

2017 SBA Fact Sheet

Italy

Key points

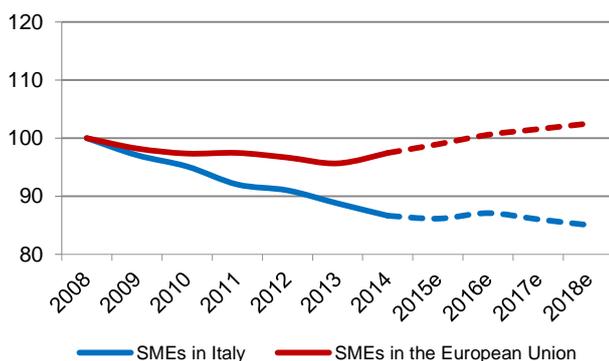
Past & future SME performance¹: In 2012-2016, Italian SMEs experienced a drop of 4.3 % in employment, whereas value added increased by 5.1 %. In the 2015-2016 period, SME employment rose by 1.1 % and value added grew by 2.4 %. However, the economy has still not recovered from the crisis, with SME employment in 2016 still 12.9 % and SME value added 3.9 % below its 2008 level. The stagnation of Italian SMEs is expected to continue. SME value added is predicted to rise by only 0.3 % in the 2016-2018 period, while SME employment is forecast to fall by 2.4 %.

Implementing the Small Business Act for Europe (SBA): Italy performs below the EU average in all SBA areas. The less worrisome are entrepreneurship, 'responsive administration', single market, skills & innovation and internationalisation, but they are all still below the EU average. The other areas have poorest performance. Since 2008, a significant positive development can be noted in single market and, to a smaller degree, in 'responsive administration' while 'second chance' has been deteriorating continuously.

SME policy priorities: Italy has adopted a substantial number of SME policy measures in line with the SBA priorities but the progress is moderate and in some cases limited. The regulatory framework for insolvency and related enforcement needs to be further improved as procedures remain lengthy and costly and are not supportive enough of restructuring. The administrative burden is still an issue despite the measures taken in the recent years. The on-going reforms in the area should be continued and strengthened. Despite some moderate improvements in the average delay in payments from public administrations to businesses (which however remains worse than the EU average) a stronger commitment is needed in the overall administrative management of the payment procedures. In skills & innovation, insufficient ICT training and ICT skills coincide with the low performance of SMEs' turnover and sales in e-commerce which is also documented in the principles single market and internationalisation. Italian SMEs would benefit the most from more investments and training in the utilisation of e-commerce.

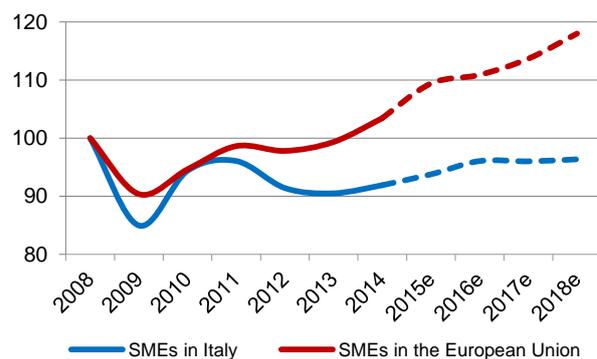
Number of persons employed in SMEs

(Index: 2008=100, estimates as from 2015 onwards)



Value added of SMEs

(Index: 2008=100, estimates as from 2015 onwards)



About the SBA fact sheets

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

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1. SMEs — basic figures

Class size	Number of enterprises			Number of persons employed			Value added		
	Italy		EU-28	Italy		EU-28	Italy		EU-28
	Number	Share	Share	Number	Share	Share	Billion €	Share	Share
Micro	3 538 488	95.1 %	93.0 %	6 567 225	46.0 %	29.8 %	197.5	29.3 %	20.9 %
Small	159 637	4.3 %	5.8 %	2 869 837	20.1 %	20.0 %	140.5	20.8 %	17.8 %
Medium-sized	18 082	0.5 %	0.9 %	1 781 052	12.5 %	16.7 %	118.5	17.6 %	18.2 %
SMEs	3 716 207	99.9 %	99.8 %	11 218 114	78.6 %	66.6 %	456.5	67.7 %	56.8 %
Large	3 140	0.1 %	0.2 %	3 055 831	21.4 %	33.4 %	217.7	32.3 %	43.2 %
Total	3 719 347	100.0 %	100.0 %	14 273 945	100.0 %	100.0 %	674.2	100.0 %	100.0 %

These are estimates for 2016 produced by DIW Econ, based on 2008-14 figures from the Structural Business Statistics Database (Eurostat). The data cover the 'non-financial business economy', which includes industry, construction, trade, and services (NACE Rev. 2 sections B to J, L, M and N), but not enterprises in agriculture, forestry and fisheries and the largely non-market service sectors such as education and health. The following size-class definitions are applied: micro firms (0-9 persons employed), small firms (10-49 persons employed), medium-sized firms (50-249 persons employed), and large firms (250+ persons employed). The advantage of using Eurostat data is that the statistics are harmonised and comparable across countries. The disadvantage is that for some countries the data may be different from those published by national authorities.

SMEs play a more important role in the non-financial business economy in Italy than is average for the EU. The share of SME value added is two thirds compared to an EU average of 56.8 %, and the share of SME employment is 78.6 % in comparison with the EU average of two thirds. Micro firms are conspicuous by their high share of SME employment; at 46.0 % this is substantially more than the EU average of 29.8 %. SME productivity, calculated as value added per person employed, is approximately EUR 40 700, slightly lower than the EU average of EUR 43 500. Due to the prominent part played by micro-firms, the average number of persons employed in Italian SMEs is 3.0, 0.9 points less than the EU average.

In 2012-2016, Italian SMEs experienced a drop of 4.3 % in employment, whereas value added increased by 5.1 %. The

trend for large firms was positive in both value added with +3.1 % and employment with +3.7 % . In 2015-2016, SME employment rose by 1.1 % and value added grew by 2.4 %. Nevertheless, the economy has still not recovered from the crisis, with SME employment in 2016 still 12.9 % below its 2008 level.

Also in manufacturing, SMEs have not yet fully recovered from the crisis, in particular with respect to employment. While in 2016, SME value added was 1.0 % above its 2008 level, SME employment remained 17.7 % below the level of 2008. Over the past years, SME employment continued to fall, decreasing by 5.0 % in 2012-16. One of the factors responsible for these developments was outsourcing, which has become more

prevalent in manufacturing firms, contributing also to an increase in labour productivity².

The *construction* sector was one of the worst affected SME sectors. In 2012-2016, SME employment and value added fell by 18.3 % and 11.7 % respectively. Very low investment levels due to the global financial crisis were the major reason for this decline³. Small firms suffered the largest drop in employment, by 26.1 %. It appears likely that some employees who lost their jobs may have re-entered the market as freelancers or self-employed, because employment at micro firms fell by only by 15.5 % in the 2012-2016 period, which was still better than the total job losses for people employed in all SMEs⁴. Nonetheless, recent developments in the sector have been positive when compared to the steep decline of previous years. SME value added increased slightly by 1.1 % in 2014-2016, whereas in 2008-2014 there had been a continuous overall decline of 43.9 %. The construction recovery has also been helped by government investment in funding initiatives such as 'The Italian National Seismic Prevention Programme' and the 'Piano Casa' national housebuilding scheme⁵.

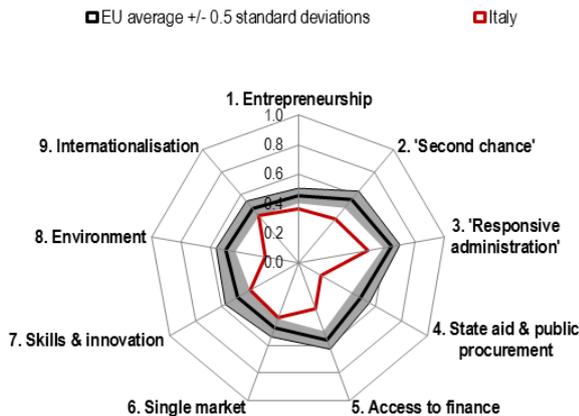
In *real estate*, SME value added fell by 5.6 % in the 2012-2016 period. Total sales in the residential real estate market dropped from approximately 808 800 in 2007 to about 444 600 in 2015⁶. As with the *construction* sector, *real estate activities* were heavily affected by the difficulty of obtaining loans due to the financial crisis. In 2012-2013, mortgage lending almost halved⁷. The fall in foreign investment and an increase in real estate taxes⁸ further weakened sales. Even so, SME employment in this sector increased by 1.5 % in 2012-2016, probably due to the huge prevalence of micro firms in this sector, which, in 2016, accounted for 90.6 % of total value added. The vast majority of these micro firms do not have any employees⁹, and therefore employment did not decline. In 2015-2016, SME employment and value added both increased, by 3.3 % and 1.5 % respectively, indicating the start of recovery from the crisis. In 2015, the volume of mortgage loans increased by 71 % relative to the previous year¹⁰, and in 2016 sales picked up again, increasing by 18.9 % compared to the previous year¹¹, with low interest rates and real estate prices as the growth drivers. In the second half of 2016, domestic and foreign investments increased by a combined total of 12 %¹².

The *transportation* sector performed slightly better than all other SME sectors, with a rise of 7.8 % in value added in 2012-2016. Although SME employment increased by only 0.2 % in the same period, this is an improvement compared with the continuous decline in employment in the 2008-2014 period. This fall in employment was due to a decline in domestic consumption, which significantly impacted the goods transportation market¹³. In the first half of 2016, the turnover of cargo carriers increased and the volume of transport grew¹⁴. This was largely due to the rise in e-commerce, which is becoming an important contributor to growth in this sector. Most recently, in the 2015-2016 period, the value of online sales increased by 18 %¹⁵.

Self-employment plays a considerably larger role in Italy than is average in the EU. In 2016, 21.5 % of all employment was self-employment¹⁶, a share which has remained stable for the past few years, and which is substantially higher than the EU average of 14.0 %. The most likely reason for this high share of self-employment is that it offers a route out of unemployment, given the poor state of the current labour market in Italy¹⁷. In recent years, business registrations have fallen. In 2008-2016, they dropped by 11.5 % to a total of 363 488¹⁸. In 2015-2016 the decline was 2.2 %. However, business de-registrations have also dropped: by 25.4 % in 2008-2016 and by 9.9 % in 2015-2016. As a consequence, in 2016, there was a net increase of 41 354 registered firms. Overall, in the 2012-2016 period, the number of registered companies increased steadily. Since 2012, the government has pursued a policy strategy aimed to increase the number of 'innovative start-ups',¹⁹ resulting in a total of 7 480 'innovative start-ups' at mid July 2017²⁰. However, despite this government encouragement, the share of high-growth firms²¹ in Italy was still only 6.8 % in 2014 compared to the EU average of 9.2 %, a share which is in line with the overall stagnation of the Italian economy. As is the case throughout the EU, *information and communication* (10.7 %) and *administrative activities* (10.8 %) were the sectors with the highest share of high-growth firms, but in these sectors too, the share was lower than the respective EU averages of 15.0 % and 12.7 %.

The stagnation of Italian SMEs is expected to continue. SME value added is predicted to rise by only 0.3 % in the 2016-2018 period, while the forecast for SME employment is a fall of 2.4 %.

2. SBA profile²²



Italy performs below the EU average in all SBA areas. The poorest performing areas are State aid & public procurement and environment, followed by access to finance and 'responsive administration'. Less worrisome are the remaining principles, but they are all still below the EU average. Since 2008, a significant positive development can be noted in single market and to a smaller degree in 'responsive administration' while 'second chance' has been deteriorating continuously.

Since the launch of the Small Business Act, the country has adopted a national SBA implementation strategy. The body monitoring its application is the 'Directorate General for industrial policy, competitiveness and SMEs' of the Ministry of Economic Development, which also has the mandate for preparing the annual report on the implementation of the SBA in the country.

During 2016 and first quarter of 2017, which is the reference period of this year's fact sheet, Italy has adopted a substantial number of policy measures (28), addressing nine out of the ten principles under the Small Business Act. The areas with the most significant progress were: access to finance and skills & innovation, followed by moderate progress in the areas of entrepreneurship, 'responsive administration' and State aid & public procurement. Less effort was put into single market, 'Think Small First' and environment.

Overall, the stakeholders acknowledge that the progress in implementing the SBA has been moderate. The adopted measures are aligned with the expectations of the SME sector and the SBA priorities. However, statements by business stakeholders show that there is still room for improvement,

especially in the areas of 'responsive administration', access to finance and internationalisation.

In 2016, the Italian government focused on some main priorities to maintain the recovery of the national economy and improve the framework conditions: the completion of the Labour market, School and Public Administration reforms, the backing for infrastructure investments, the launch of a new industrial national strategy, the stabilisation of the banking sector, and a new impetus for the green economy. The institutional and economic reform agenda, implemented by the government over the previous two years, has gradually slowed during the reference period, culminating in the constitutional referendum in December 2016. Since then, however, the reform effort has again been relaunched, with the approval of the 2017 Budget Law which provides for incentives targeting all companies, including SMEs, and promoting investments, development and innovation.

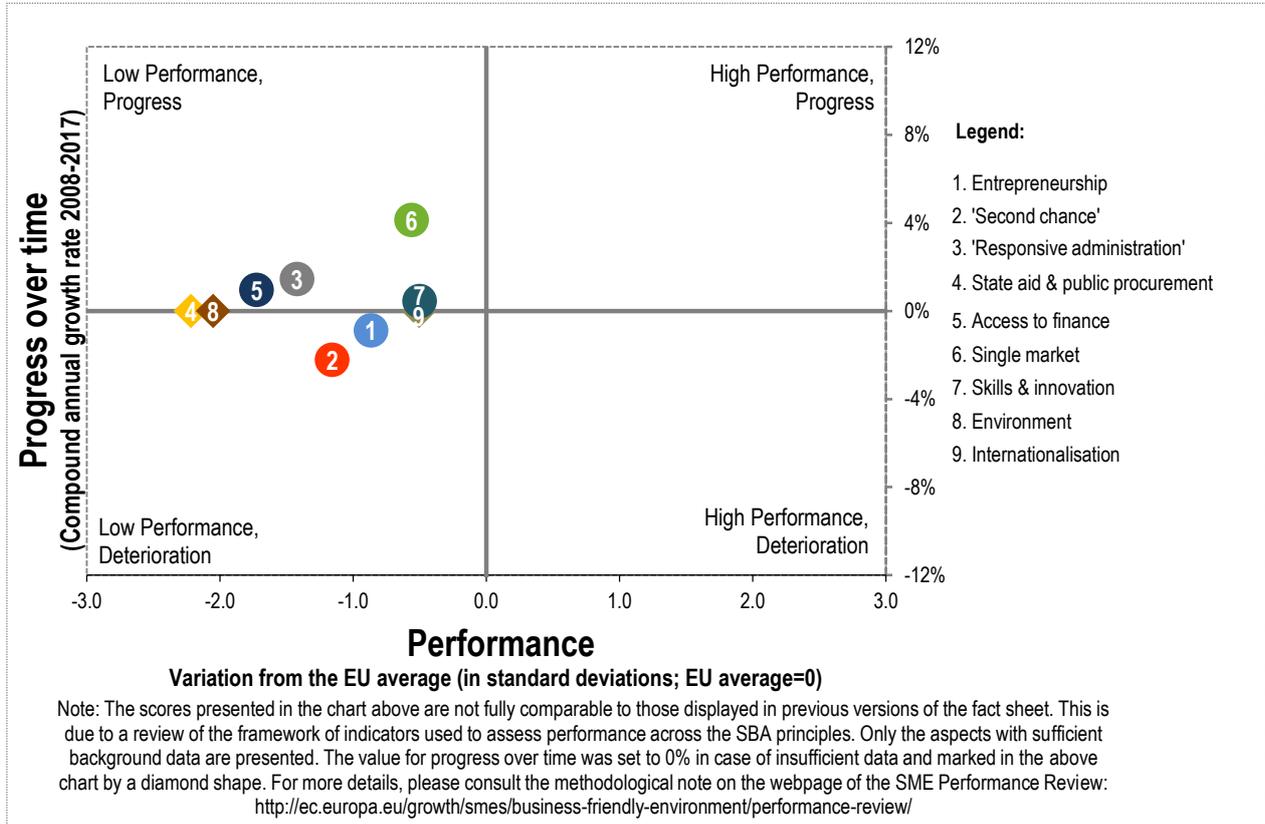
The measures launched and adopted during 2016 reflect a new national industrial strategy (Industry 4.0²³) boosting automatic support schemes, mainly through tax incentives addressing all companies, regardless of their size, geographic location and economic sector. These measures are intended to promote innovation and increase investments in the 2017-2018 period and to further stimulate growth and competitiveness in future years.

Additional steps were taken to ensure favourable conditions for the establishment and development of the innovative start-ups and SMEs ecosystem in the country and new programmes were launched to promote employment and entrepreneurship, especially among young people.

Furthermore, policies and initiatives undertaken in previous years have been further consolidated through new regulations and additional funds, extending their effects on the SMEs' environment. Examples are: the extension of the 'New Sabatini' Law to 2018; additional dedicated resources for the internationalisation plan 'Made in Italy' and related initiatives; further support for digitalisation and simplification of administrative procedures (simplified balance sheets for micro- and small companies, e-invoicing).

The government's efforts have been, however, undermined both in terms of speed of implementation and availability of resources by the political discussions following on from the constitutional referendum and the emergencies triggered by the earthquakes in Central Italy and subsequent need to mitigate seismic risks via extensive reconstruction, together with the impact of the unceasing wave of immigration.

SBA performance of Italy: state of play and development from 2008 to 2017²⁴



3. SBA principles²⁵

3.0 'Think Small First'

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

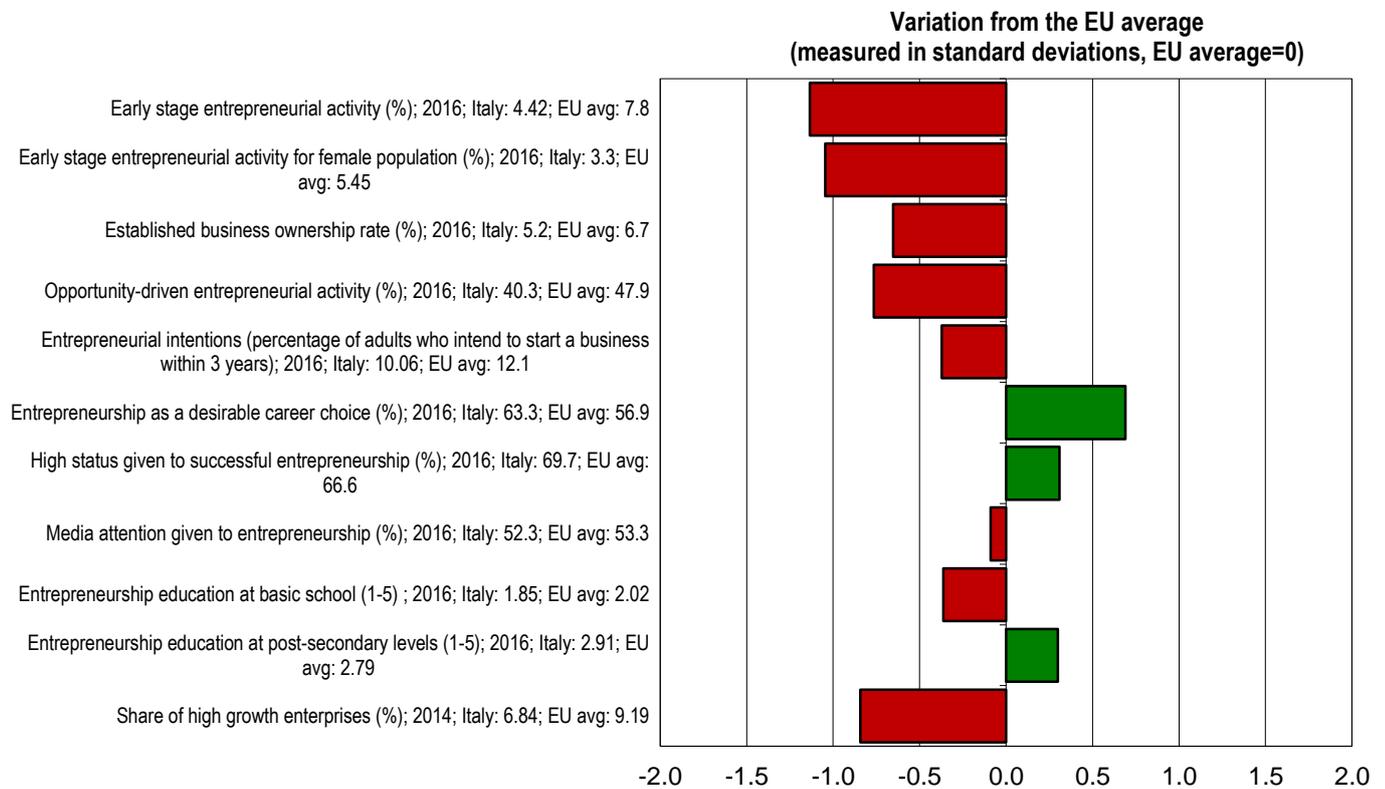
In the past few years, several policy initiatives addressing the 'Think Small First' principle were put in place in Italy. However, improvements are still required in this field: the Annual SME Law announced in 2011 in the 'Statute of the Enterprises' is still missing, as well as the full implementation of the SME test at national level. More systematic evaluation and monitoring of policy measures should also be ensured.

During the reference period, no new policy measures were introduced in this area, but further progress was made through several policy initiatives adopted in other areas inspired by the 'Think Small First' principle: strengthening of the Guarantee Fund for SMEs, creation of a favourable and enabling policy context for innovative start-ups and SMEs, simplified rules for the drawing up of annual balance sheets for micro and small companies, definition of the new category of 'micro enterprises', encouragement of self-employment through grants and fiscal incentives.

According to data of the Ministry of Economic Development²⁶, in the 2010-2015 period SMEs have benefited from 73.4 % of total public resources granted through support measures to sustain economic activities. However, SME stakeholders report ongoing complex applying procedures, delayed periods for access to public resources, uncertainty of the support aid framework which is frequently changed. Furthermore, they call for improvements to address the needs of micro- and small companies through the design of more effective dedicated measures for this category.

In July 2016, a new SME envoy was appointed within the 'Directorate General for industrial policy, competitiveness and SMEs' and assigned the task of monitoring the SBA implementation. A major focus on evaluation of the impact of the regulations should shape his mandate. He was also appointed '*Garante PMI*' (the SMEs' guarantor authority at national level), as envisaged by the 'Statute of Enterprises'. In this role, he is reopening consultations with SME stakeholders and by the beginning of 2018 he is expected to present to the Prime Minister the annual report on the activity conducted. Stakeholders viewed this development positively and as a sign of the government's intention to further focus on SMEs in the policy-making process.

3.1 Entrepreneurship



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

Overall, Italy scores below the EU average. In 2016, however, there was an improvement in almost all indicators. This is in line with statistics showing a growing number of new companies, led in large part by young dynamic, innovative people (students, researchers, PhDs, digital makers (*artigiano digitale*)), especially high-tech start-ups. The improvement of entrepreneurship education at secondary levels can be traced back to the recent reform introducing a mandatory dual-training system for secondary schools' students to combine learning and working. In addition, increased media attention coincides with the strengthened focus of the government on topics related to entrepreneurship and business start-up.

Policy-wise, during the past few years, a lot of effort was put into this principle, with the launch of measures to encourage entrepreneurship among specific categories (young, female, and unemployed) and self-employment. Additionally, further measures were taken to foster the creation of new firms through simplified (e.g. the 'SRL-Light') and innovative models ('innovative start-ups') or cooperation initiatives ('*contratto di rete*'). Under the Youth Guarantee umbrella, young people (aged 15-29) have been targeted with training and mentoring initiatives to foster a culture of entrepreneurship. Incentives for firms to hire young people were also introduced, while business associations and chambers of commerce launched several

programmes to promote and develop entrepreneurship education among young people (e.g. management games, organisation of business plan competitions, education programmes, etc.).

During the reference period, some initiatives were undertaken to boost the entrepreneurship culture especially among young people:

- The '*Cultura Crea*' programme with a budget of about EUR 107 million to promote entrepreneurship in the cultural and tourism industry and to support no-profit initiatives for national cultural heritage valorisation in the regions of southern Italy;
- The national programme '*Crescere imprenditori*' for youths to grow up as entrepreneurs; with EUR 9.8 million budget, the initiative targets NEET (Not (engaged) in Education, Employment or Training) aged 18-29 who entered the 'Youth Guarantee' programme. The support consists of training and coaching on business plans and business start-ups. Youths who complete the programme may have access to the national measure 'SELFIEmployment' which provides funds to start a new business.

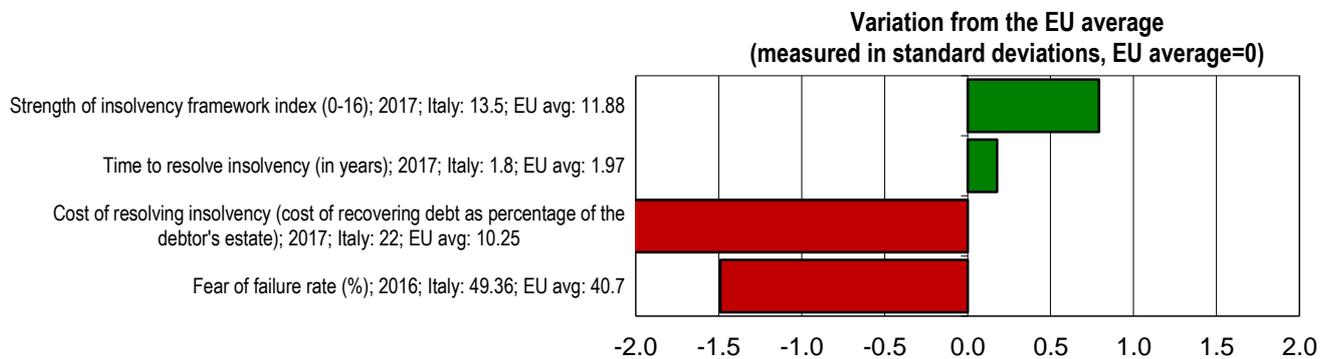
Despite a more favourable policy framework, however, the early stage entrepreneurial activity is still hampered by bureaucratic burdens, fear of failure, and scarce availability of investment capital.

As regards start-ups' development, substantial attention has been paid by the government in the last years. A dedicated task force was established in 2012 by the Ministry of Economic Development, to improve the institutional framework in this field. The new strategic policy ('*Restart, Italia!*')²⁷, intended to stimulate a consistent start-up ecosystem in the country, was turned into a diversified package of measures and incentives to enable a regulatory framework for the setup and growth of high-tech start-ups: legal definitions of innovative start-ups (2013) and innovative SMEs (2015), reduced red tape, tailor-made labour law, tax relief, fiscal facilitations for work for equity²⁸, the option of raising investments through equity crowdfunding, on-line incorporation and fail-fast procedures,

measures to encourage investments and attract foreign capital (e.g. visas for investors). A public register was created at a national level for registration and self-certification 7.480 innovative start-ups and 579 innovative SMEs were registered at mid July 2017. Further efforts are required on policy level to: increase the capital market for start-ups, allow a more flexible regulatory context, stimulate alternative exit channels, improve the tax system to ensure further simplification and less administrative burden, develop the system of incubators/accelerators.

The scale-up ecosystem is smaller (mainly research spin-offs focused on HealthTech, eCommerce, FinTech, FoodTech, tourism and retail and usually generated by incubation programmes). Despite an increasing attention by international investors, the overall environment is still affected by limited venture capital and alternative financing (such as crowdfunding) and few effective acceleration programmes.

3.2 'Second chance'



'Second chance' refers to ensuring that honest entrepreneurs who have gone bankrupt get a second chance quickly. The performance of Italy in the 'second chance' area is well below the EU average and is on a continuous downward trend since 2008. No major changes occurred since the last period, except for a slight improvement in the fear of failure rate from 57.5 % to 49.4 % which is still one of the lowest three results in all EU countries. The main problem still consists in the high costs of resolving insolvency which are the highest amongst all EU countries.

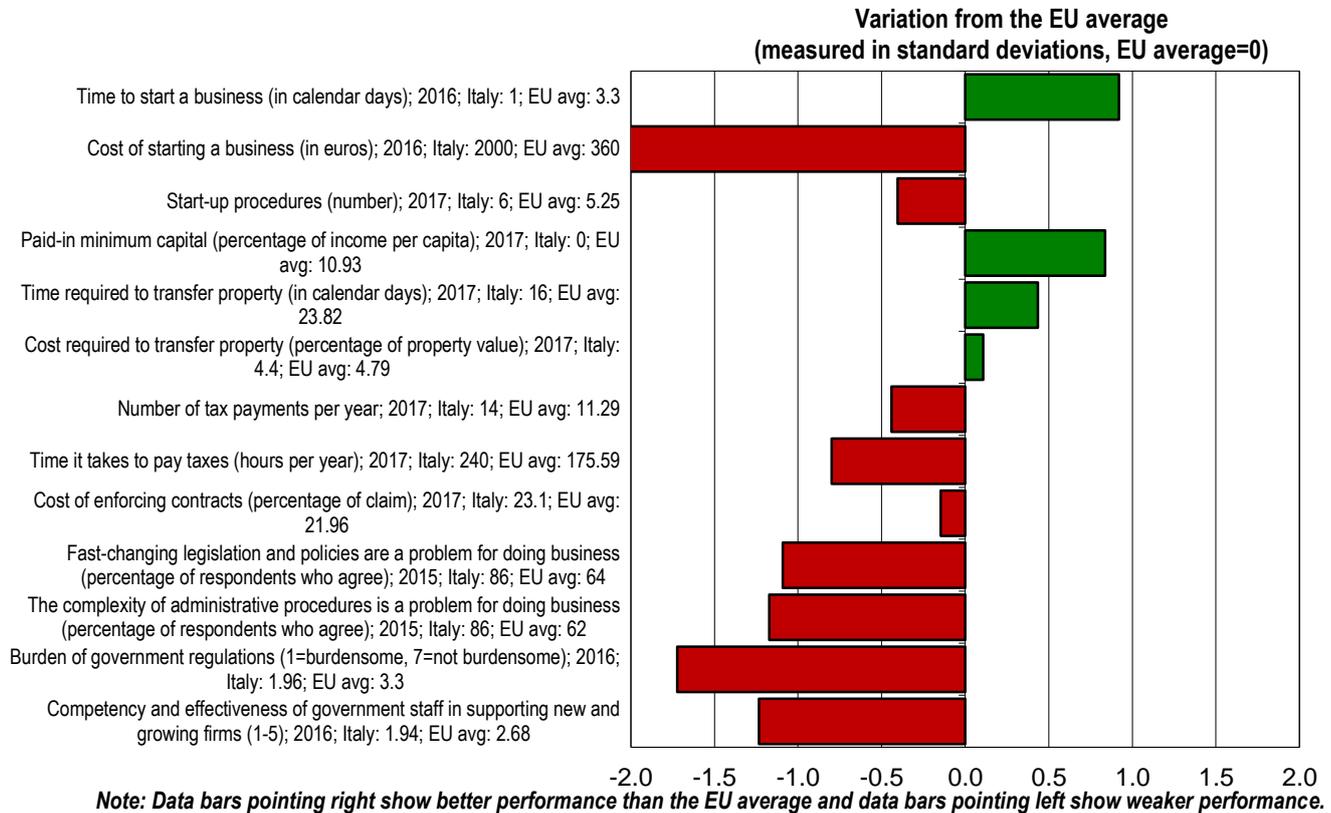
In 2012 the 1942 Bankruptcy Law was revised to increase the speed and efficiency of insolvency and bankruptcy procedures, thus encouraging companies to take prompt steps in announcing financial difficulties, to simplify fiscal transactions and accelerate the recovery of credits in insolvency and bankruptcy procedures. Fail-fast procedures were introduced only for innovative start-ups and some

derogations from the ordinary bankruptcy law have been allowed, offering entrepreneurs another chance.

The reform of the Bankruptcy Law further continued during 2016, providing for measures to simplify fiscal transactions and accelerate the recovery of credits in insolvency and bankruptcy procedures. An electronic national registry of insolvency proceedings was also established at the Ministry of Justice and electronic procedures are expected to ease and speed up bankruptcy procedures.

However, these measures have at the moment insufficient impact in supporting restructuring (especially for micro and small companies), reducing the lengthy procedures and completely overcoming the negative trend in bankruptcy registered since 2009. The number of bankruptcies has in fact decreased in 2016 compared to previous year (-7.7 %)²⁹ but it is still high compared to 2009.

3.3 'Responsive administration'



'Responsive administration' refers to public administration being responsive to the needs of SMEs. Italy's performance in this area is well below the EU average, despite progress made in the preceding years, especially in some areas such as time required to pay taxes, to register property and to start a business. Progressive digitalisation and introduction of on-line procedures are certainly benefiting the whole system. However, most indicators remained unchanged since last year. Some administrative costs are still high (e.g. cost to start a business which is the highest in all EU countries) regardless of faster and less costly procedures introduced (e.g. on-line incorporation for start-ups which is being slowly adopted).

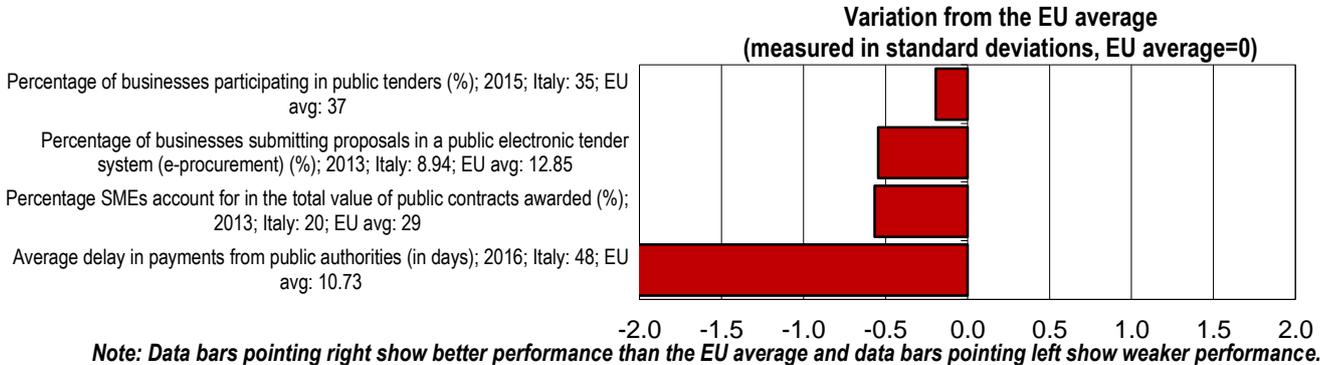
In the preceding years, Italy has implemented several policy measures to reduce the administrative burden, simplify procedures and foster digitalisation of the public administration system (on-line platforms to start a business, electronic platforms to fulfil administrative obligations, one-stop-shops for companies, e-invoicing public entities). However, the burden of bureaucracy and administrative compliance is still heavy. According to a recent study³⁰, up to 89 administrative obligations are still required to micro and SMEs in 2017 with an estimated total annual cost of EUR 31 billion. Furthermore, some of the recently introduced measures actually increased administrative

burden (e.g. cash criterion for small companies to determine income and net production). Also, the digital identity public system (SPID — *Sistema Pubblico di Identità Digitale*), introduced in March 2016, is taking off slowly in the country.

The Budget Law for 2017, specifically addressing small companies, provided for simplification of the accounting system of individual and partnership companies by introducing the cash criterion — instead of the accrual criterion — to determine income and net production. Further simplifications have been introduced with the Fiscal Simplification Decree. This involves: shifting the Tax Day to 30/06, tax demands 'scrapping' and deferred fiscal debts payment, abolishment of some information requirements, increased use of certified electronic mail for cadastral notifications and acts, the winding-up of the agency for levies collection *Equitalia* and its merger with the tax administration.

An on-line procedure via a dedicated platform of the Chambers of Commerce, requiring digital signature for the registration of the innovative start-ups was also envisaged. The establishment is at zero costs and does not necessitate a notary deed. The same procedures are also allowed for the modifications of the 'establishment act'.

3.4 State aid & public procurement



Italy is among the three EU lowest-performing countries in this area. At the same time, it is the principle where Italy has its lowest performance. Despite some improvements in the latest years, late payments still constitute a major obstacle for Italian SME's cash-flow and are one of the biggest problems in general.

At policy level, some progress has been made in recent years in the country. A new Public Procurement Code was adopted in April 2016 to bring simplification, increase transparency, reduce the administrative burden and rationalise the sector. The new Code aims to offset the difficulties inherent in the participation of SMEs in public tenders (difficult access to information, insufficient knowledge of tender procedures, demanding requirements for participation, delayed payment terms, bureaucratic burdens, and inadequate segmentation of procurements). However, the full implementation of the new Code depends on the adoption of a number of regulatory instruments and guidance. During the reference period, the National Anti-Corruption Agency issued several guidelines to clarify some aspects of the new rules.

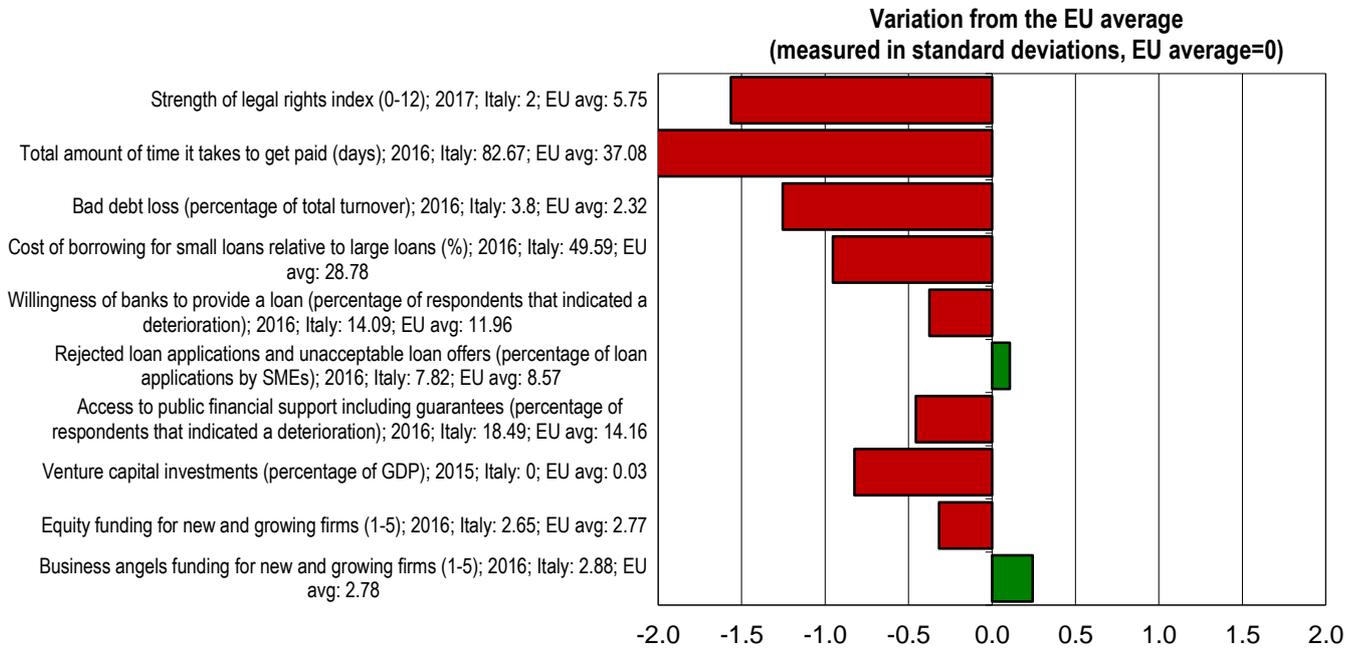
Some steps have been taken in the preceding years to further progress the implementation of the National Plan of Action on

Green Public Procurement (PAN-GPP). Green rules have been established for participation in public procurements to allow the public administration to become the first consumer/user of green products and services, thus orienting the market and boosting sustainable production from companies.

Initiatives in the public procurement of innovation and pre-commercial procurement are under development both at regional and national level. The strategy 'Horizon 2020 Italia', issued by the Ministry of Education, University and Research (MIUR) at the beginning of 2013, mentions public procurement as a tool to stimulate and nurture research and innovation, in particular among SMEs. The document highlights the need to consolidate the legal framework for pre-commercial procurement with the aim of promoting R&I and including it in regional Smart Specialisation Strategies.

First calls on pre-commercial procurement were launched by the Italian Agency for the Digital Agenda (AgID) in May 2016, after market consultations to prepare the bids. Further calls are expected to be launched in 2017 and 2018.

3.5 Access to finance



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

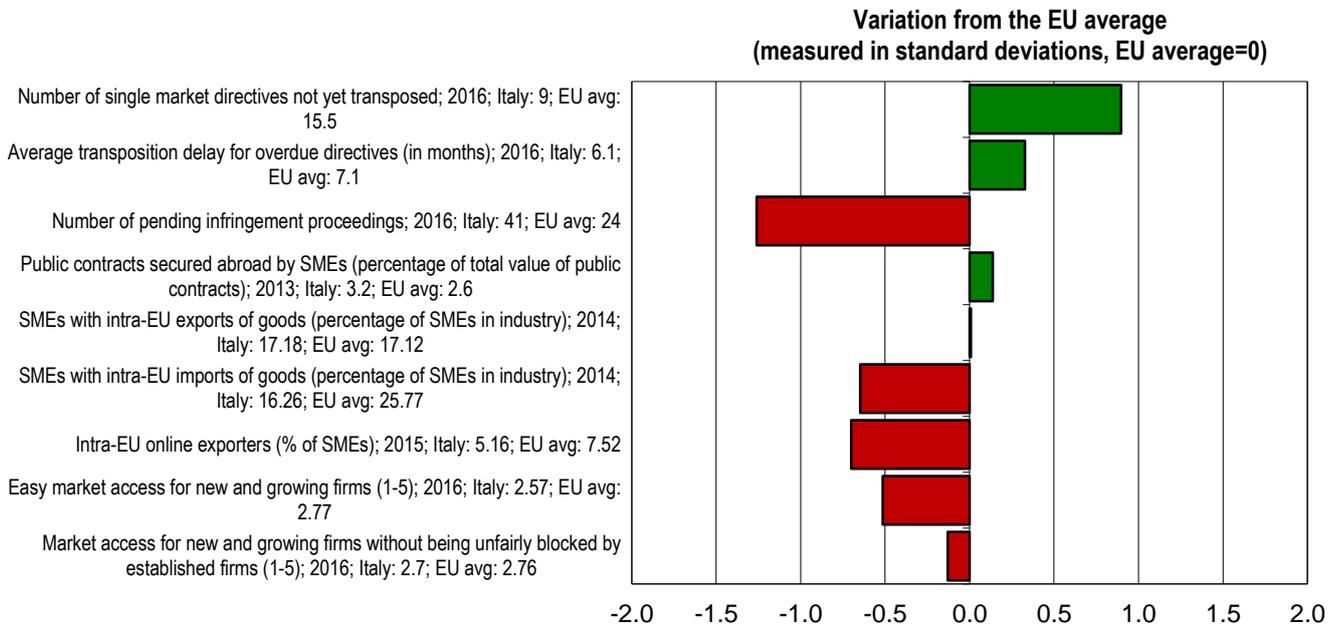
Within the area of access to finance, Italy performs below the EU average and is among the three lowest-performing countries at EU level. Since 2008, the performance has been improving, though. Although the issue of accessing finance is less relevant than during the previous years, difficulties in accessing credit and finance are still faced by Italian companies, especially the smallest ones, due to the restrictions in bank lending, the scarce availability of private risk capital, and a still small venture capital market. During the reference period, the performance is mixed with some indicators remaining stable (venture capital investments and equity funding for new and growing firms) and others which improved (the overall availability of bank loans, and the perception of companies stating a reduction of rejected loans). Non-Performing Loans' are still an important constraint for Italian banks when financing the real economy. The relation of the costs for small loans in comparison to big loans has been continuously diverging to the disadvantage of small companies since 2008. By contrast, the access to public financial support has improved (according to the 2016 SAFE — Survey on the Access to Finance of Enterprises) results, grants is a source of financing for 52 % of SMEs in Italy), backed by the public guarantee system offered by the reformed Central Guarantee Fund for SMEs. Similarly, there was an increase of financial resource available to growing firms through business angels and crowdfunding platforms. Finally, despite some improvements the number of days to get paid is still well below the EU average. In the recent years public policies aimed at improving the situation in the country through financing programmes, easing the access of SMEs to credit and capital markets through dedicated funds (e.g. the Italian Investment Fund) or incentives for investors (tax

exemptions), improving the cash-flow situation (incentives for faster depreciation of assets, and fiscal measures to boost investments), as well as encouraging the development of equity finance and freeing up resources for growth.

During the reference period, a fiscal stimulus policy was launched. The main measures are: the introduction of a 24 % income tax rate for entrepreneurs and partnerships (the so-called 'IRI'); the lowering of the corporate income tax (IRES) rate from 27.5 % to 24 %; a bonus for the recruitment of young people in Southern regions; and a tax credit for the audio visual and film industry. Furthermore, several incentives were launched with the aim of strengthening and sustaining the private investment programmes of companies, including SMEs. The hyper-amortisation for investments in Industry 4.0 technologies was introduced to allow for faster depreciation (250 %). Furthermore, measures to encourage investments in distinctive sectors of the country's economy were adopted: the creation of a new Fund up to EUR 400 million for film and audio-visual industry and a new tax credit of 65 % for accommodation facilities and hotels. Furthermore, measures were launched to encourage investments in Italian start-ups and to attract foreign capital into the country (e.g. visas for investors in Italy).

Measures were also adopted to address the difficulties experienced by Italian companies in obtaining financial resources. Examples are: the 'Individual Savings Plans' which provide exemption on capital income taxation for household savings — up to EUR 50 000 per year — channelled into these vehicles for financing the productive system; a credit fund for SMEs suffering from delayed payments.

3.6 Single market



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

Italy's performance in single market is slightly below the EU average with a big positive progress since the launch of the SBA. In particular in 2016, the situation improved substantially: despite a large increase in the number of new directives to be transposed into national legislation in comparison with previous years. The deficit of not transposed directives remained at 9 and the transposition delay at 6.1 months. The infringement proceedings dropped from 58 to 41³¹. The main problematic areas remain: air transport, environment and indirect taxation. As for the other indicators, some improvements were recorded for new and growing firms accessing the market.

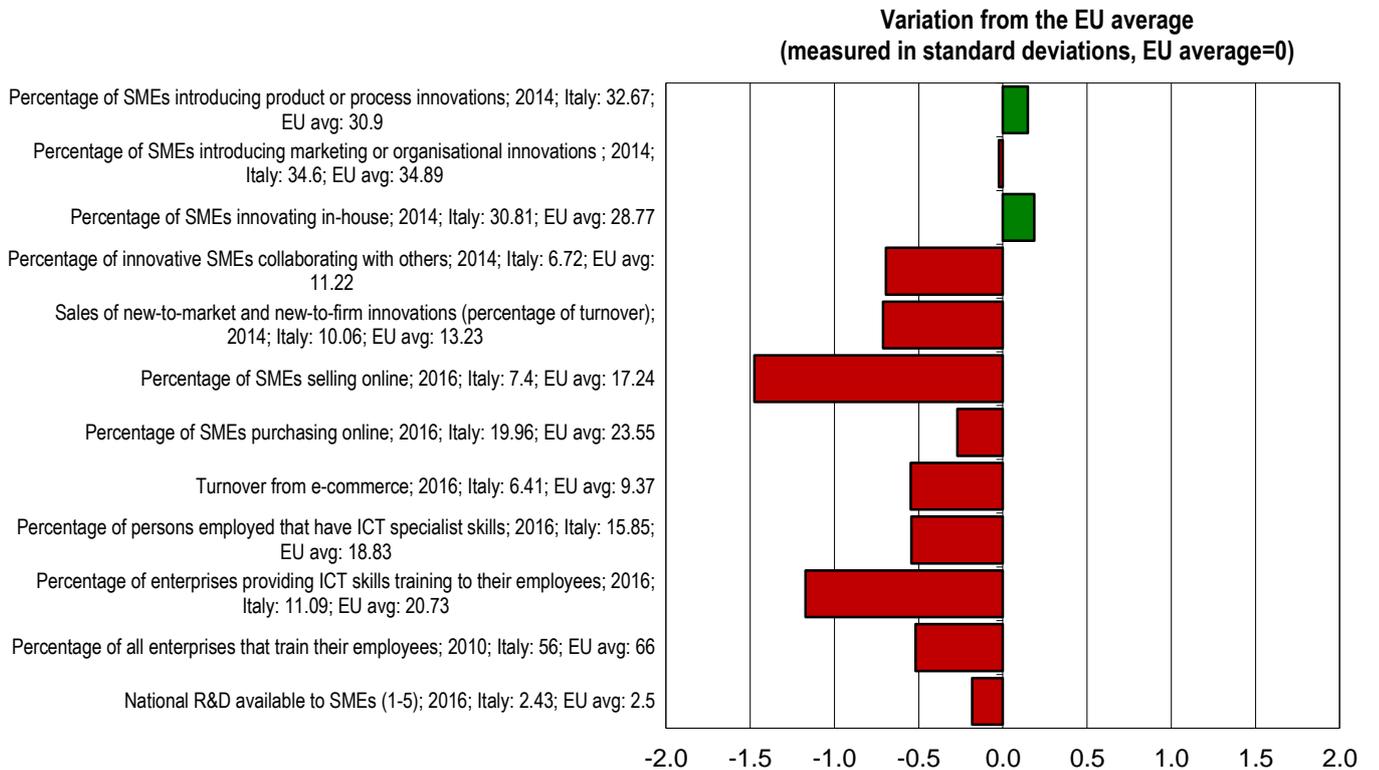
At policy level, progress by Italy under the single market SBA area has been moderate in the preceding years. As for Points of Single Contact, Italy is in line with EU average performance. Several e-procedures were implemented to fulfil the digital single market provisions and develop e-government services. A Digital Agenda strategy is under implementation to align the country to the EU 2020 Strategy and fulfil the needs of citizens, public administrations and businesses.

As for Single Market access, the Italian products, services and labour markets are often hindered by unnecessary regulations and lack of competition. In this sense, the new law on competition that is currently under consideration by Parliament is creating many expectations among stakeholders.

Participation of SMEs in the standardisation processes remains limited and is mediated by business associations and representative bodies.

During the reference period, the European Single Procurement Document (ESPD) was adopted in public procurement bids at national level, to comply with EU provisions and to align Italy to other EU countries in this field. In July 2016, a set of guidelines with a model and instructions on how to fill in the document was published to support the ESPD adoption among public administrations and bidding companies.

3.7 Skills & innovation



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

The performance of Italy within the skills & innovation area is slightly below the EU average. It is one of the policy areas that received special attention in the government agenda in previous years, and small progress has been made since 2008. However, most of the innovation indicators have deteriorated compared to last year. The most problematic indicators point at insufficient ICT training and skills which might explain the low performance of SMEs' turnover and sales in e-commerce.

Policy-wise, since 2008, a substantial number of measures have been implemented in this field, to encourage the take up of innovation by SMEs. The policy mix for funding R&D has recorded some major changes since 2012, when the government streamlined access to the main direct funds, revised institutional funds, reviewed the indirect incentives for private businesses and introduced peer review as a regular feature of the evaluation procedure in competitive programmes. Support has been provided to encourage investments in R&D, the development of new products and the digitalisation of production processes, improving productivity and fostering skills development.

In March 2013, the Ministry of Economic Development reformed the firms' incentives system to target innovation for competitiveness and support investments in key enabling

technologies. Firms' incentives are financed by the 'Fund for Sustainable Growth — *Fondo per la Crescita Sostenibile*', including resources for technological innovation to promote strategic research projects and boost production. The new strategy is based on three pillars: promoting investments, favouring access to capital markets and fostering innovative entrepreneurship.

Examples of measures adopted in previous years to boost investments in R&D and innovation among companies, including SMEs, are: tax credits for R&D to stimulate investment in machinery and capital goods; subsidised credits for SMEs and micro-enterprises to invest in hardware, software and digital technologies; innovation vouchers for SMEs, exemption for productivity-related pay, funds for digital handcrafts networks. Moreover, funds were allocated on the Guarantee Fund for SMEs to cover the risk of losses in R&D projects of SMEs and mid-caps.

Italy established the legal definitions of innovative start-ups (2012) and innovative SMEs (2015), benefiting from reduced red tape, tailor-made labour law, tax relief. In 2013, Italy was one of the first countries at EU level that set up rules for the online crowdfunding platforms.

Incentives for IPR protection (patents, trademarks, industrial designs/models) were launched (e.g. in 2015 the patent box to allow for the deduction of 50 % of the revenues originated from direct/indirect use of intellectual property rights).

During the reference period, the government has put efforts for the establishment of a more stable framework to support research and innovation activities, in contrast to the limited timespan and uncertainty of budget availability of past support measures.

A new industrial strategy, at a national level, has been launched with the '*Industria 4.0 Plan*' (I4.0) for the 2017-2020 period. The plan aims at supporting industrial change through a new framework of measures and incentives for companies and R&D infrastructures to support innovative technological developments; to promote private investment in digital manufacturing technologies; to increase productivity, create new products and services and define innovative industrial business models; to encourage investment in venture capital and start-up firms; to stimulate I4.0 education programmes and skills development; to create Competence Centres and Digital Innovation Hubs; to implement an Ultra Broadband Plan and define Internet of Things standard communication protocols.

Some fiscal incentives have been taken into account by the Budget Law 2017 which introduced the hyper-amortisation for investments in Industry 4.0 technologies (either in hardware or in software) to allow for faster depreciation (250 %) and

confirmed — until the end of June 2018- the super-amortisation (150 %) for investment in capital goods.

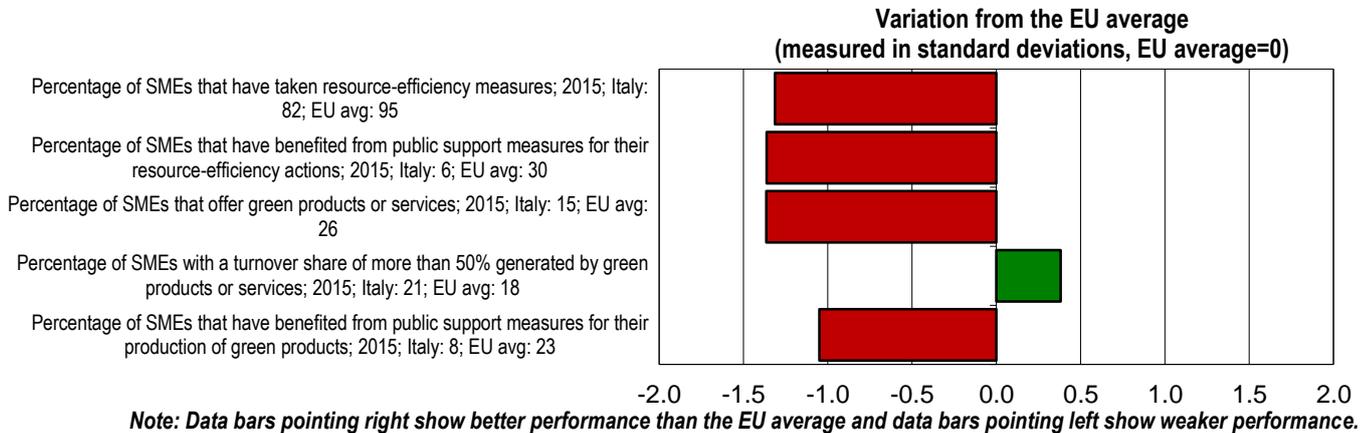
Moreover, the Budget Law 2017 further strengthened the tax credit for R&D increased to a flat rate of 50 % on incremental R&D expenses up to a total tax credit of EUR 20 million per year. The measure was extended until 2020.

During 2016, the first calls of the 'Enterprises and Competitiveness' national programme (PON I&C 2014-2010 — Call Horizon 2020), were launched to support R&D projects in the H20 20 technology areas in the five less developed regions in the South (Basilicata, Calabria, Campania, Puglia and Sicily) and the three transition regions (Abruzzo, Molise and Sardinia) with SMEs among the target beneficiaries. Selected projects are just starting activities.

The Budget Law 2017 provided for fiscal incentives targeting high-skilled workers returning to Italy for at least two years. The incentive for the worker consists in the exemption from taxes of 50 % of annual income. The measure applies for five years from the date of return.

Furthermore, the fiscal incentives for the return of researchers and academics residing abroad, introduced in 2012, were turned into permanent incentives. Such measures are of particular interest for SMEs that can increase their capability to attract high-skilled profiles while keeping costs for salaries at a sustainable level.

3.8 Environment



Italy is among the three lowest-performing EU countries in the environment area. Public support to SMEs for resource-efficiency measures or for the production of green products is poor in comparison with most other EU countries. In 2013-2015, all indicators have deteriorated, except for the share of SMEs that had received public support for their production of green products. On a positive note, only the share of Italian SMEs, which generate most of their turnover with green products or services, is higher than in the EU on average.

Since 2008, policy progress in this area has been moderate. Italy has formulated its main policies and strategies within the framework of EU and international commitments. Environmental policies remained fragmented since many policies are implemented at a regional level.

Regulation and legislation took the form of support measures and financial incentives, e.g. green and white certificates, feed-in premium for photovoltaic, reduction of the electricity costs for small companies, tax deductions for buildings' renovation as well as for buildings' energy requalification — eco-bonus.

Several of these incentives were repeatedly changed, which has created some uncertainty in the markets, or simply extended over the years. SMEs were not a specific target of such measures, but they are among the beneficiaries.

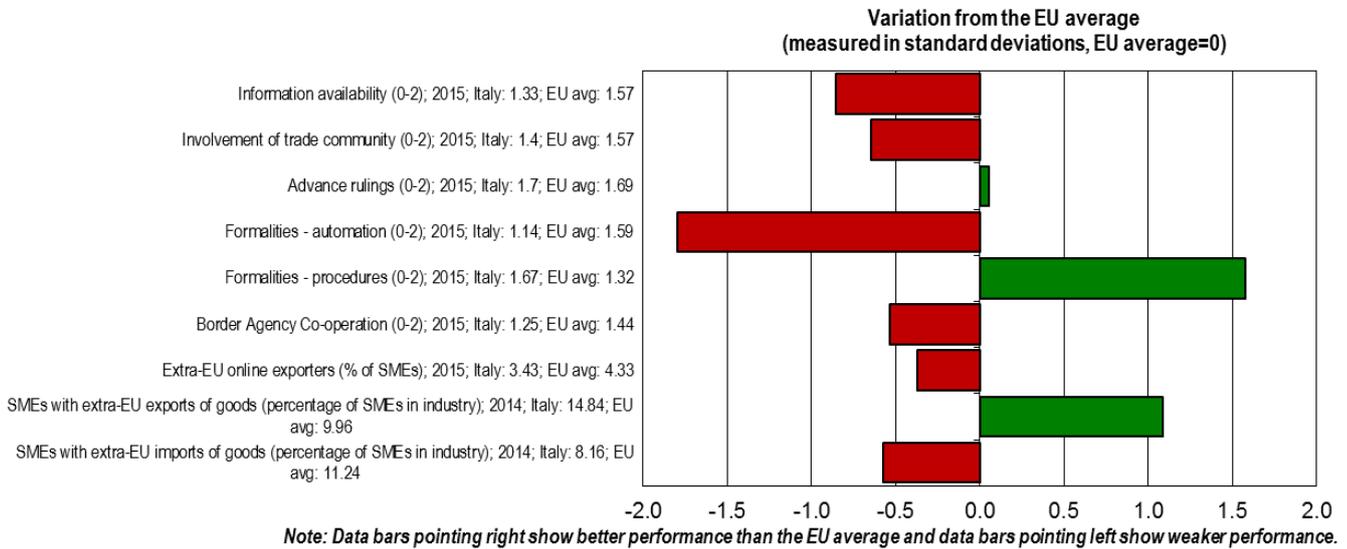
Renewable energy sources, energy efficiency, and environmental infrastructures are the main targets of funds allocated in the national programmes backed mainly by EU structural funds (e.g. POI Operative Programme for investment programmes to reduce and rationalise the primary energy use in industrial processes).

A National Action Plan on Green Public Procurement (GPP) was adopted in 2008 and revised in 2013. Incentives are provided in public procurement tenders for firms with an EMAS registration or an ecolabel. Events, seminar and workshops on GPP are organised at national and local level. A GPP website and helpdesk service is provided by the Ministry of Environment.

At the end of 2015 measures were introduced to promote green economy, environmental certificates, the safeguarding of natural resources, sustainable mobility, blue economy, recycling, energy efficiency and renewable energies ('*Collegato ambientale*').

During the reference period, in May 2016 the Ministry of Environment issued a decree to establish the minimum percentage of public procurement bids to which contracting authorities should apply technical requirements and contractual clauses for Minimum Environmental Criteria (*Criteri Ambientali Minimi* — CAM). The percentage should progressively increase in the short term from 62 % in 2017 to 100 % in 2020. The measure is intended to encourage bidders, including SMEs, to provide green and sustainable products/services.

3.9 Internationalisation



Italy scores slightly below the EU average in internationalisation. As for formalities automation, the country is still lagging behind the EU average. Also, the availability of information remains problematic. All indicators have been replaced which prevents any comparison with last year's performance.³² The new indicators show that the country has excellent formality procedures in place, but it trails the EU average especially in automated procedures and information availability when it comes to online tools which could facilitate trade bureaucracy much more for SMEs.

On the positive side, there are continuous, but slow improvements in SME trade figures in the industrial sector. In the period 2008-2014 the share of exporting SMEs increased from 13.2 % to 14.8 % and in importing from 7.9 % to 8.2 % in the same period. The low number of online exporter shows that there is a huge growth potential even though the numbers could improve slightly from 2 % in 2011 to 3.4 % in 2015.

In terms of policy, Italy has put a lot of effort into the internationalisation of SMEs since 2008. Several initiatives have been undertaken to improve and coordinate the existing mechanisms, financial instruments and entities supporting internationalisation as part of the 'Made in Italy' productive system (ICE, SIMEST, Chambers of Commerce).

To promote the internationalisation of Italian firms, a major national Export Plan was launched in 2013. In 2014, a 'Plan for

the extraordinary promotion of the Made in Italy', originally endowed with EUR 232 million for the 2015-2017 period, also intended to attract investments in Italy through a mix of initiatives to be carried out both in Italy and abroad. These include: promotion of large Italian exhibitions; vouchers for micro- and SMEs to strengthen their internationalisation skills; financial support to consortia for internationalisation; training for export managers' profiles, roadshows and e-commerce platform for SMEs, special plans to expand into new foreign markets, campaigns to combat the counterfeiting of 'made in Italy' brand and roadshows to attract foreign investment.

During the reference period, a new measure was implemented to support internationalisation initiatives of companies of all size classes. It provides loans for feasibility studies for commercial and productive investments and for technical assistance and training of personnel involved in investment projects abroad. The funding covers 100 % of total expenses up to EUR 150 000 for studies for commercial investments, and up to EUR 300 000 for studies for productive investments and technical assistance. Furthermore, the measure envisages dedicated support to exporting SMEs up to EUR 100 000 for internationalisation processes, promotional activities and participation to fairs and missions.



4. Interesting initiative

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

Internationalisation Vouchers (Voucher per l'Internazionalizzazione)

The scheme provides for small grants assigned, in the form of vouchers, to SMEs, businesses networks (*'contratti di rete'*) with a minimum turnover of EUR 500 000 in one of the last three fiscal years, and innovative start-ups. The measure is a support scheme to sustain internationalisation processes and ensure financial backing for small companies developing internationalisation strategies. It is aimed to encourage SMEs to hire or buy in specialist expertise to grow, innovate and go international.

Vouchers allow covering costs for external services supplied by Temporary Export Managers (TEM) selected from a list of qualified consultants and internationalisation services suppliers drawn up by the Ministry of Economic Development.

The external services consist of a 6-month minimum support to develop a plan to approach and penetrate foreign markets or to consolidate market position abroad.

The value of each single voucher is up to EUR 10 000. To access the voucher the beneficiary company should co-finance the initiative with its own resources (at least EUR 3 000).

The measure was launched in September 2015 with an initial budget of EUR 10 million. In 2016, the available budget was increased by an additional EUR 9 million.

So far, more than 1 700 SMEs have benefited from this supporting scheme.

The measure has attracted SMEs and has been positively evaluated by SMEs stakeholders calling for support schemes that allow small companies to take advantage of external specialised expertise to develop strategic plans for growth.

The scheme is presently under examination by the Ministry of Economic Development, which will assess its impact to ensure improvements in future implementation.

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http://www.sviluppoeconomico.gov.it/images/stories/commercio_internazionale/voucher/Decreto_Ministeriale_15_05_2015.pdf

Important remarks

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

SME Performance Review:

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

Small Business Act:

http://ec.europa.eu/growth/smes/business-friendly-environment/small-business-act/index_en.htm

European Small Business Portal:

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

Endnotes

¹ The two graphs below present the trend over time for the variables. They consist of index values for the years since 2008, with the base year 2008 set at a value of 100. As from 2015, the graphs show estimates of the development over time, produced by DIW Econ on the basis of 2008-2014 figures from Eurostat's Structural Business Statistics Database. The data cover the 'non-financial business economy', which includes industry, construction, trade and services (NACE Rev. 2 sections B to J, L, M and N). They do not cover enterprises in agriculture, forestry and fisheries or largely non-market service sectors such as education and health. A detailed methodology can be consulted at: <http://ec.europa.eu/growth/smes/business-friendly-environment/performance-review/>.

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³ Market Monitor — Construction industry — Italy, 18/02/2016. <https://group.atradius.com/publications/market-monitor-construction-italy-2016.html> and Claudio Celio — After long investment drought, Italy's building contractors expect a rebound in 2016, 03/03/2016. <http://www.italy24.ilsole24ore.com/art/real-estate/2016-03-02/investments-construction-112932.php?uuid=ACxCAsfC>, last accessed 07/04/2017.

⁴ ANCE — Osservatorio Congiunturale sull'Industria delle Costruzioni, 07/2015. <http://www.ance.it/docs/docDownload.aspx?id=26602>, last accessed 10/04/2017.

⁵ Frontera, Massimo — «Casa Italia», un piano in cinque mosse, 27/08/2017. <http://www.ilsole24ore.com/art/notizie/2016-08-27/casa-italia-piano-cinque-mosse-081105.shtml?uuid=ADnmXOAB> and Marco Mobili and Marco Rogari — Tasse, pensioni e casa: tutte le misure della manovra da 27 miliardi <http://www.ilsole24ore.com/art/notizie/2016-10-16/infrastrutture-via-piano-casa-italia-e-interventi-post-sisma-125427.shtml?uuid=AD7ckedB>, last accessed 07/04/2017.

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- ⁸ Chicca, Daniele — Tasse, aumento a doppia cifra per l'immobiliare. Wall Street Italia, 15/12/2016. <http://www.wallstreetitalia.com/tasse-aumento-a-doppia-cifra-per-limmobiliare-italiano/>, last accessed 07/04/2017.
- ⁹ http://temi.repubblica.it/UserFiles/File/cribspdf/analisi_settore_attivita_immobiliari_in_conto_proprio.pdf, last accessed 05/04/2017.
- ¹⁰ PWC — Real Estate Market Overview Italy 2016. <http://www.pwc.com/it/it/publications/assets/docs/real-estate-2016.pdf>, last accessed 07/04/2017.
- ¹¹ Agenzia delle Entrate — Osservatorio del Mercato Immobiliare <http://www.agenziaentrate.gov.it/wps/content/Nsilib/Nsi/Documentazione/omi/Banche+dati/Volumi+di+compravendita/Compravendite+immobili+residenziali>, last accessed 05/04/2017.
- ¹² Idealista News — Investimenti immobiliari in Italia, Cbre: 'Nel 2016 pari a 9,1 mld di euro, in aumento del 12 %', 24/01/2017. <https://www.idealista.it/news/finanza/investimenti/2017/01/24/122057-investimenti-immobiliari-in-italia-cbre-nel-2016-pari-a-9-1-ml-d-di-euro-in-aumento>, last accessed 11/04/2017.
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- ¹⁴ Ibid.
- ¹⁵ Ecommerce News Europe — Ecommerce in Italy, 02/2017. <https://ecommercenews.eu/ecommerce-per-country/ecommerce-italy/>, last accessed 07/04/2017.
- ¹⁶ Persons employed and self-employed persons refer to persons aged 15-64. Source of the data is Eurostat. To calculate the 2016 value, quarterly data from the LFS series was averaged over all quarters for which information was available on 20.03.2017.
- ¹⁷ JP Morgan Chase & Co — Self-Employment in Europe, 01/2015. http://www.ippr.org/files/publications/pdf/self-employment-Europe_Jan2015.pdf?noredirect=1, last accessed 05/04/2017.
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- ²¹ In line with the Commission implementing regulation (EU) No 439/2014, high-growth enterprises are defined as firms with at least 10 employees in the beginning of their growth and average annualised growth in number of employees greater than 10 % per annum, over a 3-year period. The share of high-growth enterprises is the number of high growth enterprises divided by the number of active enterprises with at least 10 employees. Source of the data on high-growth enterprises is Eurostat (http://ec.europa.eu/eurostat/web/products-datasets/-/bd_9pm_r2, last accessed 10.04.2017). Due to data availability on Eurostat, the data on high-growth firms refers to the 'business economy', which covers sections B-N including section K (financial activities, except activities of holding companies). The 'non-financial business economy' excludes section K.
- ²² The 2017 SBA fact sheets benefited substantially from input from the European Commission's Joint Research Centre (JRC) in Ispra, Italy. The JRC made major improvements to the methodological approach, statistical work on the dataset and the visual presentation of the data.
- ²³ *Industria 4.0* is the new plan to promote innovative investments and skills development. It includes fiscal incentives but also introduce a cultural change in particular in term of governance. Key stakeholders from the public administration to the business organisations, the research centres and the trade unions are involved in order to create a shared public-private governance. <http://www.sviluppoeconomico.gov.it/index.php/it/industria40> last accessed 19/07/2017

²⁴ The quadrant chart combines two sets of information. Firstly, it shows current performance based on data for the latest available years. This information is plotted along the X-axis measured in standard deviations of the simple, non-weighted arithmetical average for the EU-28. Secondly, it shows progress over time, i.e. the average annual growth rates from 2008 to 2017. These are measured against the individual indicators which make up the SBA area averages. Hence, the location of a particular SBA area average in any of the four quadrants provides information not only about where the country is located in this SBA area relative to the EU average at a given point in time, but also about the extent of progress made between 2008 and 2017. All SBA principles, with the exception of the 'Think Small First' principle for which there is not enough statistical data available, are calculated as composite indicators following the OECD/JRC Handbook guide. A detailed methodology can be consulted at: <http://ec.europa.eu/growth/smes/business-friendly-environment/performance-review/>.

²⁵ The policy measures presented in this SBA fact sheet are only a selection of the measures the government took in 2016 and the first quarter of 2017. The national SME policy expert that CARSA Spain (DG GROW's lead contractor for the 2017 SBA fact sheets) contracted made the selection. The experts were asked to select only the measures they considered the most important, i.e. the ones expected to have the highest impact in the SBA area in question. The complete range of measures the experts compiled in producing this year's fact sheets will be published alongside the fact sheets in the form of a policy database on the DG GROW website. In addition a report on the 'Support initiatives for micro, small and medium enterprises implemented in Italy in 2015 and in the first half of 2016' is also published by the Ministero dello Sviluppo Economico (<http://www.sviluppoeconomico.gov.it/index.php/en/202-news-english/2035926-small-business-act-report-2016>)

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²⁸ Where start-up providers are paid with the company's shares.

²⁹ CRIBIS, Fallimenti delle aziende in Italia Q4 2016, February 2017.

³⁰ CgIA Mestre (Confederation of artisan businesses and micro enterprises of Mestre) has conducted an analysis in January 2017 on administrative burden for micro and SMEs: 'Sono in aumento le scadenze fiscali' http://www.cgiamestre.com/wp-content/uploads/2017/01/ADEMPIMENTI_2017.pdf.

³¹ The data for 2016 was compiled in December 2016, while the 2015 data were collected in May 2015.

³² All World Bank indicators (time and cost to export and import) have been replaced by six OECD trade-facilitation indicators (following a scale where 0 is the worst and 2 is the best score). Please see Moisé, E., T. Orliac and P. Minor (2011), 'Trade Facilitation Indicators: The Impact on Trade Costs', OECD Trade Policy Papers, No 118, OECD Publishing, Paris. <http://dx.doi.org/10.1787/5kq6nk654hmr-en> for more information on the methodology applied to construct the indicators; further information is available at: <http://www.oecd.org/trade/facilitation/indicators.htm>, last accessed 06/07/2017.