones.

FUNCTIONING OF THE REGULATION: Functional regulation.

MEASURE: Weights and measures

REGULATORY REFERENCES: Legislative decree no. 83/2016, legislative decree no. 84/2016 (enactment of directives 31/2014 and 13/2015)

BRIEF DESCRIPTION: Legislative decree no. 83/2016, which amends legislative decree no. 517 of 29 December 1992 (enactment of directive 90/384/EEC on the harmonisation of the laws of the Member States relating to non-automatic weighing instruments), revises the current regulations in order to define the essential requirements of non-automatic weighing instruments which guarantee a high level of reliability and safety. The manufacturer's responsibilities and obligations and those of other operators on the distribution chain are also governed, together with the control of conformity procedures. The instruments covered by the area of application of directive 2009/23/EC and those conforming with it, placed on the market before 20 April 2016, may be placed on the market or in service. Legislative decree no. 84/2016 revises the current requirements with

much weighing instruments must comply to be placed on the market and/or in service, with the aim of protecting the public against the risk of obtaining incorrect results from weighing operations performed using instruments in certain weighing functions. In particular, the new regulations govern the essential requirements which weighing instruments must satisfy. The manufacturer's responsibilities and obligations and those of other operators on the distribution chain are also governed, together with the control of conformity procedures. The regulations are applied to all forms of supply, including remote sales, with the aim of protecting the public against the risk of obtaining incorrect results from weighing operations. Both decrees also require that, through a specific decree passed by the Minister of Economic Development in agreement with the Minister of Finance and Economy, to be adopted within 60 days, the tariffs for assessment of conformity must be identified, excluding those relating to activities performed by the single national accreditation agency, and the relative methods of payment of said tariffs. These tariffs must be revised at least every two years.

FUNCTIONING OF THE REGULATION: Regulation still to be implemented

MEASURE: Non-transposition of EU directives

REGULATORY REFERENCES: LAW 208/2015 - 2016 STABILITY LAW, art. 1, paragraph 788

BRIEF DESCRIPTION: Paragraph 788 of article 1 makes public administrations responsible for payment of sums due following a conviction for failure to transpose or late transposition of EU directives and measures.

FUNCTIONING OF THE REGULATION: Functional regulation.

PRINCIPLE VIII – SKILLS AND INNOVATION: PROMOTE THE UPGRADING OF SKILLS IN SMES AND ALL FORMS OF INNOVATION

Through the so-called “Innovation Package”, the MISE has developed trial measures to assist the objective of supporting SMEs in better protection of their industrial property rights and their economic exploitation. These are essentially aid measures, under a de minimis system, in favour of SMEs which, for the first time, are aimed exclusively at possessors of industrial property rights or patents (“Brevetti+”), designs and models (“Disegni+”) and trademarks (“Marchi”). These initiatives have given extremely positive results over time, to the extent that the measures have been further strengthened and extended.

In particular, the Brevetti+ procedure allocated Euro 30.5 million in aid both to increase the number of patents filed and, for the most part (over 2/3 of the provision) to support their economic exploitation, in order to increase the competitiveness of SMEs. This has recently been joined by a new line of activity called “BREVETTI + 2”, with the aim of further assisting economic exploitation of patents, technology transfer and innovation of SMEs, by extending the range of beneficiaries and providing greater financial support, particularly for spin offs. Just a few days after the new initiative was opened up to enterprises (on 6 October 2015), the level of interest of firms was enough to use up all the available financial resources in just a few months. Both measures (Brevetti+ and Brevetti +2) were suspended in December 2015. There has also been enormous interest in the Marchi + 2 and Disegni +3 procedures and these were suspended in December 2015 and April 2016 respectively, since the financial resources have been used up.

In August 2015, a competitive procedure was announced for funding of enhancement and capacity building projects of the Technology Transfer Offices (UTT) of Italian universities and public research agencies (EPR) in order to increase the capacity for innovation of enterprises, particularly SMEs, assisting the absorption and development of scientific and technological know-how in specific production sectors and local contexts, and in order to increase the intensity and quality of technology transfer (UTT) from universities and public research agencies to enterprise, by increasing the staff and improving skills. The 12-month program (renewable for a further 12 months), in which 34 universities and EPR are participating, with a total of 60 projects (1.5m€), covers 50% of the costs of long-term employment or the costs of a research grant for additional staff (maximum 1 or 2 people), when specific and predetermined objectives are achieved.

MEASURE: Patent box

REGULATORY REFERENCES: LAW 208/2015 - 2016 STABILITY LAW, art. 1, paragraph 148

BRIEF DESCRIPTION: Paragraph 148 of article 1 introduces two amendments to the regulations on the patent box, the optional taxation system for income obtained from use of intangible assets, the first of which replaces the term “original works” with the term “software covered by copyright”, subsidisable together with industrial patents, trademarks, designs and models, and also legally protectable company information and technical-industrial experience, while the second relates to the relationship of complementarity between assets, which are therefore considered as a single intangible asset for purposes of application of the subsidised rate.

FUNCTIONING OF THE REGULATION: Functional regulation.

MEASURE: Measure of the MIUR in the research, development and innovation sectors

REGULATORY REFERENCES: LAW 208/2015 - 2016 STABILITY LAW, art. 1, paragraph 260

BRIEF DESCRIPTION: Paragraph 260 of article 1 introduces several amendments to the regulations of Decree Law 83/2012 on the beneficiaries (which are extended to include companies incorporated by professors, university researchers, research staff of research entities, the ENEA, the ASI, PhD students and holders of research grants) and the admissible activities (supplemented with industrial research activities, pre-competitive development, technology distribution, up to start-up and, in any case, targeting new economic initiatives with a high technology content, for industrial use of the research results).

FUNCTIONING OF THE REGULATION: Functional regulation.

PRINCIPLE IX – ENVIRONMENT: ENABLE SMES TO TURN ENVIRONMENTAL CHALLENGES INTO OPPORTUNITIES

A great deal of emphasis has been placed on extension of the tax deduction system for energy efficiency initiatives and approval of law no. 221 of 2015 - linked with the 2014 Stability Law, the so-called “Environmental aspect” - which contains measures to protect nature and sustainable development, environmental

assessments, energy, green purchases, management of waste and clean-ups, protection of the soil and water resources. The law is formed of 79 articles and one attachment. With publication of the “Environmental aspect”, Italy has, for the first time, a means of promoting the green economy and limiting excess use of natural resources. This is a package of measures affecting various areas of the green economy, with the aim of creating a new development model based on environmental sustainability, through a series of simplifications and incentives which reward virtuous behaviour of consumers, manufacturers and institutions in the environmental sector.

MEASURE: Energy efficiency deductions

REGULATORY REFERENCES: LAW 208/2015 - 2016 STABILITY LAW, art. 1, paragraph 74

BRIEF DESCRIPTION: The 65% tax deduction for energy efficiency initiatives has been extended up to 31 December 2016. The subsidy consists of an Irpef or Ires tax deduction and is granted when work is performed which increases the energy efficiency level of existing buildings. The deduction, which is 65% for expenditure from 6 June 2013 to 31 December 2016, is granted if the expenditure has been sustained for: reduction of heating energy needs; thermal improvement of the building (insulation - floors - windows, including frames); installation of solar panels; replacement of winter conditioning systems.

FUNCTIONING OF THE REGULATION: Functional regulation.

MEASURE: Incentives for operators of plant producing electricity from sustainable biomasses, biogases and bioliquids

REGULATORY REFERENCES: LAW 208/2015 - 2016 STABILITY LAW, art. 1, paragraphs 149-151

BRIEF DESCRIPTION: Operators who cease to benefit from incentives on the energy produced by 31/12/2016, as an alternative to supplementing of revenues, may obtain an incentive equal to 80% of the one granted by the MISE decree of 06/07/2012.

FUNCTIONING OF THE REGULATION: Regulation still to be implemented

MEASURE: New regulations to encourage the use of green procurement

REGULATORY REFERENCES: Law 221/2015 - art. 16

BRIEF DESCRIPTION: Article 16 intervenes on the guarantee regulations accompanying public contracts, referred to in art. 75 of the Code of public contracts for work, services and supplies, reducing the amount of the guarantee by 30%, and also allowing its renewal, for economic operators who are registered with the EMAS eco-management and audit system, or by 20% for those with environmental certification according to technical standard UNI EN ISO 14001, as well as for operators possessing the EU Ecolabel ecological quality mark, for goods or services accounting for at least 50 percent of the goods and services in the contract. In works, services or supply contracts, the amount of the guarantee, and its possible renewal, is reduced by 15% for economic operators who develop an inventory of greenhouse gases pursuant to standard UNI EN ISO 14064-1 or product Carbon footprint pursuant to standard UNI EN ISO/TS 14067. The following are also added to the evaluation criteria of the most economically

advantageous supply, referred to in art. 83 of the Contracts Code: - possession of an ecological quality mark of the European Union (EU Ecolabel) for the goods or services of the contract, for 30% or above of the value of the supplies or the services under the contract; - consideration of the entire life cycle of the work, good or service in the use and maintenance cost, with the strategic objective of more efficient use of resources and a circular economy which promotes environment and employment (concerning consumption of energy and natural resources, polluting emissions and total costs of mitigating the impacts of climate changes); - compensation of greenhouse gas emissions associated with company activities, calculated according to the methods which will be established on the basis of European Commission recommendation 2013/179/EU, concerning environmental performance in the life cycle of products and organisations. In the case of the life cycle criterion, it is also specified that the bidding procedure will indicate, among other things, the method used by the awarding administration to evaluate the relative costs, including the disposal and recovery phase. The evaluation method of these costs must satisfy the following conditions: a) it must be based on objectively verifiable and non-discriminatory criteria; b) it must be accessible to all bidders; c) it must be based on data which may be provided by economic operators with a reasonable effort.

FUNCTIONING OF THE REGULATION: Regulation still to be implemented

MEASURE: New regulations to promote adoption of the EMAS and EU Ecolabel systems

REGULATORY REFERENCES: Law 221/2015 - art. 17

BRIEF DESCRIPTION: Elements of preference for assignment of environmental contributions, subsidies and loans are: - registration with the Eco-management and Audit Scheme (EMAS), pursuant to regulation (EC) no. 1221/2009 of the European Parliament and Council of 25 November 2009, by the public and private organisations concerned; - possession of UNI EN ISO 14001 certification issued by a certification agency accredited pursuant to regulation (EC) no. 765/2008 of the European Parliament and Council of 9 July 2008; - possession for a product or service of the European Union ecological quality mark (EU Ecolabel) pursuant to regulation (EC) no. 66/2010 of the European Parliament and Council of 25 November 2009; - possession of ISO 50001 certification on the rational energy management system, issued by a certification agency accredited pursuant to said regulation (EC) no. 765/2008.

FUNCTIONING OF THE REGULATION: Regulation still to be implemented

MEASURE: New regulations for the PAN GPP and for energy consumption of traffic lights

REGULATORY REFERENCES: Law 221/2015 - art. 18-19

BRIEF DESCRIPTION: The measure governs application of the “minimum environmental criteria” (CAM) in public contracts for supplies and in assignment of services in the categories envisaged by the National Plan of Action for environmental sustainability of consumption in the Public Administration (PAN GPP). The National Plan of Action for GPP (Green Public Procurement) - PAN GPP was adopted through the inter-ministerial decree of 11 April 2008, with the aim of maximising use of GPP at public entities, in order to ensure its potential in terms of environmental, economic and industrial improvement is exploited

in full. This Plan, as envisaged, was revised with the decree of 10 April 2013. The PAN GPP provides a general framework on Green Public Procurement, defines national objectives, identifies the categories of priority goods, services and work for environmental impacts and expenditure volumes, on which to base the 'Minimum Environmental Criteria' (CAM). Further measures on minimum environmental criteria are contained in article 19, relating to application of minimum environmental criteria in public contracts, assigning the Public Contracts Observatory to monitor application of the minimum environmental criteria governed in the relative ministerial decrees and achievement of the objectives of the Plan of Action for environmental sustainability of consumption in the Public Administration (PAN GPP).

FUNCTIONING OF THE REGULATION: Regulation still to be implemented

MEASURE: New measures for producers or possessors of copper and ferrous and non-ferrous metal waste

REGULATORY REFERENCES: Law 221/2015 - art. 30

BRIEF DESCRIPTION: With an amendment to article 188 of legislative decree no. 152/2006, article 30 places a precise obligation on the initial producers or possessors of copper and ferrous and non-ferrous metal waste who do not deal directly with their treatment: said waste must be delivered solely to firms authorised to perform transport and collection of waste or site clean-up or trading or brokerage without holding the waste, or to an entity or firm which performs waste treatment operations or to a public or private operators performing waste collection, or waste recovery or disposal, authorised pursuant to the provisions of legislative decree no. 152/2006. The simplified system which normally applies for transport of waste by operators authorised to perform said activities in itinerant form, solely for the waste they trade (art. 266, paragraph 5, leg. decree no. 152/2006), does not apply to the collection and transport of copper and ferrous and non-ferrous metal waste.

FUNCTIONING OF THE REGULATION: Regulation still to be implemented

MEASURE: New measures to increase separate collection and recycling of waste - Reductions in tariffs commensurate to the quantity of waste not produced

REGULATORY REFERENCES: Law 221/2015 - arts. 32, 34, 35, 36, 45

BRIEF DESCRIPTION: There are two articles containing measures to increase separate collection and recycling: article 32, for separate collection of urban waste and similar, and article 45, for separate collection and reduction of the quantities of non-recycled waste. With an amendment to article 266 of leg. decree no. 152/2006, article 32 contains measures aimed at increasing separate collection of urban waste and similar and recycling. In particular, the objectives of separate collection (RD) may relate to each municipal level, rather than to the optimal territorial level (ATO). A 20% surtax on the special levy for depositing solid waste at the garbage dump (so-called "eco-tax") is placed directly on municipalities which have not achieved the RD percentages. Said special levy is reduced when specific RD levels are exceeded. The annual calculation of the RD degree of efficiency and the relative validation is also governed. Article 45 allows Regions to introduce economic incentives to increase separate collection and to reduce the quantity of non-recycled waste in the various municipalities. It is also planned to adopt regional waste prevention programs - or, alternatively,



check consistency of the regional programs already approved - and to promote awareness campaigns. In particular, the Regions, also in collaboration with local entities, environmentalist associations, voluntary associations, committees and local schools active in environmental education and in waste reduction and recycling, may promote awareness campaigns on the reduction, reuse and maximum recycling of waste. The Regions may assign studies and research supporting the activities of local entities to universities and scientific institutes, in order to encourage a reduction in production, reuse and recovery of urban waste. Articles 34 and 35 deal, respectively, with the regulations of the so-called “eco-tax” (laid down by paragraphs 24 et seq. of art. 3 of Law no. 549/1995) and with the “garbage tax”, in order to extend the levy also to waste sent to incinerators without energy recovery and to change the destination of the revenues obtained from the levy. All plant classified exclusively as land-based incinerators are also subject to payment of the eco-tax, at a reduced rate of 20%. The subsequent article 36 allows municipalities to apply reduced rates and exemptions from the garbage tax if waste production prevention activities are performed. An amendment to art. 1, paragraph 659, of Law no. 147/2013 (2014 Stability Law) allows the tariff reductions to be commensurate to the quantity of waste not produced.

FUNCTIONING OF THE REGULATION: Regulation still to be implemented

MEASURE: New measures on photovoltaic panel waste, WEEE, batteries and storage batteries

REGULATORY REFERENCES: Law 221/2015 – arts. 41, 43

BRIEF DESCRIPTION: Article 41 contains measures for correct management of the “end of life” of photovoltaic panels, for domestic or professional use, placed on the market after the law came into force, and envisages the adoption of a financial guarantee system and a geolocation system. Article 43 contains measures on waste of electric and electronic equipment (WEEE), batteries and storage batteries. The various measures include those governing reassignment to the Environment Ministry of the income deriving from tariffs connected with WEEE monitoring and vigilance activities (paragraph 2) and also on activities performed with batteries and storage batteries (paragraph 3). For WEEE, the Environment Minister will pass decrees to transfer the share of proceeds from coverage of charges deriving from the respective activities referred to in paragraph 4 of said article 41 of leg. decree 49/2014 (functioning of the Vigilance and Control Committee, the WEEE management steering and national register committee) to the competent parties, and, for batteries and storage batteries, to transfer the share of proceeds from coverage of the charges deriving from the respective activities referred to in paragraph 4 of article 27 of Ministerial Decree no. 188 of 2008 (functioning of the national register; performance of the activities of the Vigilance and Control Committee, including inspection activities and the activities of the ISPRA) to the competent parties. It is also established that, while awaiting passing of the ministerial decree which establishes the WEEE treatment criteria and methods (in addition to those established by the current regulations contained in leg. decree no. 49 of 2014), the agreements concluded by the WEEE Coordination Centre with category associations of waste recovery operators will continue to apply for their signatories. It is also clarified, with regard to the obligation, for individual and collective systems, of demonstrating possession of a quality management system, that possession of ISO 9001 and 14001 certification is an alternative (and not concurrent, as the current text suggests) to EMAS certification. It is specified, in the Environment Code (art. 227), that the special requirements of Leg. Decree 188 of 2008, enacting EU regulations, contained in

directive 2006/66/EC of the European Parliament and Council of 6 September 2006, apply to battery and storage battery waste.

FUNCTIONING OF THE REGULATION: Regulation still to be implemented

MEASURE: New measures on waste at garbage dumps

REGULATORY REFERENCES: Law 221/2015 – arts. 46, 47

BRIEF DESCRIPTION: Article 46 (Provision on waste not admitted to the garbage dump) abrogates letter p) of paragraph 1, art. 6, of legislative decree no. 36 of 13 January 2003, thus putting an end to the continual extensions which had been renewed annually since 2007. The last of these is the one envisaged by article 8, paragraph 3, of Decree Law no. 210/2015 (so-called “Thousand extensions Decree”), which extends the final term for depositing at the garbage dump of waste with LCV (Lower Calorific Value) higher than 13,000 KJ/Kg to 29 February 2016. The veto on depositing waste with a VCI higher than 13,000 kJ/kg at the garbage dump was introduced by said legislative decree no. 36/2003 with the objective of improving energy recovery of this waste through waste-to-energy processes. However, this veto never came into force and has been the subject of numerous extensions. The continual deferments were necessary due to the absence in Italy of structures capable of carrying out waste-to-energy processes on the entire quantity of waste with VCI higher than 13,000 kJ/kg and for which disposal abroad is therefore necessary, with a heavy increase in costs for enterprises. Article 47 (Review of the objectives of waste disposal at garbage dumps) replaces art. 5 of said legislative decree no. 36/2003, which requires, within one year of this measure entering into force, each Region to prepare and approve a specific program for the reduction of biodegradable waste to be deposited at the garbage dump, supplementing the regional waste management plan referred to in article 199 of legislative decree no. 152/2006, in order to achieve, at optimal regional level or, if this is not possible, at provincial level, the following objectives: a) within five years of entry into force of this measure, biodegradable urban waste must be less than 173 kg/year per inhabitant; b) within eight years of entry into force of this measure, biodegradable urban waste must be less than 115 kg/year per inhabitant; c) within fifteen years of entry into force of this measure, biodegradable urban waste must be less than 81 kg/year per inhabitant. Article 48 (Waste admitted at the garbage dump) amends article 7, paragraph 1, of legislative decree no. 36/2003, adding a new sentence to letter b). Following said amendment, paragraph 1 of art. 7 now states that: “The waste may only be deposited at the garbage dump following treatment. Said measure does not apply: a) to inert waste for which treatment is not technically feasible; b) waste for which treatment does not contribute to achieving the aims of article 1, reducing the quantity of waste or risks to human health and the environment, and is not indispensable for compliance with the limits established by current regulations.

FUNCTIONING OF THE REGULATION: Regulation still to be implemented

MEASURE: Measures on asbestos clean-up operations

REGULATORY REFERENCES: Law 221/2015 - art. 56

BRIEF DESCRIPTION: Article 56 introduces tax credit for 2017-2019, for enterprises which perform asbestos clean-up operations on production assets and structures in 2016. In order to implement the resolution of the European Parliament of 14 March 2013 and contribute to protection and safeguarding of health and environment also through the adoption of extraordinary measures intended to promote and support

clean-up of assets and areas containing asbestos, possessors of corporate income who perform asbestos clean-up operations on production assets and structures located in the territory of the State in 2016 are granted tax credit, up to the total expenditure limit of Euro 5.667 million per year for 2017, 2018 and 2019, totalling 50 percent of the expenditure for said operations in the subsequent taxation period to the one when this law comes into force. The tax credit is not granted for investments less than Euro 20,000. The tax credit is divided and used in three annual instalments of an equal amount and indicated on the tax returns for the taxation period when the credit is granted and on the tax returns for subsequent taxation periods in which the credit is used. It does not contribute to formation of income or the taxable base for regional production tax and is not considered for purposes of the ratio indicated in articles 61 and 109, paragraph 5, of the income tax laws consolidation act, contained in Italian Presidential Decree no. 917/1986, and subsequent amendments. The tax credit may be used exclusively as an off-set pursuant to article 17 of legislative decree no. 241 of 9 July 1997, and subsequent amendments, and is not subject to the limit indicated in paragraph 53 of article 1 of law no. 244 of 24 December 2007. Through a specific decree of the Environment Ministry, in agreement with the Ministry of the Economy and Finance, the enacting provisions of this article must be adopted (paragraphs 1 – 6). In order to promote the performance of clean-up operations on public buildings contaminated with asbestos, protection of health and environment, the Fund for preliminary and final planning of clean-up operations on assets contaminated with asbestos is created at the Ministry for the Environment and Protection of Land and Sea, with funding of Euro 5.536 million for 2016 and Euro 6.018 million per year in 2017 and 2018. Functioning of the Fund will be governed by a specific decree of the Environment Ministry (paragraphs 7 and 8).

FUNCTIONING OF THE REGULATION: Regulation still to be implemented

MEASURE: New regulations on radio electric systems and systems completing the mobile broadband network

REGULATORY REFERENCES: Law 221/2015 - art. 64

BRIEF DESCRIPTION: Applicants for authorisations, or anyone submitting certified notice of activity starting (SCIA), for the installation of new infrastructures for radio electric systems and systems completing the mobile broadband network, are required to pay the costs sustained by the competent public offices to perform the controls referred to in art. 14 of law no. 36 of 2001 (Regional Agencies for Protection of the Environment - ARPA), provided their opinions are expressed within the terms prescribed by the new paragraphs, from 1-bis to 1-quinquies, of art. 93 of legislative decree no. 259 of 2003 (Electronic Communications Code). Therefore: a) The applicant for an authorisation to install new infrastructures for radio electric systems pursuant to article 87 of legislative decree no. 259/2003 is required to pay a contribution to the expenses for issue of the environmental opinion by an agency authorised to perform the controls referred to in article 14 of law no. 36 of 22 February 2001, provided that it is expressed within thirty days of the notice (paragraph 1-bis). b) Anyone filing the certified notice of activity starting (SCIA) referred to in article 87-bis of said decree is required to pay a contribution to the expenses, on issue of a motivated positive or negative opinion by the competent agency, to carry out the health and environmental controls envisaged by art. 14 of Law no. 36/2001, provided that it is expressed within thirty days of the project and relative application being filed (paragraph 1-ter). c) The contribution envisaged by paragraph 1-bis and the contribution envisaged by paragraph 1-ter must be calculated on the basis of a national tariffs table adopted through a decree of the Minister for the Environment and Protection of Land and

Sea, in agreement with the Minister for Economic Development, after consulting the Permanent Conference for relations between the State, regions and autonomous provinces of Trento and Bolzano, to be adopted within sixty days of the date when this measure comes into force. As a transitional requirement, up to the date when said decree comes into force, the contributions envisaged by paragraphs 1-bis and 1-ter are Euro 250 (paragraph 1-quater). d) The new measures are not applied to the institutional activities of the armed forces, the police and fire service, which are already governed by specific sector regulations (paragraph 1-quinquies).

FUNCTIONING OF THE REGULATION: Regulation still to be implemented

MEASURE: Simplification of management of special waste for certain economic activities

REGULATORY REFERENCES: Law 221/2015 - art. 69

SUMMARY DESCRIPTION: the agricultural enterprises referred to in article 2135 of the Civil Code, and also those performing certain activities (barbers and hairdressers, beauty, tattoo and piercing parlours), which produce hazardous waste, including waste with code CER 18.01.03, relating to needles, syringes and sharp instruments used, may transport them, on their own behalf, in a maximum quantity of 30 kilograms per day, to a plant which performs authorised disposal operations. The obligation of registration on the waste entry and exit register and the obligation of reporting to the Waste Register through the single environmental declaration form referred to in legislative decree no. 152 of 3 April 2006, are intended as fulfilled, including for transport on one's own behalf, through compilation and conservation, in chronological order, of the transport forms referred to in article 193 of said legislative decree no. 152 of 2006, and subsequent amendments. The forms must be managed and kept using the methods indicated in said article 193. The forms must be kept at the office of those performing the activities indicated above or through the business associations concerned or the service companies which issue them directly, keeping a copy of the data transmitted at the office of the enterprise concerned. Application by said parties of the simplified special waste management methods satisfies the obligations on waste traceability control.

FUNCTIONING OF THE REGULATION: Regulation still to be implemented

MEASURE: Reassessment, every three years, by 31 December, of the measure on special collection rights created in implementation of the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).

REGULATORY REFERENCES: Law 221/2015 – art. 75, 77

BRIEF DESCRIPTION: The extent of these rights, envisaged by art. 8-quinquies of law no. 150 of 7 February 1992, was initially determined by the Ministerial Decree of 28 May 1993 and subsequently increased by 50% by art. 145, paragraph 41, of law no. 388 of 23 December 2000. It is now established that the extent of special collection rights for trade and possess of endangered species of wild fauna and flora is to be reassessed every three years. Article 76 extends by a further six months (i.e. to 25 November 2016) the term for exercising the mandate, granted by art. 19, paragraph 1, of law no. 161 of 30 October 2014 (European law 2013-bis), for passing of one or more legislative decrees to reorganise the regulatory measures on protection of the external environment and residential environment from noise pollution produced by fixed and mobile sound sources. Article 77 amends art. 514 of the Code of Civil Procedure to allow seizure of domestic

animals or pets of the debtor, and also animals used for therapy and care of the debtor, the spouse, cohabitant and offspring.

FUNCTIONING OF THE REGULATION: Regulation still to be implemented

MEASURE: THERMAL ACCOUNT 2.0

REGULATORY REFERENCES: Inter-ministerial decree of 16 February 2016

BRIEF DESCRIPTION: The regulations of the Thermal Account introduced in 2012 have been revised, with the innovation of small projects designed to increase energy efficiency and produce thermal energy from renewable sources. The decree revises the regulations on incentives for small projects designed to increase energy efficiency and produce thermal energy from renewable sources according to principles of simplification, diversification and technological innovation, and also in line with the objectives of energy requalification of the public administration buildings. The Ministry of Economic Development has set aside a full Euro 900 million in incentives, of which Euro 700 million for private individuals and enterprises and Euro 200 million for the public administration, residential cooperatives and social cooperative companies. The incentives are available for the following activities to increase the energy efficiency of existing buildings, parts of existing buildings or existing property units in any category of the building register, equipped with an air conditioning system: a) thermal insulation of opaque surfaces delimiting the conditioned volume; b) replacement of transparent closures including door and window frames delimiting the conditioned volume; c) replacement of existing winter conditioning systems with winter conditioning systems using condensing heat generators; d) installation of shielding and/or shading systems of transparent closure with East-South-East to West exposure, fixed or mobile, which are not transportable; e) conversion of existing buildings into “almost zero energy buildings”; f) replacement of lighting systems for interiors and external appurtenances of existing buildings with efficient lighting systems; g) installation of automatic management and control technologies (building automation) of building heating and electrical systems, including installation of heat regulation and heat metering systems. The incentives are also available for the following small projects to produce thermal energy from renewable sources and high-efficiency systems in existing buildings, parts of existing buildings or existing property units in any category of the building register, equipped with an air conditioning system: a) replacement of existing winter conditioning systems with winter conditioning systems, also combined for production of domestic hot water, equipped with electric or gas heat pumps, using aerothermal, geothermal or hydrothermal energy, together with installation of heat metering systems in the case of systems with usable thermal power exceeding 200 kW; b) replacement of existing winter conditioning or heating systems of existing greenhouses and farm buildings with winter conditioning systems equipped with a biomass-fired heat generator, together with installation of heat metering systems in the case of systems with usable thermal power exceeding 200 kW; c) installation of solar heating systems for the production of domestic hot water and/or supplementing the winter conditioning system, also combined with solar cooling systems, for the production of thermal energy for production processes or introduction into the district heating or district cooling network. Heat metering systems must be installed in the case of solar field surfaces exceeding 100 m²; d) replacement of electric boilers with heat pump boilers; e) replacement of existing winter conditioning systems with heat pump hybrid systems.

FUNCTIONING OF THE REGULATION: Functional regulation.

PRINCIPLE X – INTERNATIONALISATION: ENCOURAGE AND SUPPORT SMES TO BENEFIT FROM THE GROWTH OF MARKETS.

The 2015 Stability Law set aside resources totalling Euro 220 million, for 2015-2017, for the Plan for extraordinary promotion of the Made in Italy brand, focused primarily on large events, the introduction of vouchers for temporary export managers, the creation of an e-commerce platform for SMEs and enhancement of the agricultural foods sector in view of EXPO 2015. Implementation of the plan was accompanied by provision of additional resources to upgrade the ICE and to support export credit activities.

MEASURE: Made in Italy. Upgrade of the Ice-Agency for overseas promotion and internationalisation of Italian enterprises

REGULATORY REFERENCES: LAW 208/2015 - 2016 STABILITY LAW, art. 1, paragraph 370

BRIEF DESCRIPTION: Additional resources totalling Euro 51 million for 2016 have been set aside for the activities promoted by the agency, of which one for the association of Chambers of Commerce abroad. The resources will be used in the extraordinary plan for promotion of the Made in Italy brand, to enhance the image of the country by increasing the number of firms, particularly SMEs, which operate on the global market and support attraction of foreign investments.

FUNCTIONING OF THE REGULATION: Functional regulation.

MEASURE: Mediocredito Centrale Fund

REGULATORY REFERENCES: LAW 208/2015 - 2016 STABILITY LAW, art. 1, paragraph 371

BRIEF DESCRIPTION: A provision of Euro 351 million is planned for the Fund set up at Mediocredito Centrale (article 3, law 295/73), to support export credit activities and internationalisation of enterprises in the national production system.

FUNCTIONING OF THE REGULATION: Functional regulation.

MEASURE: Internationalisation and growth of enterprises

REGULATORY REFERENCES: Legislative decree no. 147/2015 (implementation of the tax measure - Law no. 23 dated 11 March 2014)

BRIEF DESCRIPTION: The decree envisages application of clearer and more certain rules for domestic and foreign enterprises which intend to make investments in Italy of at least Euro 30 million, which lead to a significant increase in employment. Enterprises may contact the Revenue Agency beforehand to discover the taxation system and it is required to provide a written reply within 120 days, which will be valid for five years. The “tacit consent” rule applies if no reply is given. The measure also contains regulations providing tax incentives for qualified workers to return to Italy.

FUNCTIONING OF THE REGULATION: Functional regulation.

ATTACHMENT 2

The principal measures of the Regions in favour of network agreements¹⁵

The contribution of the Regions to the annual Small Business Act report is focused, in this edition, on the growing interest of *policy makers* in introducing measures aimed to support the creation and development of business combinations, with specific focus on the “network” as a means of development and competitiveness of enterprises and enhancement of the areas where they are located.

Empirical evidence has demonstrated that the proliferation of network agreements over recent years has occurred independently of the existence of targeted incentives, since the network is recognised as a successful combination model for competitiveness of enterprises, although public aid has unquestionably assisted its development and the greater focus on certain policy objectives, such as research and innovation, company development and internationalisation.

Considering that combination projects are normally funded with European resources, this is also an important signal that the Regions are concentrating the resources from structural funds on major business projects and strategic industrial policy objectives for the entire country.

Strengthening the existing combination of the most recent regional policies, particularly those co-funded with structural funds and the *favour* towards networks and other forms of business combination as a method to boost their dimensional growth lays the foundations for cooperation between the Production Activities Commission of the Conference of Regions and Autonomous Provinces and RetImpresa Confindustria, which has been producing an interesting survey on regional loans and measures in favour of networks and business combinations.

The analysis which follows summarised the principal results and considerations which emerged from the review of 2014-first half of 2015, with a focus on several regional *best practices*.

Among the various important elements characterising the period in question, it is worth focusing on the increase in the average value of subsidies in favour of networks compared with the previous year, which confirms the decision to abandon the model of dispersion of resources, and on the increase in the total amount of funds granted to these networks, which rose from Euro 25 to 27 million, and lastly on the constant growth in multi-regional networks, although this model is still very much in the trial phase (an example is the bilateral agreement between the Regions of Sardinia and Veneto to encourage networks between enterprises in the two regions), which must be reproduced and encouraged in different contexts.

The survey carried out by RetImpresa on participation in regional bid procedures has confirmed a strong interest of the various forms of business combination in public subsidies, although this has fallen in intensity over recent years due to the reduction in resources allocated, as the transfer from the past to the new cycle of planning of structural funds took place.

In the 2010-2014, the number of network agreements signed increased by 34% compared with 2010-2013, and 648 enterprise networks benefited from the regional contribution, but the percentage funded was lower, at just 21%,

15 By the Conference of Regions and Autonomous Provinces.

demonstrating that the option for enterprises to create associations in network agreements is independent of public support and based primarily on the heavily felt need of enterprises to implement stable forms of cooperation which increase their competitiveness without damaging the specific features of the individual companies involved and their shareholders.

The survey, which focused on regional bid procedures reserved to combinations, including network agreements, or targeting both individual enterprises and combinations, highlighted the flexibility of the subsidies, namely the ample room left to enterprises to opt for the form of combination considered most suited to their own development plan: compared with the temporary association of enterprises model, the more stable models of a consortium and a network agreement are more popular, in those cases where policy makers have allowed the enterprises greater flexibility by placing fewer restrictions on the legal characteristics of the agreement, the most frequent of which is the obligation for the network to have a shared governing body, which is usually also the project leader.

In contrast, the regional legislator has, in most cases, established more stringent restrictions on the size of the grouping, usually a minimum of 3 enterprises, and, in more limited cases, a wider partnership.

From a territorial viewpoint, almost one third of network agreements are multi-regional, since they involve enterprises located in different regions, even though allocation of subsidies is obviously limited solely to the enterprises located in the region concerned; belonging to specific production districts or chains is not generally a requirement for access, but rather a criterion of preference.

The beneficiaries of the initiatives examined in the study are almost all (96%) micro, small and medium-sized enterprises, and this is due not so much to the choices of regional policy makers, as to precise restrictions of European regulations on State aid which, with the exception of several specific areas (research, development and innovation, protection of the environment) excludes large enterprises from public subsidies. While this first aspect allows the administrations responsible for the initiatives to focus policy choices on development and competitive repositioning of their own production fabric which, in almost all regions, is formed of small and micro enterprises, the second aspect prejudices the involvement of large enterprises, which could offer a valuable contribution to networks in terms of transfer of technical and market competences.

Mapping of regional measures on combinations shows that they tend to be multi-sector and the most heavily represented sectors are the manufacturing industry and services for enterprise, followed by trade and building.

The industrial policy objectives of initiatives in favour of combinations and networks over recent years have been those supporting research and development activities (40%), company development (30%) and promotion of enterprises on international markets (22%), also in line with the purposes pursued by planning of structural funds; in contrast, in the more recent period, in view of the gradual reduction in initiatives aimed exclusively at the creation or start-up of networks, the focus has been on supporting development and consolidation of existing ones and activation of financial instruments supporting projects to protect the environment and promote use of renewable energies.

Admissible expenditure in investment programs has related primarily to acquisition of specialist technical consultancy, patents and licensing rights for the performance of a project or filing of patents and registration of trademarks, and also the purchase of machinery/plant and equipment, usually new, and expenditure on employees or those hired on equivalent contracts and, lastly,

advertising expenditure to promote the trademarks/brands of the combination and/or territorial ones, the spread of information, creation of brochures and/or publications, on-line promotions, shared performance of meetings and events.

It has only been considered admissible to a secondary extent, in certain cases, to fund the expense of hiring or inserting a network manager, i.e. a freelance professional or one hired on a project contract, who is responsible for coordination and management of the network's activities plan.

The most frequent form of subsidy is the non-repayable grant and granting of a voucher to purchase goods or services from accredited suppliers, while application of the combined contribution, i.e. a non-repayable grant combined with, or as an alternative to, a contribution to the interest account or a subsidised loan, is less frequent. Exclusive use of a subsidised loan is extremely marginal.

For assessments of the projects, the Regions have opted, in most cases, for a classification assessment procedure, choosing as the selection criteria the extent of the partnership, the possible effect of the projects on district or production chain issues, formalisation of the combination in a network agreement; in the second instance, the counter procedure has been used, while use of the automatic procedure and negotiation between the granting administration and the proponent, in which certain aspects of the procedure are mutually agreed beforehand, has been extremely limited.

In terms of regulations on State subsidies, most of the initiatives have been implemented in accordance with the *de minimis* rule or the rule of exemption by category or through use of several systems, whereas the application of specifically notified systems is limited.

A review of the most significant experiences in the Regions in recent years is provided below, focused primarily on the period of reference of this analysis (2014/ first half of 2015), and prioritising initiatives in the areas of research, innovation and internationalisation.

ABRUZZO

Bid procedure for a subsidy for innovation and internationalisation projects of network agreements in Abruzzo

The initiative is in Part 2 of the Abruzzo 2015 Policy Agreement to promote initiatives for economic and production development of the Region by reforming the production districts and strengthening the enterprise networks. The Region has set aside a total Euro 6 million for innovation (product, process and organisational) and internationalisation projects by groupings of enterprises formed as a Network Agreement. The projects must increase the production and distribution strength of the enterprises and their competitiveness on domestic and international markets, improving their capacity for innovation and the opportunities to react to difficulties linked with the economic situation. The applications are assessed by Abruzzo Sviluppo, an "in house" company of the Region, on the basis of both the quality of the combination and the project proposed. The presence of a sworn network agreement will give extra points in the marking system, as will a shared or authorised fund. A non-repayable grant of 50% of the permitted expenditure, with a maximum of Euro 400 thousand, has been assigned for each network agreement.

A total of 35 projects out of the 143 received have been funded: 18 for innovation and 17 for internationalisation. The total number of enterprises in the network

agreement who have benefited from the regional subsidy is 371: 200 for innovation and 171 for internationalisation, totalling over Euro 12 million in investments made and Euro 6 million in contributions granted.

BASILICATA

Bid procedure for pilot projects on the promotion and development of enterprise networks

The bid procedure is promoted and 50% co-funded by the Potenza Chamber of Commerce and the Basilicata Region and has supported groupings of enterprises formed or to be formed with a network agreement. Two types of action may receive the contribution:

- projects for the promotion, creation and feasibility of enterprise networks, up to creation of the network agreement;
- projects for the performance of specific initiatives and/or actions to achieve the objectives defined and agreed in the network agreement, already created and registered on the Companies Register at the deadline for participating in the bid procedure.

The admitted expenditure includes: consultancy and definition of the economic, technical and financial feasibility plan of the network agreement; personnel training and/or retraining; purchase of equipment, plant, machinery, IT systems, software, patents and registered trademarks, certificates of origin and quality; notarial expenses to create the network agreement. The bid procedure also establishes a form of reward for projects which satisfy certain parameters, including: the enterprises concerning being party to a network agreement on the same production chain and/or in the same business sector, belonging to one production district recognised by the Basilicata Region, creation of new employment.

In the period 2011/2012, the bid procedure, for which Euro 150 thousand has been set aside for each year, has supported 11 projects promoted by networks over the two years, while 97 enterprises have been involved as partners.

CALABRIA

“Nautica” manifestation of interest - Innovative Production Districts

The Calabria Region, as part of its activities to encourage development of integrated production models in the nautical sector, introduced to “manifestation of interest” in 2011 to encourage the organisation of networks of companies created to propose qualification projects improving the shared supply system, with a view to integration between enterprise, society and the territory. The beneficiaries of the initiative are groupings of enterprises, formed or to be formed, involving at least 3 companies, which agree to sign a network agreement. The network must involve companies operating mainly in the nautical sector. The activities included, in general terms, are: creation of enterprise networks; preparation of the network development plan; support for start-up, by designing a trademark and carrying out communication and marketing initiatives.

The projects selected will receive a contribution covering up to 70% of the admitted expenditure.

The resources available total Euro 175 thousand and have funded 2 projects, with 33 enterprises in a network benefiting from the regional aid.

CAMPANIA

Notice for selection of projects to admit to the funding of the rotating fund for development of SMEs in Campania - “Enterprise network” measures

The bid procedure is intended to promote and support the creation and qualification of enterprise networks in order to assist innovation and competitiveness of micro, small and medium-sized enterprises in Campania, by granting subsidised loans to be repaid over 7 years, with a 12-month deferment period. The recipients are combinations of MSMEs, formed or still to be formed with the legal status of a “network agreement”, with or without a legal personality, and which envisage the creation of a joint property fund or a joint governing body. The bid procedure, for which funding of Euro 10 million is available, funds investment programs between a minimum of Euro 100 thousand and a maximum of Euro 1 million, covering 100% of the admissible investment program. The network project must indicate and detail the objectives of innovation and/or increase in the competitiveness of the combination, and also possibly describe the impact of the project on the competitive capacity of the individual enterprises involved. All expenditure subsequent to signing of the loan agreement and relating to tangible and intangible assets, promotion and consultancy costs, is admissible. A total 16 project proposals has been submitted at the end of 2014, and the enterprise networks receiving the loan from the PMI Misura “Reti di impresa” Fund sign a loan agreement with Sviluppo Campania S.p.A., which governs the contractual obligations of the parties involved. The loan granted is transferred from the project leader to the individual beneficiary enterprises, by crediting it into the current account of each enterprise.

EMILIA - ROMAGNA

From production districts to technology districts

The initiative was started by the Emilia-Romagna Region with funding of Euro 12.5 million (Euro 7.9 million in regional contributions and Euro 4.5 million from the Ministry of Economic Development). The objective is to improve the efficiency of company innovation processes and promote demand of SMEs for more qualified and organised industrial research from the laboratories on the High-Technology Network of Emilia-Romagna. The Emilia-Romagna Region, in collaboration with business associations, started by identifying programs for innovative qualification of production districts, through a manifestation of interest reserved to regionally accredited industrial research and/or technology transfer structures. A total of 16 production districts have been identified as distinguishing features of each territory: automation-mechatronics, engine design, food, fashion, ceramics, building, pharmaceuticals-biotech, biomedical; materials for mechanics, agricultural mechanics, packaging, nautical, technologies for energy networks and services, ICT. The research structures then selected, for their respective districts, the research programs submitted by the enterprises in a combination. The projects selected will receive a non-repayable grant up to 100% of the expenditure.

A total of 93 networks have been created for the development of innovation projects, involving 281 enterprises and with the recruitment of 297 young researchers.

FRIULI VENEZIA GIULIA

Regional law no. 4 of 4 April 2013 - art. 13 CHAPTER III - Initiatives to support enterprise networks

The Region supports the performance of projects of micro, small and medium-sized enterprises aimed at strengthening and relaunching their competitiveness, including through network agreements. The initiative is aimed at support network projects with either the objective of developing an enterprise network already created or signing of a network agreement within six months of the date when the incentive is granted. The initiative funds the expenditure in the three different phases of development of the combination project:

- preparatory phase of orientation, training and creation of the network;
- preparation phase;
- performance phase.

A convention has been signed with Unioncamere FVG for implementation of the initiative and the Gorizia, Pordenone, Trieste and Udine Chambers of Commerce have been identified as the intermediate bodies responsible for management of operations. However, publication of the enacting procedure has been postponed to 2015, as part of the PAC “Imprese e Giovani Action: support for competitiveness and innovation”.

LAZIO

Insieme per Vincere (Successful together)

With the initiative “Insieme per vincere” - funded by part 1 of the POR FESR Lazio 2007-2013 - the Region has set aside over Euro 60 million in non-repayable grants for Lazio-based enterprises, with the objective of encouraging the sharing of know-how, rationalisation of costs, capacity to innovate. The bid procedure, managed by Sviluppo Lazio, includes three different actions corresponding with the same number of business projects in the sectors of industry, crafts and production services. The “Start Up di Reti” measure is aimed at encouraging the creation of combinations between SMEs in the form of a network agreement. It funds the acquisition of real services, such as consultancy, market surveys, notarial expenses. The “Investimenti in Rete” measure supports business projects aimed at the performance of a shared network program. It funds the purchase of machinery, computer programs and building works, for example. The “Valore Aggiunto Lazio - VAL” measure is aimed exclusively at combinations between SMEs and large enterprises, with the objective of performing joint research, development and innovation projects. In this case, the combinations are also admitted in the form of ATI, ATS and consortium, in addition to the network agreement. The bid procedure offers a variable non-repayable grant on the basis of the expenditure and the aid scheme applied.

Resources totalling Euro 55.8 million have been assigned: the amount for network agreements is around Euro 13.7 million, of which: Euro 1.7 mln for “Start Up di Reti” (26 projects), Euro 6 mln for “Investimenti in Rete” (14 projects), Euro 6 mln for “Valore Aggiunto Lazio - VAL” (5 projects).

LIGURIA

Promotion and innovation of enterprise networks and business combinations

The Liguria Region has set aside Euro 1 million to promote the spread, creation and development of networks of micro, small and medium-sized enterprises in Liguria. The action, which was implemented in 2014 in Part 1 of the Por Fesr 2007-2013 Regional competitiveness and employment, is aimed at supporting projects promoted by business associations and representatives of industry, crafts, trade and cooperation. The funded projects relate, for example, to performance of information and publication activities in the territories on topics of interest for the network (taxation, legal, etc., aspects) and activities to direct and accompany small and medium enterprises with a combination project. A bid procedure dedicated to enterprises supporting the creation of enterprise networks and combinations has been published in the second phase.

The Liguria Region, through FILSE Spa, has selected 9 initiatives for the promotion and creation of enterprise networks and combinations.

LOMBARDY

Bid procedure POR FESR 1.1.2.1 Action F Support for enterprise networks

In order to promote consolidation between enterprises, but especially the creation of new permanent combinations, the Lombardy Region approved the “Support for enterprise networks” bid procedure in 2013, in implementation of measure 1.1.2.1 “Support for growth in the competitiveness of enterprises in Lombardy”- Action F. of POR FESR 2007/2013. The procedure was open to micro, small and medium-sized enterprises which had already signed a network agreement at the date of submitting the application for the contribution, in a combination of a minimum 3 companies, with an operating unit in the Lombardy Region and entered on the Companies Register. Creation and consolidation of enterprise networks is supported through the performance of projects for product, service, process and organisational innovation. The objectives of the funded projects are:

- the design of services, products, production processes, logistics and distribution processes which are innovative with respect to the current market and focused on use of new technologies;
- improvement of organisational and management systems;
- an increase in the efficiency of processes, also through the development of shared functions of the combination (planning, logistics, connected services, communication).

There are currently 71 projects being performed and 273 companies have received funding totalling Euro 30,726,969.09, of which Euro 11,779,336.45 funded with the contribution and Euro 18,947,632.64 by the firms with their own resources. In particular, the types of innovation are distributed as follows among the networks:

- Product/service innovation: 53 networks for a total of 194 companies
- Organisational innovation: 7 networks for a total of 26 companies
- Process innovation: 11 networks for a total of 53 companies

MARCHE

Support for SMEs to assist production combination processes and Made in Italy products

The bid procedure, published in 2013, funds cooperation projects exclusively in a combination, network agreement or temporary grouping of enterprises. The initiative aims to support combinations, with specific reference to the sectors of footwear, leathers, textiles and clothing, wood and furniture and agricultural foods, through the definition of specific agreements and signing of shared commitments to improve, protect and promotion of high-quality Italian-made products, in terms of technological innovation, quality, style and design, on the domestic and international markets. In detail, the actions started so far relate to process, product and service innovation, in order to improve the productivity of enterprises in the Marche, promoting quality, style and design; support transfer of know-how and sharing of the results of research and know-how; support the weak links on the chain and promote the excellence which has always distinguished the production system of the Marche. The initiatives are aimed, in particular, at promoting product and/or service and marketing innovation in the Marche system of enterprise. The bid procedure is divided into five measures:

- a) support for innovation;
- b) development of IT systems;
- c) enhancement of qualified human capital at the company;
- d) protection of the Made in Italy brand and protection of health;
- e) promotion and support of internationalisation.

The initiative provides a non-repayable grant using two methods, on the basis of Regulation 800/2008 or the de minimis system.

The Marche Region has assigned a total of Euro 5.6 million to the initiative. A total of 20 network agreement projects have been funded and the subsidies granted total Euro 3.2 million.

MOLISE

Research programs according to production sector logic

The bid procedure supports enterprises, combined in groupings and organised according to the production sector logic, which intend to promote initiatives relating to an industrial research and trial development program, to be completed with a program of industrialisation of the results. The participation of a research organisation is required. The procedure is open to enterprise groupings operating in the region, with a minimum of five enterprises and with initiatives relating to the following production sectors: pasta-making, furnishing, mechanical-automotive, textiles-clothing, energy efficiency, beauty, healthcare industry, electronics-ICT, nautical. Positively assessed projects receive a contribution to expenditure on industrial research and development programs and also a contribution to the interest account for the program of industrialisation of the results.

The resources set aside for the contributions total around Euro 9.5 million and the projects funded also include a network agreement project worth Euro 1 million, which has been granted a contribution of Euro 446 thousand.

PIEDMONT

Enterprise clusters, networks and combinations RL 34/2004

The measure is aimed at supporting the development and qualification of enterprises in the Piedmont, assisting the process of combination between enterprises, including through network agreements. Admissible initiatives are divided into two areas:

- Business plans for the creation and development of a combination through network agreements;
- Business plans for the creation and development of combinations such as ATI, consortia and consortium companies.

The projects selected receive a non-repayable grant equal to 20% of the admissible costs, with a maximum of Euro 200,000. The applications have been examined by Finpiemonte, the operator, on the basis of the following criteria: quality of the contents, quality of the combination, quality of the project proposal, impact of the project proposal, solidity of the combination and continuation of the activities after the project is completed.

The bid procedure was published in 2012 as part of the 2011-2015 Long-term Productivity Plan and was reopened until the end of 2013 with the same total resources of Euro 2.1 million. The measure has provided funding to 16 projects, of which 12 relate to creation and development of an enterprise network.

APULIA

Initiatives to support international promotion projects of SMEs in Apulia

The Apulia Region supports internationalisation of SMEs in Puglia, with particular focus on strengthening the capacity to enter and operate on the major international markets. The international promotion projects must identify a specialised production district, sector or chain and clearly define an organised process of internationalisation, aimed at performance of coordinated and clearly structured initiatives for international promotion, with specific market objectives, of market penetration and/or industrial cooperation with foreign partners, also in the field of innovation and research and development. Groupings of SMEs with the legal status of a network agreement, which have a legal personality or agree to acquire one before the loans are granted may participate. The bid procedure was amended in 2015 to allow participation of medium-sized enterprises, both single and in a network.

The bid procedure was published in 2014 and the deadline for submitting applications was 30 September 2015. In the early months of implementation, 13 projects were funded, for a total of over Euro 2.3 million.

SARDINIA

Actions to support internationalisation of SMEs in combined form

The bid procedure supports systemic and supporting actions for internationalisation of SMEs in a combination. The objective is to increase the competitiveness of Sardinian enterprises by funding internationalisation projects which, through an enterprise combination, allow rationalisation of costs, exchange and sharing of know-how and also an integrated approach to the foreign markets of reference. The initiative is reserved to Temporary Associations of Enterprises (ATI) between

small and medium enterprises (SME) or groupings between SMEs formed with the legal status of a network agreement. In particular, the subsidies are granted for promotional activities, consultancy services and activities supporting internationalisation. A non-repayable grant of a maximum Euro 200,000, equal to 75 % of the admitted expenditure, is provided.

The bid procedure was opened in 2013 through the holding company of the Region, SIFIRS S.p.a. and, at the end of 2014, the total available resources of Euro 427 thousand, had funded 3 applications, of which 2 were in a network agreement.

SICILY

Encouraging production of energy from renewable sources

The Sicily Region has set aside major resources for the creation of regional production chains in the renewable energy sources sector, including through innovative pilot projects - particularly in the sectors of low-temperature solar power, photovoltaic power, biomasses, sustainable mobility, eco-efficiency, biofuels and hydroelectric power - to be implemented in synergy with actions to encourage the transformation and marketing on no food energy crops. The beneficiaries of the initiative are small and medium enterprises located in the Region, singly or in associations such as consortia, consortium companies, enterprise networks, groupings, including temporary ones. The projects may relate, for example, to the opening of new production units, extension of existing production units, diversification of production of one production unit in new additional products, basic change in the overall production process of an existing production unit. The subsidy is granted in the form of a contribution to the plant and formation account and contributions to the interest account. In its 2007 -2013 planning of structural funds, the Sicily Region set aside over Euro 320 million to support production of energy from renewable sources, but a large part of the resources have yet to be assigned.

A total of 13 applications were submitted, but only 1 passed the preliminary check. This is a project presented in a network, for a total of Euro 26 million in investments, and the subsidy granted was Euro 12 million.

TUSCANY

Single Research & Development Bid Procedure

The bid procedure aims to support the propensity of Tuscan enterprises to invest in R&D, favouring research in strategic areas with possible applications and which create new employment and economic growth. In detail, the Single Bid Procedure funds industrial research and trial development projects between enterprises, separately or in a combination, with or without a research organisation. The initiative is divided into three line:

- line A: direct support to assist enterprise combination processes, strategic alliances, creation of networks and other forms of cooperation;
- line B: aid to enterprises for research and development in key technologies and high-technology sectors;
- line C: aid to enterprises for research and development (R&D) in key technologies and high-technology sectors, reserved to SMEs.

The subsidy is granted in the form of a non-repayable grant for SMEs and research



organisations and in the combined form of repayable and non-repayable grants for large enterprises only.

The bid procedure, published in 2012, has funded 76 applications, for a total value of over Euro 96 million in subsidies granted. Over Euro 10 million has been assigned to research and development projects presented by enterprise networks, benefiting 31 enterprises.

UMBRIA

Bid procedure for presentation of innovative projects by permanent enterprise networks (Re.sta Ricerca)

The Reti stabili di impresa - Re.Sta. bid procedures involve several enterprises in the same production sector, which join together to perform innovative projects leading to better organisation of the supply of products and services and improvement of the production chain or a phase of it. In order to participate, enterprises may form an association in the form of a limited liability company, consortium, temporary grouping of enterprises (RTI) or enterprise network. Accredited public and private research organisations and centres may also form part of the network. The initiative aims to fund the implementation of integrated investment projects, services aimed at obtaining certification, and research and development (R&D) performed jointly, by pools of small and medium enterprises in production sectors in Umbria. The components of the project are divided into:

- investments; (divided between innovative investments and R&D laboratories);
- TIC (investments and services);
- services (including innovative consultancy/services and certifications);
- industrial research and pre-competitive development.

A non-repayable grant is provided and the enterprise may choose between application of the most favourable temporary aid system, according to the de minimis system or Regulation 800/2008 (GBER).

The Re. Sta. Ricerca bid procedure was published in 2009 and co-funded by the FESR 2007- 13 Regional Operating Plan, by Law 296 of 2006 for funding of production districts and by the Single Regional Fund for production activities. The initiative has allowed funding of 21 research projects for a value of over Euro 12 million, although none of the combinations had been formalised into a network agreement when they submitted the applications.

VENETO

“Over counter” bid procedure for funding of projects managed by business combinations. Law no. 13/2014

Regional Law 13/2014 on Industrial Districts, Innovative Regional Networks and Enterprise Combinations of the Veneto Region recognises three categories: the industrial district, the innovative regional network and the enterprise combination. Specific funding instruments are reserved to these three categories. On implementation of Law 13/2014, the Veneto Region published a bid procedure for funding of projects developed by enterprise combinations in order to develop a shared strategic project. In detail, the initiative is aimed at Temporary Associations of Enterprises (ATI), network agreements, consortia, consortium companies and cooperatives. Three types of initiative are identified:

- A) Internationalisation: funds internationalisation projects relating to consultancy activities on studies for the launch of new products or existing products on

a new market in another country. To complete the proposal, the participation of the enterprises in the combination in international trade fairs is also admissible.

- B) Research and innovation: funds industrial research, trial development, process and product innovation projects and feasibility studies.
- C) Sustainable development and protection of the environment: funds industrial research and trial development projects, feasibility studies relating to environmentally sustainable and/or bio-compatible technologies and products, in a combination.

The bid procedure provides a non-repayable grant up to 50% of the expenditure.

A total of 59 projects have been accepted, for a total contribution of Euro 6.15 million. There are 2 network projects for which funding of Euro 160 thousand has been set aside.

AUTONOMOUS PROVINCE OF TRENTO

Provincial law on incentives for enterprise 6/99 and subsequent amendments. Aid for Networks

The law encourages the creation of consortia of SMEs and enterprise networks with at least one operating unit in the province. It provides contributions for the creation of a joint property fund of enterprise networks to fund personnel training, purchase of hardware and software, acquisition of patents and rights, promotion and marketing initiatives and acquisition of outside specialist consultancy services, including those for internationalisation projects. The aid for creation of enterprise networks provides a contribution up to 30% of the expenditure to sign the network agreement and up to 50% of the value of the shared fund. The projects are examined with an automatic assessment procedure, according to the chronological order of receipt of the applications.

At 31 December 2014, no contributions had been granted to enterprise networks under law no. 6/1999 of the Autonomous Province of Trento.



SMALL BUSINESS ACT