Chapter 5

National programmes for SMEs and entrepreneurship in italy

This chapter assesses national SME and entrepreneurship programmes for financing, innovation, internationalisation, entrepreneurial culture and skills, workforce development, business management, public procurement, social target groups, social enterprises, and corporate social responsibility. There are important programme interventions in all of these areas, including a well-developed credit guarantee system, support for SME exports, Industry Training Funds promoting SME training, business management and consultancy support and female entrepreneurship schemes. However, there are also several areas where programme support could be strengthened. Priorities include scaling up of equity finance programmes, increasing attention to FDI attraction and embedding as potential levers for SME upgrading, rolling out entrepreneurship education into schools and universities, supporting SME access to public procurement and developing finance and mentoring programmes for immigrant and social entrepreneurs. Attention should also be paid to increasing the proportions of enterprises able to access training and business management support, including smaller firms.

Financing

Italy has a well-established national Credit Guarantee Fund

As in many OECD countries, Italy has a national Credit Guarantee Fund (CGF) aimed at overcoming reluctance by banks to lend to SMEs, which is related to gaps in credit risk information and limited collateral for the SME sector, by covering a proportion of SME loan defaults in return for certain fee and interest rate charges (OECD, 2013a). The Italian programme offers guarantees for short, medium and long-term loans of up to EUR 1.5 million. These guarantees are available both to SMEs and start-ups, but are mainly used for loans to established SMEs looking to expand or invest in new projects. Some of the funding is reserved for SME support in the EU Convergence Regions (Sicily, Calabria, Apulia and Campania).

The major operational parameters of Italy's CGF are similar to other loan guarantee programmes in the OECD area. However, there are two distinguishing features. First, the Italian CGF channels a relatively high proportion of its funding through counter-guarantees to local mutual guarantee associations (*Confidi*) as opposed to direct guarantees to banks for their SME loan portfolios, and the counter guarantee proportion has increased since the crisis. In other words, the CGF often acts as a lender of last resort to local guarantee associations. This has the advantages of exploiting additional screening of loan applicants by the *Confidi* and of strengthening the capital base of the *Confidi*. On the other hand, there is a potential moral hazard issue for some financially vulnerable *Confidi*, which know that they can rely on a public bailout if they become insolvent. Second, the Italian scheme is relatively sophisticated in providing different guarantee rates tailored to the risk profiles of the borrowers and the types of loans. This is a positive feature of the CGF, since it enables risk to be priced more precisely for each loan application. There are also plans to create special sections of the CGF dedicated to the internationalisation of SMEs, women entrepreneurs and innovative start-ups, somewhat akin to the different programmes within the US Small Business Administration's loan guarantee scheme. This development is to be welcomed, as it will target resources on businesses that generate particular social or economic value.

In the future, increased attention should be paid to ensuring value for money from the CGF, encouraging private involvement in the market, and increasing the extent to which new high-impact start-ups and high-productivity medium-sized firms benefit. The UK's new Enterprise Finance Guarantee Scheme offers a potential model in some respects (see Box 5.1), including a limit on government exposure to default, an intention to target highly additional activity, the possibility for entrepreneurs to contribute to the guarantee, and eligibility criteria that permit larger firms to participate in the scheme. The Italian government should also review whether to continue with the policy of injecting more funds into counter-guarantees for the *Confidi* at the expense of fewer direct guarantees, or whether this is introducing potentially important moral hazard problems and vulnerabilities into the national system.

Box 5.1. **International inspiring practice: Enterprise Finance Guarantee Scheme, United Kingdom**

Description of the approach

The Enterprise Finance Guarantee (EFG) scheme was introduced in January 2009 to replace the Small Firms Loan Guarantee (SFLG) scheme, which was created in 1981. Both schemes aim to encourage banks to lend to SMEs and entrepreneurs who lack collateral and track records in business, and the basic features of the two schemes are similar. However, the EFG also has certain new features such as guarantees to convert overdrafts into loans and invoice finance facilities as well as straight loan guarantees. The range of businesses that are supported has also been expanded. Loans of up to EUR 1.2 million can now be guaranteed, compared to only EUR 300 000 for the SFLG. Businesses with turnover of up to EUR 48 million can now be supported, compared to only EUR 6.6 million under SFLG.

EFG is a targeted measure to be used by lenders on a discretionary basis and is not meant to be a replacement for commercial lending. Decision-making on individual loans is fully delegated to participating lenders and integrated with their commercial lending criteria. The UK government plays no role in the application or decision making process and there is no automatic entitlement to receive a guaranteed loan. The government guarantees 75% of the loans of lenders, although total government exposure to defaults is capped at 9.75% of the scheme value, so that banks are exposed to all of the remaining bad debts after this limit is reached. A borrower pays a commercial interest rate plus a premium equivalent to 2% of the annual outstanding loan amount to the government for the lifetime of the loan, which ranges from 3 months to 10 years.

EFG currently covers around 1% to 2% of total bank term lending to United Kingdom SMEs, although it reached 3% during the credit crunch of 2009. By October 2012, EFG had generated 19 527 loan offers (for EUR 2.4 billion), of which 17 092 (EUR 2.0 billion) were drawn upon. The EFG has a sunset clause. It will continue until 2014-15, providing up to EUR 700 million of additional lending to around 6 000 SMEs each year.

Factors for success

There have been three important improvements in the design of the new scheme compared with the previous initiative. First, there is a cap on government default payments to lenders, which gives greater incentives for lenders to carefully screen participating businesses. Second, borrowers can make personal guarantees, thus sharing the risk with banks and government, making the funds go further and increasing confidence in viability. Third, more inclusive and expansive eligibility criteria, allowing larger loan sizes and admitting larger firms into the scheme, will help meet the finance needs of medium-sized firms for innovation, internationalisation and expansion. These features have helped reduce EFG default rates below those of the previous SFLG scheme, despite economic conditions being significantly worse than when previous SFLG evaluations were undertaken.

Obstacles and responses

The initial turnover ceiling on eligible participant firms was set at EUR 30 million. However, take up proved to be lower than expected, prompting the EFG to raise the ceiling to EUR 48 million in 2012. This step has broadened participation in the scheme, helping more businesses survive through the crisis. On the other hand, banks seem to have responded to the change by favouring the selection of larger and safer companies, possibly at the expense of smaller and riskier ones, although it is too early to be sure whether a substitution effect of this sort has really taken place. Moreover, when the EFG started, many borrowers had to wait for one month and more for loan approval under the scheme. This problem seems now to have been resolved.

Box 5.1. **International inspiring practice: Enterprise Finance Guarantee Scheme, United Kingdom** *(cont.)*

A recent evaluation study (BIS, 2013) supports the notion that the EFG scheme is well designed and is operating successfully. The evaluation estimated the net economic impact of the scheme to be large, with economic benefits amounting to EUR 1.3 billion after taking into account the economic costs of operating the scheme. The benefit-to-cost ratio for society was estimated to be 7:1.

Relevance for Italy

The Italian government is concerned to maximise the efficiency of its public investments. In this respect, the decision to gauge the scale of the EFG scheme so as to target only that part of the sector that cannot otherwise find finance, the cap on government exposure to defaults, the possibility for entrepreneurs to contribute personal securities to the guarantee, and the decision to enable larger firms to participate (which reduces the risk of the overall lending portfolio) all help to increase the efficiency of the scheme, limit the public costs and reduce the government's risk exposure.

Sources for further information

BIS (2013), *Economic Evaluation of the Enterprise Finance Guarantee (EFG) Scheme*, Department for Business Innovation and Skills, London, England.

It would also be timely and appropriate for the Italian government to commission an independent evaluation of the CGF in order to assess its impact and provide information to help improve its operating performance, including on financial and project additionality. This should take the experience of other good practice evaluations into account, such as Zecchini and Ventura (2009) and Graham (2004). For example, a large sample should be established of at least 3 000 SMEs that have expressed interest in the CGF. From this sample, three groups could be identified: those that receive the guarantee, those rejected for the guarantee and those randomly excluded. If the guarantee is effective then the recipients of the guarantee should perform significantly better than those in either of the other two groups. It is also relevant to assess whether alternative approaches to stimulating the SME credit market could work more effectively than the provision of guarantees at least in certain areas.

A network of local mutual loan guarantee funds also facilitates debt finance

In Italy there is an important network of local mutual loan guarantee schemes called *Confidi*, which make an important contribution to SME access to finance. Nearly one-quarter (almost 1 million) of Italian SMEs are members of *Confidi*, and their guarantees account for 41% of all guarantees issued by European loan guarantee funds and amount to about 1.4% of Italian GDP (OECD, 2013a). Box 5.2 provides further details on how these local schemes operate.

The *Confidi* have played a very important role in supporting SME access to debt finance in Italy over many years, but the system today faces certain fragilities resulting from global economic and financial crisis. During the crisis, the local schemes extended lines of credit to SMEs that would not otherwise have obtained finance, which increased the proportion of riskier firms being guaranteed (Bartoli et al., 2013). Furthermore, the number of bankruptcies in the economy nearly doubled between 2007 and 2011 (OECD, 2013a) and increased by a further 2.2% over 2011-12 to reach a total of 104 000 in 2012

Box 5.2. Italian good practice: The *Confidi*

Italy has a highly-developed system of local mutual guarantee schemes (MGSs) known as *Confidi,* which typically operate among groups of interconnected SMEs in particular sector or value-chain clusters. The schemes resemble financial co-operatives in which SMEs participate as members and shareholders and are both eligible to apply for loan guarantees and responsible for contributing to the capital put up for the guarantees. The member firms elect a management board that takes decisions about which bank loans to guarantee, while delegating everyday management tasks to a business association that sponsors the *Confidi*. One of the important features of the mutual guarantee schemes is that the member firms undertake screening of the loan guarantee applications, using superior access to sector and local company information on risks together with social ties and peer pressure to reduce their exposure to loan defaults.

The first scheme of this kind in Italy was created spontaneously by entrepreneurs in the late 1950s as a means to increase their bargaining power with banks and improve their access to finance. Despite major reorganisations and mergers over the last 50 years, the *Confidi* have maintained their mutuality character. More than 200 local institutions now exist, which are grouped into 7 aggregate national Italian Federations, according to their sector of operation: *Fedart Fidi*, *FederConfidi*, *Fincredit*, *FederAscomFidi*, *FederFidi*, *CreditAgri*, and *Asscooperfidi*. These federations provide the link between the guarantee institutions themselves and the business associations which promote them.

There are two layers to the *Confidi* system. The first layer is the local one, which allows for strong ties to the territory and to affiliated SMEs. At this level, credit risk assessment is performed, exploiting detailed knowledge of local members. The second layer generally operates with a regional scope, involving second-tier MGSs set up by groups of local guarantee associations. This second level provides counter-guarantees to the local associations, allowing for a broader sharing of risk across schemes. Counter-guarantees are also offered at this level by entities funded by the regional government and by the Italian Central Guarantee Fund.

A major advantage of the *Confidi* system is the exploitation of detailed local and sector knowledge on loan applicants, which mitigates the asymmetric information problem that makes many banks reluctant to lend to small businesses. By backing SMEs with their own resources, the *Confidi* send a credible signal to banks, which can be used to access finance from banks on favourable terms. The *Confidi* have a strong incentive to remain solvent as they are owned by their members: it is this that imparts credibility to their selection of guaranteed loan applicants.

It may be difficult to replicate the success of the *Confidi* in other countries that do not have the same tradition of local clusters and strong sectoral and local ties between firms. However, local or national governments elsewhere could seek to emulate the system in some regions or sectors where there are numerous interconnected SMEs.

Sources: Zecchini, S. and M. Ventura (2009) and IECD (2013a)

(Cerved, 2013). This has exposed many *Confidi* to losses, and some to considerable financial fragility. Thus in 2011, fully one-half of the *Confidi* registered losses (Schena, 2012). If these losses continue they could endanger the sustainability of the system and the regional and national institutions providing counter guarantees.

Measures should therefore be envisaged to reduce the risks being taken and to strengthen the financial viability of the *Confidi* in the medium and longer-term. First, the scale and scope of *Confidi* portfolios could be increased. Most *Confidi* serve only a limited range of firms in terms of sector and geography, and might therefore be exposed to some degree of covariant risk. In addition, their operational costs tend to be high, reflecting their retail service business model and small scale of operations. These issues could be addressed by the merger of some smaller *Confidi* or by the formation of some consortia of *Confidi*, the latter approach offering the advantage of retaining local rootedness at the same time as obtaining scale and scope economies. Second, moves to improve risk management will make important demands on the organisational and technical competencies of the local mutual guarantee scheme managers. The government could play a role in upgrading these competencies by stimulating more rigorous training in financial and general management for the *Confidi* and by providing central guidelines and supporting best practice exchange on operational mechanisms. These two sets of measures – scaling up the *Confidi* and improving management and operational competencies – could also address problems of uneven implementation of guarantee activities across the country and weak performance of some of the regional funds.

Mini-bonds have recently been introduced to broaden financing options

Corporate bonds offer a potential alternative to traditional loan financing for SMEs, but as in other countries SMEs have tended to make little use of this instrument because of the large amounts of finance that tend to be involved and the greater amount of administrative and management resources that need to be committed. For the business sector as a whole, bonds have been quite important. For example, in 2012, the Italian bond market accounted for 10% of the total external finance used by Italian firms (EUR 30 billion). However, only 30 companies issued bonds during the period 2008-13, typically very large ones (Calugi and Paglietti, 2013). To open up this finance channel to SMEs, the Italian government launched a new policy instrument called a mini-bond in 2012, which offers SMEs the possibility to issue of special "simplified" bonds with lower reporting requirements.

In principle, the creation of mini-bonds is a step in the right direction towards tackling the over-reliance of SMEs on bank loans, countering their undercapitalisation, and strengthening Italy's fledging corporate bond market. For the moment, however, only 20 new issues of mini-bonds have been completed in the dedicated new segment of the bond market (Extra-MOT PRO). Furthermore, only 8 of the 20 issues have been for below EUR 50 million while the yields have averaged between 7% and 9%. These features suggest that mini-bonds have until now mainly been used by larger firms, since SMEs are unlikely to float bonds for over EUR 50 million and afford the payment of high-interest coupons (Calugi and Paglietti, 2013).

Two steps could be taken to increase the take up of mini-bonds by SMEs. First, the Extra-MOT PRO market, which is currently open only to professional investors, could be opened up to a wider range of investors in order to increase demand and liquidity and reduce yields. Second, more generous tax breaks might have to be offered to encourage investors to move away from traditional sovereign and corporate bonds into mini-bonds, given the higher risk associated with smaller firms and lower reporting requirements.

Equity finance programmes lack scale

Equity finance comprises formal venture capital, provided by professional investment funds, and informal business angel finance, provided by private individuals. It is particularly suited to innovative SME and risky start-ups because it offers investors a share of potential high returns and growth in the longer run and offers entrepreneurs inputs of knowledge and networks for building their businesses. The equity market is still at an incipient stage in Italy but a number of recent measures have been introduced to boost its importance for SME finance.

Among them is the launch of three initiatives for SMEs by the Italian Stock Market. First, a junior stock market for micro and "small cap" (small market capitalisation) was established in 2009 for Italian firms seeking equity finance called AIM Italia. This junior market follows the model of the UK Alternative Investment Market (AIM) in terms of more flexible regulation and faster listing than the main Italian stock market. Second, a "Star Segment" has been introduced on the Italian Stock Market for small and medium caps (EUR 40 million to EUR 1 billion). Third, an "Elite programme" has been introduced to actively prepare high-growth companies for future Initial Public Offerings (IPOs). Eligible companies must have minimum revenues of EUR 10 million, a minimum margin of 5%, an acceptable debt position, and a focus on exporting. Elite gives participating companies a public profile and visibility to the international investor community. Companies are tutored in management skills and information systems, reporting systems, governance, and auditing of financial statements. Participant companies have on average 3-5 years to learn how to behave like a public company before they are ready for an IPO launch. These initiatives are admirable, although their impact has so far been blunted by the ongoing fragility of the financial markets and reduced investment activity.

The Ministry of Economy and Finance also took an important step in 2010 through the creation of the Italian Investment Fund (*Fondo Italiano*) capitalised with EUR 1.2 billion. It is operated by an asset management company comprising several banks, business associations and the Ministry itself and all its investment decisions are guided by private sector expertise. The Fund invests both directly by acquiring equity stakes in selected firms and indirectly by acting as a "fund of funds" which can take up to 50% of the financial commitments of funds with relevant objectives. By April 2013, the Fund's approved investments totalled EUR 660 million, distributed approximately equally between direct acquisition of minority holdings in company capital (EUR 310 million) and indirect participation in other private equity funds (EUR 350 million). However, the investments have been geared towards medium and large businesses and very few growth-oriented small companies or start-up entrepreneurs have been supported. More than one-half of the direct acquisitions have been absorbed by companies with a turnover exceeding EUR 50 million, the average size of each investment has been EUR 10.4 million, and every recipient firm has had a turnover of at least EUR 10 million.

These initiatives to encourage more venture capital provision in Italy would usefully be complemented by an initiative to encourage the formation of dedicated small-cap funds. A model that might be followed is that of the UK's Venture Capital Trusts (VCTs). VCTs are tax-efficient, closed-end managed funds that make seed, start-up and early growth investments in small expanding companies, attracting investments from private individuals through tax relief offered by the government. The VCTs are publicly-traded private equities which are listed on the London Stock Exchange, thus providing investors with liquidity. They may invest up to EUR 1.2 million in a qualifying company but each individual investment cannot make up more than 15% of VCT assets. For already-traded shares, investors are exempt from income tax on dividends on ordinary shares as well as from capital gains tax on share disposal. New share issues attract additional upfront income tax relief of 30%, on up to EUR 240 000 invested per tax year if the shares are retained for five years. Between 1995 and 2011, VCTs invested EUR 5.5 billion in United Kingdom SMEs.

They supported more than 1 500 companies employing more than 32,000 people between 1998 and 2011. An independent evaluation found that investments made under the VCT scheme were associated with modest increases in fixed asset formation, employment and sales among recipient firms (Cowling et al., 2008).

Box 5.3 suggests another type of approach to address the equity gap for smaller-scale SMEs in Italy, namely Finland's Vigo accelerator programme.

There has also been an attempt to build informal equity finance alongside formal venture capital investment through a measure introduced in 2008 that provides tax relief for business angel investments (Magliocco and Ricotti, 2013). The measure gives private investors who invest directly in start-ups a tax exemption for capital gains on the sale of a start-up's undertakings under certain conditions, including that the start-up is less than 7 years old, that the investor holds the shares for at least 3 years, and that the capital gains are to be reinvested in other start-ups in the next 2 years. The impact of this scheme is hard to assess because it was introduced during the financial crisis and at a time of adverse equity investing conditions. However, the conditions for obtaining the tax relief are quite restrictive and presumably limit the volume of investments stimulated. In particular, in contrast to stock market investors, few angel investors are serial investors, and the commitment to reinvest capital gains in other start-ups will naturally limit the appeal of the scheme to many investors. Consideration should therefore be given to relaxing some of these criteria to boost business angel investment in start-ups.

Furthermore, despite the introduction of several new programmes for equity financing in recent years, there is a problem of limited scale of the interventions for SMEs. For example, the Italian Investment Fund and Italian Stock Market programmes are focused more on larger firms than on SMEs and the strict eligibility criteria for tax relief for business angel investments in start-ups will limit the numbers of investors attracted. Additional measures should be considered targeted closely at high-growth potential start-ups and smaller SMEs, such as dedicated small-cap funds or an accelerator programme.

A complementary demand-side programme should be introduced

Increasing the SME access to financing and stimulating the emergence of alternatives to debt requires change on the demand side of the finance market as well as measures to increase funding supply. A national financial training and education programme for entrepreneurs and SME managers could pay dividends in increasing their knowledge and expertise on alternative finance sources such as mini-bonds or equity, and could be delivered via mentoring and coaching of entrepreneurs and SME owners. Such an initiative would be in line with OECD International Network on Financial Education recommendations, as summarised in the High Level Principles on National Strategies for Financial Education (OECD, 2012a). An example of a relevant approach is the UK's Enterprise Investment Scheme, which provides up to 15 days of subsidised private consultant advice to SME owners, or Sweden's ALMI initiative (for further details, see *http://www.almi.se/English/*).

Box 5.3. International inspiring practice: Finland's Vigo accelerator programme

Description of the approach

The background to the Vigo accelerator programme is the "Finnish Paradox", whereby despite excellent innovation support infrastructure and high R&D expenditure, Finland has relatively few high-growth innovative firms and relatively few promising early-stage ventures with growth aspirations. This problem appears to be connected to the existence of an equity gap in the EUR 20 000-200 000 range, which is too small for venture capitalists to serve and which is not being filled by business angels either – perhaps because these investments are perceived as being too risky and requiring too much active, hands-on intervention to realise their growth potential.

The Vigo programme is intended to fill this gap by attracting EUR 200 million of equity funding into innovative Finnish start-ups during the intended six-year life span of the programme, which was set up by the Finnish Ministry of Employment and Economy to run from 2009-14 with the possibility of renewal. This is to be achieved by public support for a network of some 60 accelerator firms, which each builds up a portfolio of promising start-up firms that they work with by making equity investments of at least EUR 30 000 in each portfolio firm, helping bring in additional external investors if necessary, and providing hands-on managerial support from experienced entrepreneurs. The public sector selects carefully the accelerator firms that participate in the programme, pays these firms management fees, co-invests with them and has a veto power on the selection of ventures which receive funding under the scheme.

A mid-term evaluation of the programme (Autio et al., 2013) reported positive impacts. First, Vigo portfolio companies have raised more than EUR 100 million since the programme was launched, with approximately one-to-one public-private sector matching – in line with best practice recommendations (Lerner, 2009). Second, experienced accelerator teams have been attracted to the sector, and at least some of these would not have entered the field without the Vigo Programme. Third, the Vigo accelerators have started two new funds, with roughly 50% investment by foreign (i.e. non-Finnish) venture funds.

Factors for success

Important factors for success include: i) careful selection of accelerator managers through competitive calls for applications; this leads to the choice of managers who have previous experience in starting, growing, and internationalising young innovative firms or as investors in young innovative firms; ii) each accelerator is slightly different in the type of investments made, which leaves room for the sharing of good practices and mutual learning.

Obstacles and responses

According to the mid-term evaluation, the biggest challenges for the further development of the programme seem to be to identify which models and practices work best; to codify and disseminate these to all stakeholders in the programme; and to celebrate and advertise evidence of early successes. Careful monitoring and publicity is needed to achieve these goals.

Relevance for Italy

A programme like Vigo can help tackle the problem of a dearth of high-growth enterprises in Italy by addressing an equity gap for intermediate investments that exceed the loan sizes that banks typically provide, but which are also too small to interest venture capitalists. It also offers expert advice and assistance alongside finance, which is tailored to the needs of growth entrepreneurship.

Further information

Autio E. et al. (2013), *The Vigo Programme Mid-Term Evaluation*, Finnish Ministry of the Employment and the Economy, Helsinki.

Vigo programme's webpage: *www.vigo.fi/frontpage*

Innovation support

Despite an emphasis in recent years on cutting the national budget deficit, there has been a growing awareness in Italian business and government circles about the importance of introducing a new research and innovation support framework. Reflecting this consensus, Italy has developed a wide range of innovation programmes since 2009, which seek to play to the country's strengths, including its strong manufacturing and medium-technology industrial base and design creativity as epitomised by the "Made in Italy" brand.

More attention should go to the commercialisation of public research

Italy operates several national government research and innovation funds that help to support public research with commercialisation potential and commercialisation projects in firms. Two of the most significant are the Applied Research Fund, which focuses on applied research in various fields, and the Technological Innovation Fund, for downstream innovation in sectors such as electronics and automotive industries. These funds provide grants, low-interest loans and risk capital to selected innovation proposals submitted by firms. In addition, ministerial funds have been devoted to innovation projects launched by start-ups in the areas of biotechnology, ICT, materials, robotics and energy. These initiatives help to address an important gap. However, they do not go far enough in encouraging spin-off enterprises, the licensing of patents and exploitation of other intellectual property and consultancy and joint research with SMEs.

One of the main supports for spin-off enterprises and exploitation of intellectual property from public research comes from a network of technology transfer offices hosted by universities and public research organisations. Over 90% of Italian universities have access to a local technology transfer office, which had overseen some 873 university spin-offs and 243 patent applications up to 2009. There is nonetheless scope to improve the outcomes of technology transfer offices. One route is to provide incentives to technology transfer offices to hire suitably experienced technology management officers with broad-based commercial skills. This could involve a switch from standard compensation contracts to incentive compensations for technology transfer officers. In addition, the relative compensation from university spin-offs and licensing could be adjusted in order to favour start-ups, which tend to have greater domestic economic impacts.

There are also many technology parks and business incubators connecting companies, venture capitalists, universities and research centres. However, there is still an important potential role for certain complementary measures. For example, a number of universities in the USA run programmes in which business school faculty members train and mentor potential academic entrepreneurs. A national programme could be considered to support this type of activity in Italy. A dedicated seed funding programme for early-stage commercialisation of research could be considered. In addition, support could be considered for the development of co-operative research centres where staff from universities and business enterprises come together to work on applied-research problems and prototype development. Finally, a major national programme could be considered to fund joint research between universities and small collections of related SMEs, along the lines of the Magnet programme in Israel (see Box 5.4).

Box 5.4. International inspiring practice: Magnet programme, Israel

Magnet is a large-scale programme to support pre-competitive R&D in Israel. It aims to stimulate cooperation between public research and industry and favour the development of clusters of national significance and international competitiveness. “Magnet” is the acronym (in Hebrew) for “Generic, Pre-Competitive Research”.

Description of the approach

The programme was initially launched by the Office of the Chief Scientist (OCS) in 1993 and has been in continuous operation since then. Even though Israel already had a thriving high-tech sector at that time, the programme was introduced in order to respond to two issues:

- The fragmentation of the industrial landscape, with many companies too small to fund the development of new technologies in cutting edge fields.
- The relative isolation of Israel’s world-class research universities.

The programme supports the formation of consortia of industrial firms and academic institutions for the development of generic pre-competitive technologies. Grants amount to up to 66% of the budget for industry and 80% of the budget for academia, over a period of 3-5 years. Average funding per consortium is USD 5-6 million. Most consortia are limited to a three year programme, but this can be extended for another three years if deemed sufficiently promising.

Over a period of time, two further parts of the programme have been developed:

- “Magneton” works in the same way as the main programme but on a smaller scale, involving just one company and a programme of academic research. Grants are up to 66% of an approved budget of a maximum of USD 800 000 that can run up to 24 months.
- “Nofar” supports biotechnology and nanotechnology projects in research institutes if they attract industry interest. Grants are up to 90% of an approved budget of a maximum of USD 100 000 for 12-15 months.

All parts of the programme are open to any company, but the grant funding is strictly at the pre-competitive stage, with other funds being available from OCS for commercialisation. The programme operates on a competitive basis; i.e. it is open to any number of proposals for the formation of new consortia, and it selects those with the most merit on the basis of a ranking system.

The programme operates in both a top-down and a bottom-up manner in that some of the consortia projects are based on ideas from academia or industry while others are suggested by Magnet personnel. Once Magnet personnel are convinced that there is enough interest in a new direction they issue calls to join the consortium. Members of a consortium sign an agreement, part of which promises all parties the rights to the intellectual property created by the consortium, and create a legal entity. This legal entity makes an application for funding for three years, including a budget framework.

The project application goes to the Magnet Committee, which decides whether or not to approve funding. The Magnet Committee is comprised of the Chief Scientist, the Chief Scientist’s deputy, the head of the Magnet Authority, the OCS chief accountant, a representative of the Finance Ministry and four members of the public with experience in R&D. Its funding decisions take into account an annual work plan and budget recommendation submitted by technical evaluators. Criteria used for the selection of target research areas include: whether the technology is generic and innovative; whether the firms involved are capable of undertaking the project; the advantages to the local economy; and the size of the market. Criteria for the selection of eligible proposals within a target area include: economic benefits to the local economy; level of innovation; level of cooperation between industry and academia; and the degree of contribution of academia to industry.

Box 5.4. **International inspiring practice: Magnet programme, Israel** *(cont.)*

Funded consortia have to submit a joint work plan yearly with milestones and deliverables, and are monitored financially and technically by ministry evaluators. After three years, a consortium can apply for up to three additional years. After the end of the entire research period, the consortium is dissolved, even though some obligations remain in force after the dissolution.

More than 120 companies have participated in projects within more than 40 clusters, with many firms involved in more than one project. Over the last five years, 95% of all the clusters had achieved their intended activities in the foreseen time frame.

Factors for success

Important factors for success include:

- Simplicity of management and a competitive approach. The system of identifying important areas for future pre-commercial research and calling for proposals for joint development of projects, followed by a decision made by a relatively compact authority means that actions can be taken quickly and the whole process is transparent. This also helps in engaging a wider range of companies.
- Emphasis on cooperation. This is one of the key selection criteria and is seen as being the significant added value which the programme brings. The value of cooperation is emphasised in all promotion of the scheme and in its detailed eligibility criteria.

Obstacles and responses

The original focus of Magnet was on supporting new R&D by research consortia, but the OCS felt that certain specific needs were not being fully addressed through this approach. It therefore added the Magneton sub-programme to fund the commercialisation of an existing technology from a research organisation to a single company and the Nofar sub-programme to involve university technology transfer companies at an early stage of commercialisation of nanotechnology and biotechnology – two industries viewed as critically important for the Israeli economy but in which industry had not been able to exploit academic research.

Relevance for Italy

- Research and commercialisation cooperation between universities and industry needs to be strengthened in Italy, and Magnet is a relatively simple way of doing this.
- The programme predominantly involves small companies, whose innovation performance needs to be upgraded in Italy.
- The approach favours research consortia stemming from local clusters of enterprises, which are an important feature of the industrial landscape in Italy.

Sources for further information

ERAWATCH: Platform on Research and Innovation Policies and Systems; *http://erawatch.jrc.ec.europa.eu/erawatch/opencms/information/country_pages/il/supportmeasure/support_mig_0011*
www.magnet.org.il/article.aspx?id=847.

More can be done for intellectual property exploitation

The National Fund for Innovation (NFI) was introduced by the Ministry of Economic Development in December 2009 to support entrepreneurs and SMEs in developing innovations based on the exploitation of intellectual property. The Fund is endowed with EUR 60 million to be used for guarantees to banks to cover their initial losses on business loans for innovative projects based on the use of patents. It also has a closed-end fund of EUR 20 million buttressed with about EUR 21 million of private institutional money, to make venture capital available to companies aiming to exploit their intellectual property rights. It is an imaginative initiative that supports SMEs to value their intellectual property and use it as collateral for loans and an incentive for equity investments. However, it is focused on patents, whereas only a small minority of entrepreneurs and SMEs ever resort to patents to defend their intellectual property. Consideration should therefore be given to whether the NFI can be expanded to include other, more informal, types of intellectual property protection.

Further national programme measures should also be considered in the area of intellectual property exploitation by SMEs. Notably, SMEs have imperfect information about the costs and benefits of intellectual property protection, which the government could counter by raising awareness among SMEs and entrepreneurs about the value of intellectual property rights and competencies in exploiting them. For instance, information dissemination, education and training programmes could be used to raise awareness about the benefits of "pro-active" usage of intellectual property rights for value creation and the government could collate best industry practices and standards relating to intellectual property protection and distribute them to SMEs through the Internet and chambers of commerce. More comprehensive information could also be provided to SMEs about intellectual property systems in foreign countries, including legal protection mechanisms in order to support Italian SMEs seeking to leverage their intellectual assets through internationalisation. Finally, the government should include the promotion of the creation and protection of intellectual assets in general entrepreneurship education and training programmes, such as higher education courses in science, engineering, design and the creative arts.

Network contracts are a promising policy development

Italy has a long-established tradition of informal collaborations between firms in its local enterprise clusters. However, owing to changes in global supply chains, which have attenuated the traditional advantages of geographical proximity and forced clusters to move up the value chain, it has become widely acknowledged that more needs to be done to promote innovation linkages among Italian SMEs. Accordingly in April 2009, the Italian government introduced into law the new instrument of "network contracts", which provides a legal form and tax credits for innovation collaborations among SMEs.

Network contracts are formal multilateral agreements whereby two or more independent businesses undertake to perform some economic activities in their core line of business consistent with the aims of promoting competitiveness and innovation. By engaging in network contracts, the participant firms become eligible for tax credits, cheaper bank credit and simplified administrative procedures. An agreement, or contract, must be presented in writing and filed with the Register of Enterprises where the participants have their headquarters. Participating firms have considerable leeway in how they write and structure a network contract. However, all participants are required to establish and make contributions to a common fund established for the purpose of achieving their common goal.

The advantages of the instrument are that it can diffuse innovations among the contract participants and mutually increase their innovative capacity and competitiveness, while greater scale through collaboration can enable some SMEs to initiate more ambitious industrial projects. It can also protect supply chains connecting larger firms with SMEs. It is well suited to SMEs that lack the scale to innovate or internationalise on their own but wish to preserve their operational independence.

The number of network contracts has increased rapidly since the measure was first introduced in 2009. At the end of 2013, there were almost 1 000 network contracts involving more than 5 000 firms. These contracts are more common in the regions of the north where there is a longstanding tradition of business co-operation thanks to the historical presence of industrial districts; indeed 61% of the firms involved in network contracts were from Lombardy, Emilia-Romagna, Tuscany or Veneto. Monitoring evidence shows that firms that have joined networks have performed better than a control group of similar firms in several domains (Banca Intesa-San Paolo, 2013), although a direct relation between the policy and the performance of participant firms cannot be established without more rigorous evaluation. "Networked" firms displayed annual turnover growth of 9.6% in 2013 compared to only 4.6% for control group firms. As many as 16.5% of firms in networks owned a trademark and 16.2% had applied for at least one patent, whereas the figures were 8.4% and 7.2% respectively for the control group. Finally, 50% of networked firms were engaged in export activities, as against only 31% of control group firms.

Network contracts are an interesting and promising policy development, although some important questions can be posed. For example, do the benefits flowing from network contracts more than cover the public cost of the scheme? And are network contracts "additional", in the sense of promoting collaborations which would not have taken place without the promise of tax credits? According to a recent study by the Bank of Italy (Bentivogli et al., 2013), network contracts have primarily been signed by larger and profitable growing firms that had pre-existing partnerships or were already embedded in local clusters. The example of RIBES is consistent with this view (see Box 5.5), casting some doubt on the need for tax credits to promote collaboration within network contracts. A rigorous evaluation study of network contracts should be taken to estimate the economic impact of the tax breaks and other costs associated with this instrument, with a view to realizing greater efficiencies in its delivery.

In addition, legal changes to network contracts were made in 2012, which have helped protect the assets of participating firms by making only the network's own fund liable to claims by creditors (Mastellone and Pailli, 2012). While this development has doubtlessly increased the attractiveness of network contracts for potential participants fearing joint liability claims, it might also reduce the willingness of banks to offer finance to firms in network contracts, especially if the joint "network contract" fund is meagre. This suggests a need to monitor banks' lending practices to SMEs involved in network contracts to make sure that the 2012 legal changes do not have adverse impacts on finance availability.

The innovative start-up legislation should reward innovation outputs and non-technological innovation

In acknowledgement of the importance of start-ups for the promotion of growth, employment, innovation and investment in the Italian economy, the Ministry of Economic Development recently established a Task Force charged with identifying the barriers to innovative start-up activity and making recommendations on how to overcome them. The Task Force's report, entitled *Restart, Italia!* (MISE, 2012), led the government to pass new legislation in December 2012 focused on overcoming financial constraints for innovative start-ups.

The legislation authorised tax exemptions to be given to young (less than 4 years old) and small (turnover of no more than EUR 5 million) Italian firms whose core business consists of producing innovative goods and services with a strong technological component. Corporation tax and value added tax is only levied on the *cash flow* of qualifying firms,

Box 5.5. **Network contracts in practice: the case of RIBES**

Network contracts involve voluntary agreements among groups of participating businesses to work together on projects designed to promote innovation and knowledge sharing and enhance SME productivity and value creation, often via internationalisation. They are supported by government tax credits to participating firms. A good example of a network contract in practice is RIBES (i.e. *Rete di Imprese Biomedicali*, Network of Biomedical Enterprises), organised by Esaote, which is one of the world's leading producers of medical diagnostic systems outsourcing about 85% of its production to suppliers. Under RIBES, Esaote collaborates with 14 innovative SMEs from Tuscany, Liguria, Veneto, Lombardy and Campania. These suppliers are an integral part of Esaote's supply chain, but have been adversely affected by the recent economic downturn. Including Esaote, RIBES has a turnover of about EUR 500 million. Other partners in this initiative include Confindustria Firenze (the Tuscan branch of the main Italian Industry Association) and Banca CR Firenze, which is part of the Intensa San Paolo banking group. Esaote benefits from the network contract by protecting its valuable skilled supply chain, which would be threatened by the disappearance of its specialised suppliers. The SMEs benefit by leveraging the scale of Esaote in several ways, including: a common purchasing platform to increase SMEs' bargaining power with their own suppliers; a more favourable credit rating owing to the presence of Esaote in the network; joint certification programmes, shared research facilities and research programmes; and shared infrastructure for technology development. Another advantage enjoyed by RIBES was the direct involvement of Banca CR Firenze at the design phase of the contract, which offered helpful support and advisory services. Another notable feature of this network contract is that it goes beyond the usual intra-district co-operation by including SMEs from several regions and industry sectors.

Sources: Bentivogli et al (2013), "Network contracts", *Occasional Paper* No. 152, Bank of Italy; Ferrari, C. (2010), "The Italian Network Contract", *Columbia Journal of European Law Online*, 16, 77-83; *www.retedimpresa.com/?page_id=188*.

which represents a favourable tax treatment that maximises the liquidity of start-ups in their early, vulnerable years. In addition, qualifying firms are exempt from paying payroll tax on workers they employ, and are eligible for lighter taxation on stock options if they select this type of worker compensation.

The legislation also introduced tax incentives for 2013, 2014 and 2015 for corporate and private investments in innovative start-ups. The tax concessions are greater for start-ups with a social goal or those operating in the energy sector. Some charges for entry in the Commercial Register have also been waived for innovative start-ups as well as exemption from the annual fee (worth about EUR 500 each year); some constraints on statutory obligations in relation to recapitalisation after losses have been eliminated; and flexibility in the classes of shares that can be issued by such companies has been introduced.

Furthermore, the legislation gives start-ups some flexibility by permitting them to hire personnel through fixed term fix-time contracts lasting for between 6 and 36 months. After 36 months, contracts can be extended for another 12 months at the most, beyond which employees have the right to an open-ended contract. This provision of the legislation is intended to give innovative firms greater labour market flexibility, which is often badly needed in their early years. Employees, team members and other contractors of an eligible company can also receive stock options rather than wages, attracting advantageous tax treatment. A new "fail fast" procedure was included in the legislation as well, to enable entrepreneurs to avoid lengthy and costly liquidation procedures and get back into business quickly.

These measures are all intended to increase the attractiveness of innovative start-ups in Italy, and to introduce greater flexibility into their operation, both in terms of employment law and remuneration. An important aspect of the legislation is that it restricts support to "innovative" start-ups. The rationale is that this type of entrepreneurship is more valuable than the more common "imitative" ("me-too") type of entrepreneurship. Under the legislation, a start-up qualifies as "innovative" if any of the following criteria apply: 20% of its costs are related to R&D; at least one-third of its team members hold a PhD, are doctoral researchers or have conducted research for at least three years; or the firm owns a patent or is a patent licensor.

However, these three criteria used for defining eligible firms can be questioned on several grounds. First, they are all input measures of innovation rather than output measures. While these inputs might give some idea of innovative potential, they do not necessarily map into innovative outputs. Second, relatively few start-ups – even innovative ones – can afford to spend appreciable sums on R&D, or to hire people with doctorates. Very few of them ever issue a patent, either. Lacking deep pockets to defend patents, most innovative small firms prefer to conceal their intellectual property informally within the firm, rather than publicising it in the form of a patent. Third, what qualifies as 'innovation expenditure' on which tax exemptions can be given is fairly narrowly defined. In particular, it excludes non-technological service sector innovations, such as marketing and organisational innovations. This places many service sector firms at a disadvantage to manufacturing firms.

In order to increase the impact of the scheme, the criteria for eligibility should be adjusted to focus on defining measures of actual innovation outputs rather than merely the use of innovation inputs, and to extend support to other innovative firms that do not meet the strict, technology-based criteria currently in place. The change would involve removing upfront tax benefits for innovation inputs and replacing them with tax benefits for established innovation outputs. The disadvantaged is that this will hit cash-strapped new ventures at the time when they are most short of finance, but the advantage would consist in incentivising innovative outcomes rather than intentions (which may never be realised as outcomes). Furthermore, a broader range of innovations could be encouraged by a system based on output criteria – including service innovations and 'garage start-ups' in the digital sector. To operationalise this approach, for instance, a panel of independent experts could assess a wide, but carefully specified, range of admissible innovative outcomes after those outcomes were demonstrated. An alternative, and no doubt administratively less disruptive, option could be to add a fourth criterion to the three existing ones, for example by recognising service sector innovations as well. Another possibility is to subsidise consultancy for service innovations rather than further extending the range of tax exemptions for such companies.

SME aggregation and technology upgrading are being encouraged in the renewable energies sector

Because Italy is a country that strongly depends on energy imports, the promotion of renewable energies has become an attractive avenue to the reduction of energy dependence and energy costs. The government has therefore committed to the target of generating 17% of its energy from renewable sources by 2020, in line with the European Climate and Energy Package. In 2011, 11.5% of energy consumption already stemmed from renewable sources, above the agreed target of 8.6% for that year. The achievement of the EU 2020 target has required the creation of an adequate institutional framework that is of support to Italy's renewable energy sector. The management of this support framework has been granted to a special authority called the Management Authority for Energy Services (*Gestore dei Servizi Energetici*), which runs, among other things, an interesting initiative called *Corrente* favouring business aggregation, market internationalisation and technology upgrading in the Italian renewable energy sector (Box 5.6).

Box 5.6. **Italian good practice: The Management Authority of Energy Services and its *Corrente* project**

In 2010, the Management Authority for Energy Services and the Ministry of Economic Development launched a project called *Corrente* (an Italian word for electricity), which aims to develop renewable energies and energy efficiency by stimulating collaboration and aggregation among firms in the sector, supporting co-operation between firms and universities, and providing visibility at both national and international level to the whole sector supply chain. The main goal of *Corrente* is to help SMEs that lack critical mass and are adversely affected by information asymmetries to access investment opportunities in the area of renewable energies and energy efficiency through the provision of information, specialised knowledge, and different forms of business aggregation including network contracts.

The project today has nearly 2 000 member companies, most of which are of small size but which also include some of the major players in the national supply chain of renewable energies and energy efficiency. It offers a wide range of services to its members: a website supplies relevant information in the form of field studies, product research, and publication of news; information days are organised with a focus on existing financing opportunities from development banks and other sources; administrative support is given to member companies participating in EU calls for tender; working groups are formed among SMEs interested in the same foreign market; assistance is provided in finding technological and commercial partners abroad; and member firms' technologies are advertised abroad, for example through a catalogue of Italian technologies promoting national excellence in the sector.

Most activities are in collaboration with other government and non-government bodies such as the Ministry of Economic Development, the Ministry of Foreign Affairs, the Italian Trade Agency (ICE), the network of Italian Chambers of Commerce Abroad (CCIEs), and business associations (e.g. Confindustria). Since its establishment, the *Corrente* project has organised over 2 000 bilateral business-to-business meetings, 80 dedicated events, and 25 international missions. In 2013, for example, two big events were organised in New Delhi and Dubai, together with ICE, to offer dedicated support to member companies which were part of the country working groups and were interested in entering into the Indian and Emirates markets.

Source: OECD.

Internationalisation support

Comprehensive support is offered for SME exporting

Given limited economic growth in Italy over the last decade, there has been growing interest in encouraging domestic firms to improve their export performance. Stronger exports hold out the promise of enabling Italian firms to grow against a backdrop of stagnant domestic demand and to keep up with foreign rivals that might otherwise capture market share, including by realising economies of scale and benefiting from specialisation. However, there are some important challenges for small firms to take the first steps towards penetrating new foreign markets or to diversify their export markets. Public policy can make a difference by helping to address the barriers that these firms face including financial costs and lack of access to credit, missing or imperfect market knowledge and language skills, insufficient resources and expertise to carry out market research in the target country and identify adequate business partners, and technical communication problems.

The Italian government has put in place a comprehensive range of fairly conventional tools for export promotion involving several agencies and delivery actors. A major player is the Italian Foreign Trade Institute (the *Istituto Commercio Estero* – ICE), which promotes the internationalisation of Italian companies via exporting and direct investment as well as Italy as a destination for foreign investment. Its three main roles are to organise promotional events, provide customised information and tailored trade support such as training, and co-ordinate a range of suppliers of business advice, coaching and matchmaking services for exporting. Its most basic services (e.g. foreign market guidelines) are offered free of charge, while tailored products (e.g. market surveys, matchmaking with foreign companies, etc.) are charged at a non-market price.

With regard to promotional events, ICE receives funding from national government and regional authorities to organise collective events such as trade missions, trade shows, forums, seminars and exhibitions. In 2012, 8 000 companies were assisted in these areas. A customer satisfaction survey showed an average score of 4.33 out of 5 among the entrepreneurs that used the services. The second stream of work concerns tailored support to companies and intermediary agencies in Italy and abroad. For this, ICE draws on a network of 79 branch offices in 65 countries around the world. In 2012, ICE trained 1 300 managers and practitioners on foreign trade and foreign investment issues and issued about 10 000 news releases. This allows small firms which would not have otherwise such an opportunity to be exposed to international markets (Saladini, 2013). ICE exercises its co-ordination role through the National Control Room for Enterprise Internationalisation (*Cabina di regia per l'internazionalizzazione*). This is a government body chaired by the Minister of Economic Development and the Minister of Foreign Affairs, which is charged with co-ordinating the adoption of the national guidelines for business internationalisation.

The Ministry of Economic Development (MISE) also has an important role to play. Alongside some soft loans, its major export promotion tool is the provision of grants to SMEs that form 'internationalisation consortia', i.e. voluntary alliances of firms whose objective is to enhance their export performance through joint actions. SMEs that have signed network contracts are also eligible. The internationalisation grants are worth around EUR 2-3 million per annum and are received by over 1 600 companies in 110 consortia. The funds are mainly used to finance workshops, visits abroad, and advertising. According to the MISE guidelines, internationalisation consortia must comprise a minimum of eight SMEs (five for consortia operating in Southern Italy and four for consortia of craft companies). Grants are made annually and based on expenses incurred in the previous year. Up to 40% of annual promotional expenses (60% for export consortia based in Southern Italy) are eligible for funding in this way. The Italian Federation of Internationalisation Consortia (Federexport) represents the 110 consortia and provides tax and legal advice, and arranges its own trade delegations, conferences and market surveys. Federexport has also negotiated credit lines with major banks to finance export efforts of its members to Central Europe, Mediterranean countries and Latin America.

The approach of providing internationalisation grants to consortia rather than to individual SMEs holds the promise of a leverage effect, whereby the benefits of financing are spread over several firms and lasting synergies can be created among them. The aggregation of micro- and small-sized in networks and collaborations can be important to enabling them to develop the scale needed to internationalise and compete overseas, and works along the same lines as the "Network Contracts, which can also support internationalisation projects. Ideally, the recipients of these grants are motivated by a desire to genuinely improve inter-firm cooperation rather than simply seeking a subsidy. However, there is a paucity of evidence about the effectiveness of these grant disbursements in generating additional activities and creating lasting partnerships. This should be addressed through a dedicated programme evaluation. The initiative is also currently small in size, and only modest sums of assistance are made available. An evaluation might provide evidence to justify the up-scaling of the support.

Box 5.7 provides the example of another approach to supporting networking, namely the business-to-business matchmaking offered by an Italian entrepreneurs association called the *Compagnia delle Opere* for the purposes of assisting small firms to increase their sales nationally and abroad. This type of initiative could be relevant for other countries.

Two other important actors in export support for SMEs are the *Servizi Assicurativi del Commercio Estero* (SACE), which mainly provides export-related insurance services, and the *Società Italiana per le Imprese all'Estero* (SIMEST), which is charged more generally with supporting Italian firms that operate in foreign markets. They are both owned by the *Cassa Depositi e Prestiti* (CDP), a joint private-public stock company owned by the Ministry of Finance and Italian banking foundations. The mission of SACE is to support the internationalisation of the Italian economy by providing domestic and foreign enterprises with insurance, reinsurance and guarantee services against a wide range of risks (political, catastrophic, economic, commercial, and exchange rate) to which businesses are directly or indirectly exposed via their export activities. SIMEST finances pre-feasibility and feasibility studies, technical assistance, and programmes helping SMEs to break into foreign markets. It also provides 'interest rate support' to Italian companies internationalising outside the EU. Specifically, it works with banks to reduce the interest rates paid by Italian firms seeking to finance equity stakes in non-EU foreign companies in which the agency itself also invests. Finally, SIMEST can make limited-term cash infusions by purchasing minority stakes in export-based companies with the aim of increasing the international presence of Italian firms (157 firms are currently in the SIMEST portfolio) and by acquiring shares in foreign companies for a maximum value of 49% of their capital stock.

The Italian chambers of commerce also provide support for SME export promotion, particularly through the network of Italian chambers of commerce abroad (*Camere di Commercio Italiane all'Estero* – CCIEs). CCIEs work in close collaboration with Italian embassies and have an annual plan that is approved by the Ministry of Economic Development and is aligned with the government business internationalisation plan. In 2013, CCIEs organised approximately 2000 initiatives, mainly business missions and business-to-business meetings aimed at the launch of partnerships and collaborations between Italian firms and foreign partners. These initiatives led to 300 000 business contacts involving over 70 000 firms. What is perhaps most interesting about CCIEs is that they are in large part private-sector-funded; only 15% of their annual budget (approximately EUR 50 million) is

Box 5.7. **Italian good practice: Business-to-business matchmaking**

Matching is an innovative business-to-business (B2B) initiative, which is organised annually by the *Compagnia delle Opere* (CDO), an Italian entrepreneurial association with over 34 000 corporate members, mostly small firms, and supported by the Ministry of Economic Development, the national Association of Chambers of Commerce, and the Lombardy regional government. Its main purpose is to foster the creation of networks of firms, with particular emphasis on the utilisation of network contracts and collaboration between SMEs and large firms.

The cornerstone of *Matching* is a national 3-day event held in Milan every year involving on average over 2 000 firms, institutions and supporting bodies, and generating over 50 000 B2B appointments. During this national event, over 100 thematic workshops take place, supported by a network of experts in a variety of fields (exporting, innovation, etc.). The event has two critical success factors. First, there is an online matching mechanism which allows participants to develop an agenda of pre-matched B2B appointments before the event. Local CDO advisors regularly incentivise firms to prepare their online virtual showrooms, scan the list of other participants and send appointment requests. Second, all local advisors meet regularly during the preparation period and actively filter the agenda, cross-checking each participant's list of appointments to increase its potential effectiveness and offering suggestions for additional synergies. An analysis of the 2011 edition suggests that firms conducted an average of 41 business meetings during the three days, out of which around 11 were judged as useful and 4 led very quickly to new commercial or partnership exchanges (Giudici, 2013).

The national event is complemented by a network of smaller replica events organised by the 40 CDO local branches. These local events typically involve between 150 and 300 participants and aim to facilitate continuous interactions among participants during the year. Building on a network of foreign branches in 17 countries, CDO has also started to organise mini-Matching events based on the same formula in countries such as Brazil, China, Qatar, Russia, and Spain, with the objective of supporting the internationalisation of its SME members.

Source: www.e-matching.it.

financed by the government through the Ministry of Economic Development, while the bulk of funding comes from fees applied to their services and other private sources such as sponsorships.

In February 2013, the Union of Chambers of Commerce and the Ministry of Economic Development introduced a new initiative to create one-stop shops for internationalisation in the form of the "World Pass" network. This should help the smallest SMEs to obtain information about opportunities in foreign markets, international legislation, import-export regulations and export insurance services. World Pass offices will be hosted at the 105 chambers of commerce across the country and will be the entry point into the export support system for firms at local level. They have been budgeted with EUR 10 million and will build on existing "foreign market offices" at local chambers of commerce. In addition to providing information and advice, the chambers of commerce could do more to showcase and spread the experience of successful exporters through seminars and on-site visits.

At the strategic level, the Italian government has launched a new National Export Plan for the period 2013-15, which sets out the actions that it intends to promote in this area. The Plan calls for the consolidation and enhancement of public resources for trade promotion (including trade fairs, missions and workshops), tax incentives for the recruitment of skilled and experienced export staff (e.g. export managers and e-commerce managers) and for the cover of entertainment expenses abroad, the diffusion of e-commerce, strengthening of the financial instruments offered by SACE and SIMEST, increased efforts to protect trademarks and tackle counterfeiting, the creation of a new Export Bank, and support to encourage greater exporting by firms in Southern Italy and in strategic high-tech sectors. The Plan also proposes more coordination among the different actors and measures to make government programmes more accessible and understandable to SME managers and entrepreneurs.

The increased co-ordination that the National Export Plan intends to bring is important because at present there are numerous poorly co-ordinated interventions for exporting and a fragmented system of support that is potentially confusing for the user firms. In response, a comprehensive review of all the export support measures which are currently in place should be undertaken and used to inform a process of prioritisation and co-ordination of actions. The review should include an assessment of the awareness and take-up of each initiative among SMEs, the effectiveness of each measure and the areas of overlap. Once a streamlined policy set is agreed upon, it needs to be better publicised, implemented and embedded in a stable, consistent way for several years to come, in order to maximise the chances of successful implementation as well as of recognition and take-up by the businesses targeted by the intervention.

SME export programme budgets should be protected and SME networks for exporting should be encouraged

The various interventions in place and the new actions proposed in the National Export Plan represent a comprehensive set of support for SME exporting. However, two key issues should be addressed in the future. First, in several cases the budgeted resources do not seem to match the announced ambitions. For example, ICE's budget was more than halved in 2012, from an annual average of EUR 80 million in the period 2008-10 to EUR 30 million in 2012, although it continues to operate a wide range of services. Other programmes, such as the internationalisation grants, have nearly symbolic budget outlays. Second, what seems to be missing is a more aggressive focus on emerging markets, and a link between the fiscal instruments that promote business agglomeration (internationalisation consortia and network contracts) and the network of chambers of commerce abroad. An initiative similar to Germany's Company Pool programme could help in bridging this gap (see Box 5.8). Company Pools combine the principles of aggregating several SMEs to obtain critical mass with that of coordinated support programmes both at home and in foreign countries where the internationalisation takes place. A pilot project of this kind could be introduced in Italy, hosted for example by Italy's CCIEs and prioritising the emerging markets that are of greatest strategic importance to Italy.

Another possible avenue for government to engage small firms in internationalisation could involve encouraging prominent Italian banks to use their knowledge of foreign markets as well as their cross-border branch networks to assist suitable SMEs with promising export opportunities. An example could be the provision of free or low-cost consultancy and advice to help them identify and exploit export opportunities.

These programmes could be buttressed by infrastructure programmes to improve e-commerce. In 2011, only 4% of Italian SMEs sold online, compared to an average of 13% in the EU27; and only 17% of Italian SMEs used the Internet for purchasing activities as

Box 5.8. International inspiring practice: Germany's IHK Company Pool Programme

Description of the approach

The Company Pool Programme ("*IHK-Firmenpools*") offers valuable and cost-effective coaching, market intelligence and deal brokering support to groups of SMEs aiming to export to selected target countries through local Chambers of Commerce and Industry (IHKs) in Germany. There are currently 31 company pools operated by various local chambers. Each of the company pools focuses on market entry in a particular country or set of countries. The first company pool, "IHK-Firmenpool Ukraine", was established in 1994 and has served as a model for those established subsequently. The pools mostly target emerging economies in Asia, Eastern Europe, the Middle East, Northern and Southern Africa, and South America.

A company pool usually consists of up to 15 German SMEs that normally do not directly compete against each other (e.g. they often work in different economic sectors) and that intend to enter the same target market. The companies benefit from comprehensive services provided by a joint representative office in the host country. This office is managed by an experienced business expert, appointed by the chamber of commerce. The standard service package includes preparatory and accompanying services in Germany, such as assistance in developing a strategy for market entry and the organisation of regular meetings of all participating SMEs in order to exchange information and experiences. In the host country, the representative office professionally handles business correspondence and translations, and carries out information and market research on behalf of the SMEs. The business expert also selects and initiates contacts with potential business partners and holds preparatory negotiations on behalf of the German pool companies. The expert also prepares SMEs' participation in fairs, accompanies their business trips to the target country and reports regularly on current economic and political developments in the host country.

Factors for success

Important factors for success include:

- Permanent accessibility and presence in the target country
- Use of an already existing business network in the target country
- Staff of representative offices having a special sense for the market and the business mentality of the target country
- Synergies through co-operation and exchange of experiences with other company pool members.

Obstacles and responses

Costs for joining an IHK-Company Pool vary according to the specific target country and the scope of services used, but they normally range between EUR 5 000 and EUR15 000 per annum. This can be a large sum of money for the smallest companies. To address this problem, the foreign trade support programmes of several German Federal States offer financial assistance to cover part of the costs. Partly reflecting this, participants in company pools are usually slightly larger SME manufacturing firms which are "new entrants" to the target country. SMEs usually participate for two or three years in the company pool, i.e. until they are able to cope on their own and continue their business activities independently. The success of the measure can be illustrated by the fact that for example in the case of the Company Pool focused on Ukraine, approximately 80% of former participants maintained (independent) business relations with Ukraine after leaving the company pool.

Other obstacles to the success of Company Pools include the costs of setting up the program if a large scale intervention is contemplated; potential duplication of some existing functions performed by ICE and other government agencies in Italy (though this problem could be reduced by careful integration of the policy in relation to the existing policy set); and the need to monitor closely the effectiveness and sustainability of the program coupled with the political will to encourage the state to withdraw once Company Pools become self-sustaining.

Box 5.8. **International inspiring practice: Germany's IHK Company Pool Programme** *(Cont.)*

Relevance for Italy

The programme has relevance to Italy in the following areas:

- Like German SMEs, Italian firms have achieved impressive export performance, based on a strategy of competing on quality rather than price; and the concept of aggregating across SMEs is a familiar one to Italian firms. Provided the policy is implemented on a sufficiently large scale, it can be expected to record similar success to that witnessed in Germany.
- A major advantage of the Company Pool framework is that it brings together private and public bodies which co-operate to provide support for internationalization efforts. This could be attractive to Italy where there is a need for greater co-ordination among the multiple actors in the export support system.
- The Company Pool system offers training and specialized advice that participants largely pay for themselves. This limits the cost of the program, which is another attractive feature for the Italian government in times of budgetary discipline, though it probably rules out the participation of the most cash-flow-constrained SMEs and entrepreneurs.
- Assistance provided by the program is intended to be temporary, equipping SMEs with the contacts, skills and knowledge they need to succeed independently in international business. This further reduces the budgetary cost of the Company Pool instrument.

Source of further information

OECD and *http://www.dihk.de/en/segments/international.*

opposed to 28% of their peers in the EU27 (European Commission, 2012a). The response could include infrastructure measures to improve broadband connectivity, and awareness-raising and training of Italian SMEs on e-commerce and online sales. For example, many Italian SMEs lag best practice in terms of developing internationally appealing websites which enable foreign as well as domestic customers to purchase goods online.

Entrepreneurship education

An entrepreneurial culture fosters people's ability to identify, activate and realise opportunities as business starters, employees who contribute to SME innovation, and in other areas of life. Entrepreneurship teaching and support across all levels of education has a key role to play in providing young people with entrepreneurial mind sets, skills and knowledge.

The role of entrepreneurship education has not yet been fully recognised

Policy in Italy has not yet fully recognised the importance of a comprehensive entrepreneurship education system for national growth and innovation. For example, in a recent survey, only 40% of young people reported that their school education had helped them to develop an entrepreneurial attitude compared to an EU27 average of 53% (which was the second lowest rate in the EU27), and only 17% of Italians reported that they had taken part in a course or activity about entrepreneurship compared to an EU27 average of 23% (European Commission, 2012b). Furthermore, only 26% of young people felt that school had made them interested in becoming an entrepreneur compared to an EU average of 28% (Table 5.1).

Table 5.1. **School education aroused an interest in becoming an entrepreneur, percentage of adult respondents who totally agree, EU27, 2012**

Country	%	Country	%
Portugal	65	Belgium	30
Romania	59	Sweden	30
Bulgaria	43	Slovenia	29
Lithuania	38	Greece	28
Luxembourg	37	Austria	28
Latvia	37	EU27	28
Finland	35	Czech Republic	28
Cyprus	34	Ireland	27
Spain	34	Italy	26
Hungary	33	France	16
Poland	33	Estonia	22
Slovakia	32	Netherlands	21
Malta	31	Germany	17
Denmark	30	UK	17

Source: European Commission (2012b), *Entrepreneurship in the EU and Beyond*, Flash Eurobarometer n. 354, Brussels.

StatLink http://dx.doi.org/10.1787/888933147731

As in many other countries, the Italian way of entrepreneurship teaching still tends to reward passive learning instead of creativity and (short-term) memorisation of facts instead of (long-term) skills for problem solving. While dynamic and committed teachers are critical to the success of entrepreneurship education in schools, one-half of the teaching staff is over 50 years old and often not familiar with teaching contents related to entrepreneurship. Links to the business world, such as visits by entrepreneurs to schools, are also underdeveloped. Italy has not yet formalised objectives for entrepreneurship education in a national strategy; neither has it developed specific implementation guidelines, although entrepreneurship education is recognised as a cross-curricular objective in education across all of Europe (EACEA/Eurydice, 2012).

An important decision has nonetheless been made to incorporate entrepreneurship education into the national vocational training curriculum, and this has played an important role in anchoring entrepreneurship education in technical and vocational training. However, in contrast to most other EU countries, the Italian government has not yet integrated entrepreneurship education in the curricula of general secondary education institutions, and although some universities have introduced their own programmes, entrepreneurship education is still not widespread at tertiary level. As a result, young people largely receive entrepreneurship education through ad-hoc initiatives. For example, the *Impresa Formativa Simulata* (Training Firm Network) initiative promotes learning-by-doing through virtual firms in a simulated laboratory situation. It is implemented by the National Agency for the Development of School Autonomy on behalf of the Ministry of University Education and Research. The Ministry also runs the *Alternanza Scuola Lavoro* initiative, which supports schools in alternating classroom activities with different forms of work activities in enterprises. The programme has reached significant scale, with a total of 2 365 schools and 189 457 students participating in the school year 2011/12.

In addition, the Italian branch of the non-profit organisation Junior Achievement offers its well-known mini-company scheme (*Impresa in Azione*) in Italy as well as several other entrepreneurship projects for young people between 6 and 19 years of age. In addition, the national chambers of commerce organisation, *Unioncamere,* runs an annual "School, Creativity and Innovation" competition, discussed in Box 5.9, and has created an online and physical network called Polaris with helpdesks at 84 local chambers of commerce to provide support and advice to young entrepreneurs. These are promising initiatives, but their outreach is limited and mainly focused on primary and secondary education. A more comprehensive approach from the Italian government to entrepreneurship education at all levels could do much to promote entrepreneurship skills and attitudes among young people.

Box 5.9. **Italian good practice: *Unioncamere*'s 'School, Creativity and Innovation' Award**

The Association of Italian Chambers of Commerce (*Unioncamere*) runs an annual award competition called "School, Creativity and Innovation", which aims to promote creativity, innovation and group work among young people and their schools. The prize is awarded in three different sections, i.e. for the development of innovative new products, new services or new patterns of design. All submitted projects must refer to one of three thematic topics (currently: energy and environment; cultural goods; and health and safety). Participating groups of at least three students are coached by one teacher and are strongly encouraged to co-operate and exchange ideas with regional enterprises, universities or business chambers in order to experience the benefits which arise when people from different backgrounds come together and create something new. The online "Innovation Social Club" also fosters cooperation and exchange between the participating groups. The competition is held in three stages. First, groups develop a 3-minute elevator pitch video. The best 50 groups are then invited to create a 5-minute video which presents the newly invented product/service/design to a potential investor. A high-ranking jury from business, universities, R&D and ministries accompanies the competition and selects the 20 winners to whom prize monies between 2 500 and 7 000 EUR are awarded. In the most recent edition, 2 150 students (43% females) were coached by 400 tutors and submitted a total of 320 innovative projects.

Source: www.premioscuola.unioncamere.it

In order to introduce a more comprehensive approach to entrepreneurship education in Italy, a firm government commitment should be made to entrepreneurship at all levels of formal education (schools, vocational training, and higher education). This commitment should be made in the form of a clear strategy, which sets out objectives, indicators, incentives and rewards for institutions and teachers as well as an investment in the infrastructure and skills required at education institutions. The strategy could include a mechanism for knowledge exchange between educational establishments, online portals to provide information on all relevant support measures, and a facility to gather, store and disseminate teaching resources. To ensure close collaboration of all relevant policy actors and to start the strategy work, a permanent working group on entrepreneurship education should be established involving representatives from government ministries, schools, teachers, teacher training institutions, business associations, etc.

The national strategy should be accompanied by an action plan, detailing specific initiatives and actors involved in the practical implementation of these initiatives. Actions required relate to the development of teaching material, training of teachers in entrepreneurship pedagogy and start-up support activities, adapting curricula and, particularly relevant for universities, involving external stakeholders (alumni, entrepreneurs) in teaching. An initial step could involve awareness-raising activities (e.g. information buses visiting the region's schools and colleges).

In order to ease implementation of support policies, schools, vocational training colleges and universities should nominate an entrepreneurship champion, who acts as focal point for all external contacts regarding entrepreneurship and relationships with the business sector and who promotes and co-ordinates entrepreneurship initiatives within the educational establishment. Training of teachers in teaching entrepreneurship should also be incorporated in the training programmes of prospective teachers, as in Finland (see Box 5.10), while already active teachers could be offered training courses on the basis of blended learning. Those teachers who invest much time and energy into providing their students with entrepreneurial skills and knowledge (often in addition to their regular teaching obligations) should be given special signs of recognition in the form of financial or immaterial benefits (e.g. prioritised promotion, certificates, and awards).

Box 5.10. **International inspiring practice: Virtual learning for entrepreneurship education teachers, Finland**

The virtual learning environment (YVI) initiative supports the training of teachers in offering entrepreneurship education based on collecting and developing a central source of teaching and learning materials through a comprehensive public-private partnership and making them available to a large number of educators and teachers in schools and vocational training institutions.

Description of the approach

The attitudes of the Finnish population towards entrepreneurship have become more positive over the years, encouraged by long-term systematic actions to foster entrepreneurship education. The Ministry of Education publishes a five-year development plan for education and research and guidelines for entrepreneurship education, and entrepreneurship education is explicitly recognised as a compulsory cross-curricular theme in the national core curriculum. From the beginning, training teachers in entrepreneurship education methods was regarded as critical to success. The YVI initiative was therefore developed as a nationwide project led by the Teacher Training School of Turku University and involving thirty different partner institutions, including universities, teacher training schools, vocational schools, research institutes as well as business associations and national and regional authorities. The project has been funded by the European Social Fund, with co-financing from the Finnish National Board of Education and several other Finnish institutions.

The objective of YVI is to support the integration of entrepreneurship education into Finnish teacher training for primary, secondary and vocational schools. To achieve this, YVI has created a central virtual learning environment for entrepreneurship teachers. The online platform provides practical tools and models for entrepreneurship education as well as learning materials to be used in different levels of education. An interactive tool, the YVI-engine involves students in the collaborative generation of ideas. Additional features are an online blog and discussion forum for everyone interested in developing entrepreneurship education, practical examples of innovative networks in entrepreneurship education and a news and events section. For businesses, instructions are provided on how to start cooperation with educational institutions. YVI also designs strategies and curricula for entrepreneurship education, develops pedagogy for entrepreneurship education and strengthens network cooperation in entrepreneurship education. Proactive communication and marketing activities include newsletters, articles and presentation of the site in seminars, conferences and training events.

In mid-2013, approximately 16 000 teachers were using the tool out of a total of approximately 75 000.

Factors for success

The YVI-site has been created, developed and tested by the large network of YVI-partners, and based on initial research on teacher perceptions and wishes. The combination of expert knowledge and experiences from various educational, business and academic perspectives was decisive to ensure a high quality,

Box 5.10. **International inspiring practice: Virtual learning for entrepreneurship education teachers, Finland** *(cont.)*

usability and usage of the site. It also proved to be very useful in terms of marketing, financing and technical maintenance of the project. Discussions and cooperation within a large network also helped to reach a more thorough overall understanding of entrepreneurship education and its implementation.

ESF-financing for the YVI-project will end in January 2014, but development and maintenance of the site continue within the network created during the project. New parties are invited and welcome to join. The purpose is to continue as a relatively open network into which everyone can bring in their expertise and interests. YVI is also interested in supporting the development of similar platforms in other EU-countries.

Obstacles and responses

Entrepreneurship education is compulsory for all school types in Finland but is not taught as a separate school subject. Instead, all teachers are asked to offer entrepreneurship education as part of their general teaching. This individualistic approach led to the problem of a lack of central teaching and learning materials that teachers can access. In response, YVI needed to produce some new material of its own as well as to collect existing material.

It was also challenging to take into account the interests of all parties involved when developing a national site that could serve everyone's needs in entrepreneurship education. It was therefore decided that a certain policy of openness should be adopted and the site was made public from its first phases of development – even with an unfinished structure and few contents. The developers had to explain the unfinished nature of the site on many occasions, but participation in its creation helped to maximise its usefulness to users.

Relevance for Italy

The YVI-platform demonstrates a low cost and extensive approach to upgrading teacher competencies in entrepreneurship education that could accompany the introduction of a national strategy for entrepreneurship education in Italy.

Further information

YVI Project "Developing entrepreneurship education in Finnish teacher education" website: *http://www.yvi.fi/intro-English* and *http://www.yvi.fi/images/YVI_results_2010-14.pdf*

Entrepreneurship education should also stress contacts with the business world. Efforts should be made to encourage companies, including SMEs, to become more involved in entrepreneurship education activities in schools and colleges and in offering placements and work experience. By demonstrating how learning contents from school lessons can be applied to business and production activities and by highlighting the large variety of interesting (and often unknown) professions, companies can assist young people in making better and more targeted education and job choices.

With respect to higher education in particular, the OECD and the European Commission have developed a guiding framework for the entrepreneurial university, which can be consulted at *www.heinnovate.eu*, which offers information on good practices on entrepreneurship support, implementation notes, model action plans and case studies of entrepreneurial universities. Italian university stakeholders could consult this tool in order to gain inspiration on potential improvements. Aalto University in Finland offers one such good practice example stressing a coordinated and comprehensive approach, covering different aspects of entrepreneurship education, support and organizational structures required for an entrepreneurial university (Box 5.11).

Box 5.11. **International inspiring practice: Aalto, Finland – an entrepreneurial university in the making**

Aalto University was established through the merger of three universities (Helsinki University of Technology, Helsinki School of Economics and Helsinki University of Arts and Design) in 2010. From its inception the goal was to develop a new "innovation university", which included promoting a new entrepreneurial spirit and entrepreneurship activities within the university. The idea for the merger was first introduced by a former rector, Mr Yrjö Sotarauta of the Helsinki University of Arts and Design in 2005, and the idea was supported by both Government and industry.

Activities

While entrepreneurship is supported throughout Aalto University, a number of specific structures and programmes were created to facilitate the development of entrepreneurship activities:

- The Aalto Centre for Entrepreneurship (ACE) aims to create new businesses from university research and "work as a catalyst for elevating high ambition entrepreneurship from Finland and throughout the Baltic region". It offers innovation, commercialisation, and start-up services for Aalto University researchers, students and other stakeholders. ACE also co-ordinates Aalto's activities related to technology transfer, intellectual property rights, start-up firms and teaching and research of growth entrepreneurship.
- The Aalto Ventures Programme (AVP) offers education on business ventures and conducts research on growth entrepreneurship. It is situated in the Department of Industrial Engineering and Management at Aalto University School of Science and works collaboratively with other departments and schools, the ACE, and the Aalto Entrepreneurship Society. The programme drives high-growth entrepreneurship in the curricula, including graduate level programmes, and supports faculty development. It is also involved in offering a wide variety of extracurricular activities in collaboration with Aaltoes.
- Aaltoes (Aalto Entrepreneurship Society) is a society for entrepreneurship-minded students interested in learning about and promoting entrepreneurship. It was established in 2009 by a student who was inspired by a visit to MIT and its creation was instrumental in launching the new university. Aaltoes "encourages high-tech, high-growth, scalable entrepreneurship and builds a leading start-up ecosystem in Finland and Northern Europe". The society's goal is that "Finland will be the start-up hub of Europe and Russia by 2017". It organises approximately 50 events annually, including the Summer of Startups (an accelerator programme for early stage business ideas), Aaltoes Build It (48- hour business creation events), Startup Crawls (visits and trips to local start-ups), pitching sessions and networking and matchmaking events.
- Startup Sauna One was originally developed by Aaltoes but is now run by its own foundation. It offers internships for aspiring entrepreneurs to work at high-growth companies in Helsinki and Silicon Valley (United States), and an accelerator programme for early-stage start-ups from Northern Europe and Russia. Companies in the accelerator receive one month of intensive coaching from experienced serial entrepreneurs and investors in Helsinki, and the "Slush conference", which brings together the early-stage start-up ecosystem in the region to meet top-tier venture capitalists and media from around the world.

Resources

ACE, AVP and entrepreneurship teaching are all funded by Aalto University. ACE currently operates with approximately 12 experts working in the areas of technology transfer, innovation and start-up services. Aaltoes is a student-run association and largely relies on the unpaid work of the students. However, it receives some financial support from event sponsors, as well as some funding from Aalto University, the Federation of Finnish Technology Industries, the Tekes (the Finnish government funding agency for technology and innovation), and other foundations. Startup Sauna is run by its own foundation and funded by Aalto University, the Federation of Finnish Technology Industries, Sitra (the Finnish Innovation Fund) and Tekes among others. Each programme requires between EUR 150 000 and EUR 200 000.

Box 5.11. **International inspiring practice: Aalto, Finland – an entrepreneurial university in the making** *(cont.)*

Results

10 companies were started by Aalto faculty members and students in 2012 and the ACE made 215 invention disclosures and transferred 14 innovations to 4 companies. Aaltoes held 45 events in 2011, involving more than 9 000 participants. The Startup Sauna internship programme has placed more than 60 interns in companies. Some 90 companies have graduated from the Startup Sauna accelerator programme and raised more than USD 25 million of funding. The Slush Conference has also proven to be successful. In 2012, it gathered more than 3 500 attendees, 550 companies and 250 investors and journalists for two days in Helsinki.

Success factors

The combined effort of the university, the student community and experienced partners has been behind the success of Aalto's entrepreneurship activities. Student associations have traditionally played a central role in Finnish universities and it was critical to harness their support for entrepreneurship. It was also important to connect the Aalto entrepreneurship activities to a network of experienced, serial entrepreneurs and investors who mentor and assist start-ups. There are more than 100 mentors available to students at Aalto, which sets the university apart from other university programmes. Comprehensive support for entrepreneurship throughout the university has also been an important factor in reaching a high number of students and staff and in building linkages with the community.

Challenges

There are a number of on-going challenges for entrepreneurship support at Aalto. First, although Aalto University receives significant financial support, the ecosystem is still heavily based on voluntary, unpaid work of the students. It is not clear if this is sustainable, particularly with the increasing pressure on universities to shorten graduation times. Universities will be rewarded for students who complete at least 55 ECTS annually and this will be difficult for students who are heavily involved in extra-curricular activities. A second challenge is coordinating all of the entrepreneurship structures and activities, particularly since each university had different organisations and activities prior to the merger that created Aalto University.

Source: OECD (2013e), *Stimulating Entrepreneurial Mind-sets and Behaviours in East German Higher Education: State of Play and Inspiring Practices*, *http://www.oecd.org/site/cfecpr/OECD_Booklet_EN-Web.pdf.*

More generally, recent research clearly demonstrates the importance of role models for encouraging entrepreneurial venturing as well as the influence of cultural responses to failure, specifically the risk of social stigma ascribed to business failure (Nanda and Sørensen, 2010; Landier, 2004). Given this, a pilot policy initiative could be tested in Italy to strengthen entrepreneurial culture along the lines of Singapore's annual Phoenix Award, which rewards a tenacious entrepreneur who overcame an initial failure.

Workforce training

SME innovation and competitiveness in Italy would receive a significant boost from increased recruitment, development and exploitation of skilled employees. The two main existing areas of policy intervention regarding SME skills are support for apprenticeships and support for continuous vocational education, but both could be strengthened.

Apprenticeship training needs to be expanded and revamped

The Italian system of initial vocational education and training (IVET) involves two major approaches. The predominant approach is the school-based “traineeships”, which are offered within vocational upper-secondary education (International Standard Classification of Education - ISCED level 3), post-secondary (non-tertiary) education (ISCED level 4) and initial vocational training. They usually combine theoretical learning with practical training periods in enterprises (to which up to 30% of total training hours are dedicated). In the school year 2008-09, some 1.6 million young Italians participated in one of the school-based schemes (European Commission, 2012c). However, the school-based approach has two significant drawbacks. First, the training is relatively distant from the labour market, which is reflected in more difficulties for graduates of school-based schemes in making the transition into regular employment. Second, it does not feature a formal contractual relationship between the trainee and the participating enterprise, which means that trainees do not receive a salary for the practical work they do and implies both a disincentive to participation by trainees and an incentive to employers to misuse trainees as cheap labour.

The second major approach is generally more successful, namely company-based apprenticeship schemes (“apprenticeships”). However, these involved only one-half million young people in 2011, one-third of the numbers participating in traineeships. More investment is needed in the company-based apprenticeship approach, particularly given the critically high levels of youth unemployment now being experienced in Italy.

Company-based apprenticeships are offered in three different forms. Quantitatively, by far the most important is the occupation-oriented apprenticeship (*apprendistato professionalizzante e di mestiere*). This is designed for young people aged 18-29 years and is chosen by up to 95% of all apprentices. It usually lasts for a maximum of three years (five years for artisans). The type of training is to be established in collective and inter-sectoral agreements between the social partners. The apprenticeship involves mainly work-based training on the job in a training company. It is supplemented by a maximum of 120 hours of theoretical training provided by a (private) training agency and spread throughout the entire training period. The other (less frequently used) types of apprenticeship training target young people aged 15-25 years who want to complete the compulsory general school education through a work-based experience (*apprendistato per la qualifica e il diploma*) and individuals aged 18-29 years who are involved in higher education and research (*apprendistato di alta formazione e ricerca*).

In 2011, a total of 505 000 young people participated in apprenticeship training. This represents a 22% decline since 2008, reflecting the temporary effect of the economic crisis and its impact on inclination of companies to offer apprenticeship places. Two peculiarities stand out in an international comparison. First, there is an unusually large share of older apprentices aged 25 years or more, who accounted for 40% of all apprentices. Second, the prior education level of the majority of apprentices is relatively low: in 2010, almost one-half (49.5%) had no educational qualification; another 35.4% held only a lower secondary level diploma (ISCED 3); 8.3% held a vocational qualification and 6.9% held a university degree (D’Agostino, 2011). These data indicate that apprenticeship training is not (yet) an attractive choice for most young people with normal or high levels of formal school achievements.

The limited appeal of apprenticeship training for normal and high achievers is partly a result of the past tendency of many Italian firms to use apprenticeship training as a simple and "flexible" way of recruiting cheap labour, where the training element was mostly of only marginal importance to them (Tiraboschi, 2011; ETUC, 2012). Thus, it is estimated that only one-quarter of apprentices actually received noteworthy training (Italia Lavoro, 2012). The widespread abuse of apprenticeship training in this way has been strongly facilitated by a lack of national standards regarding the contents and quality of training and by an insufficient system of monitoring, supervision and quality controls. Through the Fornero reform, the national government has therefore recently imposed some quantitative standards with regard to the minimum (six months) and maximum duration of training, the maximum number of apprentices per company and requirements concerning retention of apprenticeship graduates. While this is an important reform, the quality of apprenticeships needs to be improved further to render them more attractive for young people and businesses alike.

Further reform aimed at increasing the attractiveness of company-based apprenticeships should pay particular attention to further development of high quality national standards regarding contents and methods of apprenticeship training, arrangements for the examination and authorisation of training companies and tutors, the establishment of institutions for monitoring and supervising apprenticeship training at regional level, and the central organisation of apprentices' final examinations. It should also increase the availability and quality of occupational orientation and vocational counselling during the final years of general school education so as to better direct young Italians towards occupations in demand in the labour market, and seek to change deeply-rooted cultural beliefs that hamper the integration of theoretical learning and practical (salaried) job-experiences ("who studies does not work" and vice versa) and lifelong learning (a normal working life is seen as "study-work-pension").

Certain aspects of the German dual apprenticeship system offer potential inspiration for the further development of the Italian system, as described in Box 5.12. In particular, lessons can be learned from its binding national quality standards and quality assurance mechanisms (e.g. monitoring and supervision by entrusted institutions, examination and authorisation of training companies and tutors, centrally organised final examinations of apprentices) and from the contributions made by host companies to the payment of cost-efficient training allowances to their apprentices. At the same time, the Italian government may need to promote the general value put onto vocational training, compared to other forms of education, in order to increase the use of apprenticeship programmes by trainees and employers.

Workforce training programmes have been reformed

The introduction of a number of government reforms and funding schemes since the 1990s has gone some way to addressing the low exposure to vocational training activities of SME employees, although there is still room for improvement.

Law 53/2000 has played an important role by giving individual workers the right to participate in continuous training through the institution of a specific right to leave. To support the measure, the Ministry of Labour allocates some EUR 15 million annually to regional and provincial authorities to provide individual workers with grants or vouchers in order to access targeted training measures offered by public or private training institutions. Interested participants are requested to submit applications which specify the envisaged

Box 5.12. International inspiring practice: The dual apprenticeship training system, Germany

The German system of dual apprenticeship training represents an interesting model to make vocational training more responsive to labour market needs and to guarantee a high nationwide standard of training with proper quality assurance mechanisms, thus playing an important part in supplying SMEs with skilled employees.

Description of the approach

Germany's highly skilled labour force is one of its fundamental economic strengths, and is underpinned by an extensive dual apprenticeship system with origins that can be traced back to the 19th century. The system is implemented by a broad consensus-oriented public-private partnership. High-quality vocational training, usually lasting 2-3 years, is provided for some 350 officially-recognised training occupations across all economic sectors. For each training occupation, a special training directive has been enacted by the social partners (business associations and trade unions, under the guidance of state actors) which stipulates in binding terms and nationwide the exact (minimum) content of training. After passing an interim exam and the centrally-organised final examination, successful graduates receive a Germany-wide recognised training certificate.

A strong orientation to labour market needs and the fine-tuned combination of company-based practical training on the job (usually 3-4 days per week) and theoretical training in vocational schools (1 or 2 days per week) guarantee high transition rates from vocational training into permanent full-time employment and thus ensure that the economy's demand for skilled labour is being met. Companies are free to engage in apprenticeship training and to conclude a training contract with suitable young people who they select in a prior recruitment process. The training competencies of these companies must however be examined and certified by business chambers.

In general, the company-based element of the dual training is completely financed by the training enterprises themselves. Monthly (gross) training allowances are fixed by the social partners in collective wage agreements and vary between EUR 300 and 1 000 according to the specific training profession and other considerations. The school-based element is financed by the respective Federal State ("Land") and local municipalities. The total spending of the German vocational training system is approximately EUR 30 billion, of which approximately one-quarter is contributed by the public sector, and three-quarters comes from the training enterprises. At the same time, enterprises benefit from revenues generated by the productive work carried out by their apprentices to the order of EUR 18 billion, leaving them with net training costs of some EUR 6 billion EUR, which can be seen as the costs to them of recruiting skilled employees who are already familiar with firm-specific work tasks.

Every year, some 750 000 young people newly start vocational training (approximately 85% in the dual system), thus exceeding the number of approx. 530 000 new university starters. The success of the dual training system is dependent upon a wide-spread participation from companies. Approximately 60% of all German establishments (local units) have acquired authorisation to engage in apprenticeship training. Every year, more than half of them do employ at least one apprentice. Depending on the availability of sufficient (time and financial) capacities, companies (especially micro firms) might not continuously participate in apprenticeship training. Nevertheless, every year an impressive number of approx. 500 000 establishments do participate in apprenticeship training; more than half of them (54%) are micro establishments with one to nine employees. Moreover, participation of small training companies which are not able to teach all segments of the required training content is further facilitated by possible cooperation with inter-company vocational training centres or with other companies.

Factors for success

A key strength of the German dual training system is its proximity to labour market needs. Business associations and companies have a fundamental influence on the exact content of the training, which

Box 5.12. **International inspiring practice: The dual apprenticeship training system, Germany** *(cont.)*

is specified in binding training directives that enterprises and their associations help negotiate. Such a market-based system has a clear edge over schemes that are centrally administered by public authorities, which are not in a position to assess developments and necessities for change as effectively as companies themselves. The companies benefit from recruits who are familiar with the practices of their enterprise, while the apprentices benefit from work experiences and skills that strongly increase their employability and facilitate transition into regular employment either in their training company or in other companies in the same or related sectors. Graduate trainees often move between companies. This is facilitated by the standardised content of training, which enables potential new employers to know exactly which skills apprentices have acquired during their training.

In Germany, middle management and production units are mostly staffed by skilled employees who have completed dual apprenticeship training and have often acquired further continuous training qualifications. This enables them to interact and co-operate more easily with the company's technical and research experts. The combination of practical skills and technical knowledge acquired during dual training is especially valuable for incremental innovations, i.e. when it comes to identifying ways to further improve existing products and production processes or to implement new processes. As innovation-related knowledge and capacities to develop it further are not centralised at upper management levels, companies find it easier to broadly diffuse and fine-tune their innovation activities. Dual apprenticeship training is therefore important not only with regard to access to skilled labour and lowering youth unemployment but also in terms of promoting innovation.

Another success factor relates to the implementation of the dual system. Business chambers (in cooperation with trade unions) are entrusted with administering and supervising apprenticeship training. The chambers are aware of the needs and problems of their member enterprises and therefore have an interest in keeping training-related administrative burdens to a tolerable minimum. In addition, the principle of dual training has been successfully transferred to dual study programmes, which combine in-company vocational training with theoretical studies at institutions of tertiary education.

Obstacles and responses

The key role played by enterprises in offering vocational training comes with the disadvantage that the number of training positions offered by the business sector varies with overall economic conditions and tends to decrease in recessions. Therefore, the private supply of places was not always sufficient to offer every youth access to a dual training place. In the past, public authorities had to increase the supply of purely school-based training places in recessions in order to compensate for the insufficient supply of training positions in the dual system. However, with a decline in the numbers of young people in Germany this restriction may become less important in the future.

Similarly, in a primarily market-based system, youths with disabilities or social disadvantages generally face more difficulties in acquiring a company training place, although a decline in numbers of young people coming into the labour market has induced many companies to recruit less talented young people if they are considered to have proper motivation and sufficient social skills. Other public measures are also in place to encourage training of disadvantaged youth, including a National Pact for Training and Junior Skilled Workers, which commits to securing a sufficient supply of training places for all young people willing and capable of undergoing vocational training, and a wide range of public support measures which directly target and support young people who have social or other disadvantages.

Box 5.12. **International inspiring practice: The dual apprenticeship training system, Germany** *(cont.)*

Relevance for Italy

With a youth unemployment rate of more than 35%, Italy faces substantial economic and social pressures to create vocational training and job opportunities for its young generation. The current school- and university-based vocational education and training does not seem to sufficiently reflect labour market needs and has only weak links with the world of work. Moreover, work-based apprenticeship schemes suffer from past abuses as a source of cheap labour and are not attractive for most young school graduates. The Italian VET-system might therefore benefit from integrating several components of a dual training system; both in the sphere of traditional apprenticeship training and possibly also in the field of dual (tertiary) studies.

Further information

German Federal Ministry of Education and Research website: *http://www.bmbf.de/en/544.php*
German Federal Ministry of Education and Research (undated), *Dual Training at a Glance*, *http://www.bmbf.de/en/544.php.*

training measure, which is either chosen by the worker or arranged by the company. Public support covers a maximum of 80% of reimbursable costs.

In addition, Law 236/1993 finances in-company training, training of trainers, system actions, sectoral and territorial training plans promoted by the social partners and training on the request of individual workers who apply to regional authorities. The Ministry of Labour made available some EUR 75 million to support this initiative in 2012, which is administered by the regions. Further funding comes from the European Social Fund (ESF), which finances a range of firm-level training activities in Italy. The funds, worth some EUR 400 million in 2012, are dispersed by the regions to companies (single firms or groups of enterprises) and to public and private training institutions through a tender procedure. A difficulty with this approach, however, is that very comprehensive reporting requirements often deter smaller firms from applying for ESF funds.

Italian Chambers of Commerce are major policy actors in supplying training in this domain, and tend to offer a large variety of training courses either directly by their local branches or through their specialized training agencies. Box 5.13 presents the example of FORMAPER, the specialised training agency of the Milan Chamber of Commerce.

Box 5.13. **Italian good practice: Milan Chamber of Commerce's FORMAPER training agency**

FORMAPER is the training agency of the Milan Chamber of Commerce, Industry, Craft and Agriculture, which caters to the training demands of the 325 000 enterprises that are registered with it. It assists start-up entrepreneurs with training for business planning, financial services, ICT and marketing and existing SMEs with training needs assessments and innovative training programmes for owners and managers. FORMAPER also provides training of trainers courses. Through its Corporate Social Responsibility (CSR) Desk (the first in Italy specifically dedicated to SMEs) it carries out studies and provides training and consultancy on CSR issues both to business support organisations and enterprises. FORMAPER also provides adult learning and labour market attachment services including the promotion of self-employment and entrepreneurship through counselling and training to employed and unemployed adults.

Source: OECD and FORMAPER website: *http://www.formaper.it/index.phtml?Id_VMenu=360*.

However, despite the availability of training suppliers and funding for SMEs, there is a general lack of awareness among SMEs of the public support for workforce training available to them, reflected in relatively low participation rates among SMEs and a tendency for SMEs to concentrate on the most well-known rather than the most innovative and customised programmes. Measures are therefore needed to increase the awareness of SMEs of available training programmes. In addition, consideration should be given to making increased use of training vouchers for SMEs, either within existing training programmes or in a separate measure. A more pronounced use of vouchers would encourage the use of continuous training, help meet the demand often expressed by smaller companies for more individualised training and allow for a more flexible implementation of training activities.

Industry Training Funds have made an important contribution to training in SMEs

Industry Training Funds (ITFs) (*fondi paritetici interprofessionali*) were introduced in 2004 by an agreement concluded by the national government and the social partners in order to increase training by Italian companies. There are currently 21 ITFs, which are jointly managed by the social partners and have been authorised and recognised by the Ministry of Labour. Though some funds focus strongly on specific sectors (e.g. banking), they are usually accessible to enterprises in any sector. In 2012, the ITFs allocated some EUR 450 million, of which some 79% went to training at company level, 12% to training at individual level, 7% to training at sector level and 2% to training at territorial level (ISFOL, 2012). Companies may join one of the funds. In doing so, the National Institute for Social Security (INPS) will allocate a part of their compulsory social security contributions (worth 0.3% of the total payroll) to the ITF they have joined, which in turn uses this money for the implementation of training measures. The contributions of firms that do not join an ITF remain with the INPS and are allocated to the Ministry of Labour's continuous vocational training support measures. In either case, the financial means available for training measures have increased since 2004 as the 0.3% contribution was originally designed as compulsory insurance against unemployment.

ITFs have had a significant impact on the participation of Italian companies in continuous vocational training. In 2012, ITFs had a membership of more than 746 000 private companies covering 8.3 million employees, i.e. approximately 72% of private sector employment (ISFOL, 2012). From January 2011 to June 2012, they approved 29 700 training plans (covering some 166 500 training projects) which foresaw the participation of more than 2.3 million employees from 61 200 enterprises. Before the introduction of the funds, training often represented a marginal element in the strategies of companies and the social partners and the ITFs have been successful in increasing the involvement of Italian SMEs in workforce training. Box 5.13 provides further information on how the ITFs operate, focusing on the two different mechanisms used to collect and distribute financing for training activities.

The ITF system has nonetheless been more effective in stimulating training in larger firms than in SMEs. This can be seen in the fact that in 2012, 28.5% of all companies supported by the ITFs had more than 250 employees although they represented only 0.5% of all Fund members, while in contrast micro enterprises with less than 10 employees represented 83% of ITF member firms but only 25.7% of supported enterprises (ISFOL, 2012). One of the difficulties for SMEs is that they tend to have more limited organisational capacity and experience to design and submit the formalised training plans required for the award of company-specific training accounts. In particular, small business owners

Box 5.14. **Italian good practice: Industry Training Funds**

Industry Training Funds (ITFs) in Italy allocate employer social security payments to training schemes designed by the social partners with the participation of companies that chose to become members of an ITF. There are two main methods through which ITFs fund enterprise training:

(1) The company-specific training account (*conto formazione*):

- The accounts accumulate approximately 70% of the individual company's social security contributions over time.
- The collected resources are fully available for the company's individual training activities (to be approved by the social partners and the fund).
- Additional self-financing is required in the range of one-third of training costs incurred (e.g. by continuation of wage payments of trainees whilst on training).

(2) The system training account (*conto sistema*):

- This is a joint account financed by the remaining contributions (approximately 30%) of all fund members (minus a fund administration fee).
- The resources are used to finance training plans (developed by single firms or by groups of several companies) which are selected and approved by the ITFs through a tender procedure.
- Self-financing is usually required from the companies of up to 50% of the training investment.

Source: OECD

have more difficulties in assessing and specifying the concrete training needs of their employees and tend to be discouraged more easily by the need to invest resources into the application process without knowing whether their application will be successful or not. Another difficulty is that small firms tend to have relatively small accrued savings in the company-specific training accounts, which may not be enough to meet the fixed costs of providing a training scheme for their firm. The system account was devised in order to help address this difficulty, by promoting training in networks of SMEs, but the awareness of SMEs of this approach is still limited. These problems for SMEs are not exclusive to the ITFs, but also affect other government programmes for workforce training.

Further measures should therefore be developed to increase the relatively low rates of participation of SMEs, especially micro firms, in ITFs. In particular, a simplified application process should be introduced for company-based training accounts. This simplified application process for SMEs should make clear at the outset the eligibility criteria for support, and should request firms simply to briefly describe their training needs and the expected impact that training would have on their business development, rather than having to design and describe a detailed training plan. The detailed training needs analysis and specification of the training contents could then be assigned to specialised trainers, who would take this burden away from the SME. In addition, awareness should be raised among SMEs of the opportunities to participate in the system account training courses for networks of SMEs.

Recruitment of graduates by SMEs should be encouraged

Action should also be taken to overcome the reluctance of smaller firms to recruit university graduates, which deprives the sector of the possible stimulus to innovation of new, highly-educated staff. A mechanism that can be used to increase the propensity of smaller firms to recruit university graduates is to promote relatively informal relations between SMEs and universities on a regional basis, thus increasing the knowledge of SMEs and university students on what the other has to offer. For example, business chambers or university institutions responsible for technology transfer could arrange specific goal-oriented internships of advanced qualified university students at smaller firms. Schemes could also be set up whereby companies define certain management challenges that they currently face and ask groups of university students to develop ideas and suggestions for solutions in cooperation with the firm (such as developing a plan and a stand for a company's first-time participation in a foreign trade fair), possibly within the framework of a recognised thesis or official university project work counting for credits towards their degree. As well as exposing students to positive experiences in working with SMEs, the participant firms could also benefit from fresh external impulses and access to new academic knowledge at relatively low costs, and develop more positive attitudes towards working with universities in general. Box 5.15 and Box 5.16 describe programmes in other countries that could provide inspiration for Italy.

Box 5.15. **International inspiring practice: The UK Shell Technology Enterprise Programme (STEP)**

Description of the approach

STEP is a highly selective 8-week internship programme for undergraduate students (mainly from the second and third years) in SMEs, which has been operating for approximately 20 years in the United Kingdom. The aim is twofold: first, to let undergraduate students obtain exposure to relevant business projects and thereby increase their employability; second, to enable SMEs to discover the benefits of a skilled labour force for business productivity and, in doing so, convince them of the value of hiring university graduates in the future.

Results

Approximately 1 000 students are recruited into the programme each year, and since its inception STEP has delivered more than 21 000 projects in small businesses across the country. The programme is very competitive, with only 1 in 8 students admitted. The programme is targeted to SMEs, although it has more recently been opened to community-based organisations and non-government organisations working in the international development field. The success of the scheme is shown by the very high number of applicants every year, but also by the fact that nearly all participating firms (94%) would be willing to participate in the scheme again in the future.

Success factors of the scheme

The main success factors lie in the simplicity of the programme and in the fact that it is beneficial to both students, who acquire workplace skills and strengthen their employability, and SMEs, who learn how to use graduates in their business operations. Another key success factor is the sponsorship of the Shell company, which launched this programme as part of its corporate social responsibility (CSR) strategy.

Box 5.15. **International inspiring practice: The UK Shell Technology Enterprise Programme (STEP)** *(cont.)*

Obstacles and responses

Three-quarters of firms participating in STEP have already employed graduates in the past, implying that the success of the programme in exposing more SMEs to the benefits of hiring new graduates has been only partial. More might be done to seek to involve new firms in the programme, while seeking to keep the quality of the placements high.

Relevance to Italy

Many Italian graduates experience difficulties in finding a job while Italian SMEs display a certain reluctance to hire graduates. A programme along the lines of STEP would help deal with this mismatch at the same time as helping to address high youth unemployment and low SME productivity in the country. The programme could also be linked to specific innovation or internationalisation projects that applicant SMEs would propose to programme managers and on which selected students would eventually work.

Further information

http://www.step.org.uk/

Box 5.16. **International inspiring practice: Industrial PhD Programme, Denmark**

Description of the approach

The Danish Industrial PhD Programme offers Danish private companies (or Danish-based subsidiaries of foreign companies) the opportunity to develop a subsidised R&D project at PhD-level in close collaboration with approved universities, with funding from the Danish Agency for Science, Technology and innovation (DASTI). An average of 111 PhD projects have been funded every year since 2007, focused on a variety of topics in the areas of high-tech, natural and social sciences, health research, etc.

The official aims of the programme are: i) to educate Ph.D. students about industrially-focused research and innovation; ii) to spur growth in the Danish business sector through research collaborations between universities and private sector Danish companies; and iii) to facilitate knowledge transfer and networking between Danish companies and researchers at universities in Denmark and abroad.

The company is the formal applicant and has the responsibility to hire the student as a full time employee over the three-year course of the Industrial PhD. Each application is assessed by the Industrial PhD Programme Committee, composed of research professionals from the private sector and public research institutions. Strict criteria are in place with respect to the characteristics of the company, of the project and of the quality of prospective students. Two formal supervisors – one from the company and one from the university – must be appointed and their responsibilities clearly defined in the agreement.

Once selected, the student is formally enrolled in a participating university, which can be either from Denmark or abroad. However, in the second case a Danish university must be part of the agreement as a third party. The student's working hours are equally divided between the company and the university. The student is paid a salary by the company which must be at least equivalent to the one paid to traditional PhD students in the Danish system. The company receives a subsidy from DASTI, which covers up to half of the salary,

Box 5.16. **International inspiring practice: Industrial PhD Programme, Denmark** *(cont.)*

in addition to other PhD-related expenses. DASTI also covers the university's expenses related to the supervision of the student and the training and facilities required for the PhD from a minimum of DKK 252 000 for projects in social sciences and humanities to DKK 360 000 in the fields of natural, technical, agricultural, veterinary and health sciences.

Finally, all Industrial PhD students are required to take a special business course organised by DASTI and to present a formal business report at the end of the PhD covering the commercial aspects of the research in a theoretical and company-relevant context.

Results

The latest comprehensive assessment of the Industrial PhD Programme available from DASTI, covering the 2004-10 timeframe, suggests very encouraging results from the Industrial PhD Programme. Key points are: i) the rate of employment of graduates of Industrial PhDs ranged between 95 and 99 % in the period; ii) Industrial PhDs enjoy a high-income – approximately 6-7% more than conventional PhDs – after the completion of their research project; iii) around 80% of Industrial PhDs are employed in the private sector versus just 50% of conventional PhDs; iv) industrial PhDs tend to become specialised experts within private companies, with just 8% holding management position in the considered timeframe; v) over 90% of Industrial PhDs remain working in Denmark, and around 45% of Industrial PhDs are employed by SMEs; vi) the Industrial PhD is most favoured by students with, on average, at least 4 years of professional experience; it may thus represent a positive route for continuous learning within each industry domain.

The Danish Industrial PhD programme was extended in 2013 to also cover projects in the public sector. It has also served as inspiration for the European Commission's introduction in 2012 of a pilot European Industrial Doctorate. Whereas the European Industrial Doctorate requires the private organisation and the university to be in different EU countries, the Danish Programme has a predominantly national focus.

Success factors

It is important to highlight a number of critical success factors of the Danish experience. First, the Industrial PhD Programme is user-driven. Each participating company is the owner of the project that it proposes, retains the intellectual property and has the opportunity to reduce the cost of the development of specialised human capital should the graduate be retained at the end of the project. Second, while the firm is free to select its university of choice, the university retains full responsibility for the substantive quality of the research project, which must be similar to that of a conventional PhD programme. Third, prospective students are high-calibre and highly-motivated individuals who can effectively strengthen their career development path with the benefit of a PhD degree while deepening their industry experience. Finally, the Industrial PhD Programme has a limited administrative burden for firms, which keeps them on board even in high-velocity environments.

Obstacles and responses

The Danish Industrial PhD Programme was launched in 1970 and has continuously been refined since then. The current challenges are primarily related to the availability of suitable supervisors within Danish universities for specific projects and the still limited number of companies applying for the Programme every year.

Box 5.16. **International inspiring practice: Industrial PhD Programme, Denmark** *(cont.)*

Relevance for Italy

An Industrial PhD programme could be an interesting solution to some of Italy's longstanding challenges in strengthening the R&D investments of SMEs and their linkages with universities. Particularly promising is the opportunity to use Industrial PhD students to develop the marketing, digital and innovation capabilities of SMEs, while offering them an attractive career option and reducing the current substantial levels of brain drain.

Further information

DASTI (2013), "The Effects of the Industrial PhD Programme on Employment and Income", *'Innovation: Analysis and Assessment' Series*, Copenhagen.

The Danish Industrial PhD Programme's webpage: *http://fivu.dk/en/research-and-innovation/funding-programmes-for-research-and-innovation/find-danish-funding-programmes/postgraduates-in-the-private-sector/industrial-phd.*

Consulting, business services and management training

Chambers of commerce are the main source of management support

The major source of public support for advice, consultancy and mentoring to SMEs and entrepreneurs is offered by the Italian Chambers of Commerce, which have a long tradition in providing management support. Empirical evidence collected from business surveys shows that Italian SMEs appreciate the management support they receive from Chambers of Commerce, particularly in the form of coaching and mentoring, which are regarded as very useful and effective (AFI-IPL Arbeitsförderinstitut, 2008). This support includes a number of very innovative and effective direct SME support programmes.

However, a weakness of the management support system is its lack of accessibility to all SMEs. The types of programmes being offered are frequently expensive to provide and, given limited public funding, are therefore restricted to a narrowly-defined group of beneficiaries such as young, innovative and growth-oriented firms or (in the case of peer-to-peer support) to special target groups such as women or ethnic minority entrepreneurs. At the same time, there is often a reluctant attitude by small and micro business owners to ask for assistance. The result is a polarisation of support, with subsets of enterprises receiving very high quality support while many SMEs lack any management support offer at all.

A priority should therefore be to expand the share of SMEs with access to consultancy, business services and management training. This should include potential high-impact entrepreneurs and innovative medium-sized firms but also extend to the bulk of low productivity, traditional SMEs, especially those in need of advice as to how to weather the crisis. Particular attention should be paid to actions to upgrade SME management skills and competencies with regard to supply chain and operations management, export opportunities, technological competences and quality systems to increase the international competitiveness of Italian SMEs. A number of actions can be taken:

First, the Italian government could introduce a comprehensive system of "enterprise diagnostics", offering free and quick checks of the strategies and operating practices of SMEs with a view to highlighting potential areas for management improvements. Such an "enterprise diagnostics" system could be made available as an online tool and in print version, enabling individual SMEs to undertake self-assessments of their performance in the most important management areas. The results of the self-assessments could also be used to signpost firms to relevant sources of public or private sector consultancy, advice and mentoring that could help them address their problems, as well as to online guidance.

Existing one-on-one support should be complemented with new, more cost-effective approaches to increase the outreach of business consulting programmes, particularly given the current public finance conditions. One promising approach would be to make greater use of the expertise of retired professionals as senior experts. In particular, a stronger and more systematic use of the knowledge, experiences and networks of retired professionals could create a fruitful win-win-situation for both SMEs and seniors. Many senior experts would certainly appreciate occasional opportunities to remain in contact with their work field, participate in business life and experience recognition for their contribution to younger generations (see Box 5.17).

Box 5.17. **Italian good practice: Senior Expert Services, Turin**

In Italy, senior expert services are already well-established at regional level and focus mostly (but not entirely) on assistance for companies and governments abroad. Senior experts are retired managers or former business owners wanting to let others benefit from their working experiences. In Turin, a group of senior experts has created a project called Youngsters – Work Experiences Abroad, which brings together senior experts with long-standing business experience and know-how and young university graduates with up-to-date academic knowledge and new ideas around projects to support SMEs to export. Within the project, up to 40 young graduates from Turin universities are prepared and trained in a 20-hour course, visit several Piedmont companies and then accompany senior experts on their missions abroad in support of these companies.

Source : Senior Expert Services website, *www.isestorino.it*.

Another promising approach would be personalised peer-to-peer learning (see Box 5.18). The government, together with business associations, could set up a national company visit programme in Italy. Within such a scheme, successful and innovative enterprises of various sizes could open their company doors for one day and invite interested

Box 5.18. **International inspiring practice: Insights to Excellence (i2e), Australia**

The Australian "Insights to Excellence" (i2e) initiative, established in 2006, fosters and promotes an awareness of manufacturing excellence and best practice within the business community. It pairs exemplary host firms with aspiring enterprises looking for information to help them improve. Typically, between 20 and 60 enterprise managers meet for three to four hours at a host company to explore their application of a best practice. The host firm delivers a presentation on their company's vision and best practice followed by a "warts and all" presentation of the particular tool, system or practice. A tour of the facility to see the best practice in operation is concluded with a formal learning debrief, where i2e programme facilitators discuss their first impressions, provide feedback to the host firm, and discuss key learnings and take-aways to consolidate the learning experience for each participant. From its original focus on innovation, i2e has now expanded to embrace additional issues such as supply chains, services, design and sustainability. i2e is now widely acknowledged as an "Ideas Factory", a place where participants learn from the best and share experiences in a supportive community pursuing better practice. So far, i2e has organised more than 500 Insight events, which have attracted more than 8 000 participants.

Box 5.18. **International inspiring practice: Insights to Excellence (i2e), Australia** *(cont.)*

I2e is interesting because it demonstrates an easy-to-follow set-up for knowledge exchange between businesses, thus fostering mutual learning and providing a seedbed for additional joint activities (e.g. training).

Source: Insights to Excellence website, *https://www.i2e.org.au/*.

SMEs to visit them and exchange experiences and information (e.g. regarding their good practices in the fields of training, innovation, internationalisation etc.). Facilitators and clear guidelines would be required to make such a scheme a success for both sides.

It is also important to increase the visibility and transparency of advice, consultancy and management support measures to small enterprises. This can be achieved by creating an online portal assembling links to all measures at different levels of government and public institutions, together with tailored search facilities which allow SMEs to easily identify appropriate support across different stages of the life-cycle of a company.

Public procurement

According to a broad estimate, the total expenditure of Italian public sector and utility service providers on public works, goods and services amounted to some EUR 252 billion in 2011, representing a share of 15.9% in total GDP (on a narrower definition, public spending on goods and services was in the range of approximately EUR 160 billion). This involves not just national organisations – in fact, in Italy, less than 20% of the total contract volume is handled by central government, the second lowest rate in the EU27 – but also regional and local governments and utilities (European Commission, 2012a). In this context, an important policy objective of the Italian government is to facilitate the participation of SMEs in this vast domestic market in order to foster their growth and innovation potential and to guarantee sufficient competition for public contracts (as expressed in article 13 of the revised *Statuto delle Imprese*).

SMEs find it difficult to obtain public procurement contracts

During 2006-08, Italian SMEs had a share of 35% in the total value of larger-sized public contracts, somewhat less than the EU15 average of 38% (GHK, 2010). This nonetheless represents a significant gap with the potential of the SME sector given the relative importance of SMEs in the Italian economy: the share of SMEs in the volume of public procurement is 33 percentage points lower than their share in total annual sales of the Italian economy. This seems to indicate that Italian SMEs face specific barriers in their access to public purchasing. In the entire EU15, the gap between SME participation in public procurement and in total sales is greater in only Spain and Portugal (GHK, 2010).

A possible reason for the underrepresentation of Italian SMEs in public procurement could be the size of contract award notices (CANs). It is often argued that SMEs' participation starts to diminish substantially above a contract value of approximately EUR 300 000. With an estimated average of 786 000 EUR, Italy showed the second highest CAN value in the EU15 (where the average value was EUR 504 000) in 2008. Thus, access of SMEs to public procurement contracts might be increased by a reduction in the average size of CANs. On the other hand, the average size of individual (subdivided) lots amounted to only EUR 240 000, which is below the EU15 average of EUR 259 000.

Another issue affecting the ability of SMEs to participate in public procurement is a common lack of visibility of contracting opportunities and the rather confusing landscape of local and regional online portals. The Italian government has responded by developing an easily-accessible electronic marketplace (e-procurement) called MEPA (see Box 5.19). However, although the MEPA system appears to have made a valuable contribution to facilitating SMEs' access to the public procurement market, MEPA's transactions account for less than 0.15% of the broadly defined total volume of public procurement in Italy of EUR 252 billion, suggesting that further actions are called for. One such positive measure already taken is to allow aggregations of smaller firms (cooperating on the basis of the newly-established "network contracts") to participate in public procurement.

Box 5.19. **Italian good practice: Public Administration eMarketplace (MEPA)**

MEPA is a widely recognised online tool which facilitates SMEs' access to public procurement contracts below the sector-specific EU threshold levels. The dynamic e-procurement platform, in full operation since 2004, was developed and is managed by Consip SpA, a company that is fully owned by the Ministry of Economy and Finance.

MEPA is an entirely virtual marketplace where purchasing authorities and potential suppliers meet and negotiate and finalise legally-valid contracts (using the electronic signature). The main advantages of the tool include a reduction of the time and costs required for public procurement (both for public authorities and for SMEs), greater efficiency and transparency of procedures and the expansion of the market to new suppliers (especially SMEs). The stimulus to SME participation has come from the greater visibility of public contracts, greater transparency of procurement procedures and a greater perception among SMEs that they can participate in and win public contracts. Furthermore, by rendering the use of MEPA compulsory in public procurement, many SMEs have been encouraged to become more acquainted with the use of ICT and electronic tools. SMEs' usage of the MEPA-system is greatly facilitated by a nationwide network of 190 training desks (*Sportelli in rete*), run by local business associations with technical support by Consip, which train local enterprises free of charge in the use of electronic procurement tools.

In 2012, out of almost 7 200 suppliers registered with MEPA, 99% were SMEs (81% were micro enterprises). In the same year, more than 104 000 transactions with a total transaction volume of EUR 360 million were carried out via the MEPA-system; SMEs having a share of approximately 95% of the total transaction volume. Almost one-half of SMEs using the system sell outside of their own region, indicating the success of MEPA in opening up new, more distant, markets for SMEs.

Source: OECD

Considering the relatively small share of Italian SMEs in larger-sized public procurement contracts, the government should consider further options to provide more subcontracting opportunities for SMEs. One option is to increase the subdivision of contracts into lots in order to increase access of SMEs to these markets. The visibility of public procurement possibilities for SMEs should also be increased. For example, an online tool could be developed that assists companies in finding information about public sector contracting opportunities with national and regional government departments and their executive agencies. The tool could include pipeline notices, which describe potential opportunities that might be offered by public sector organisations in the next few years. These can help SMEs to plan ahead, build up additional capacity or form partnerships that could make them better placed to compete. Ideally, the tool would also help SMEs to identify subcontracting opportunities by providing information on prime contractors that have won large scale public sector contracts.

In addition, policy could respond to the greater difficulties that SMEs tend to have in understanding complex procurement processes with guidance or training in bidding for and winning public sector contracts, for example through a step-by-step online training course offered free of charge. Informal (pre-market) meetings could also be set up to bring together public purchasing authorities and SMEs at an early stage of the procurement process. The public authorities would present their future product and service needs and SMEs could present innovative solutions that they have already developed or could seek to develop in the future to meet the needs. Box 5.20 provides an example of such an approach in New Zealand; another example is the US SBIR programme, which fosters procurement of innovative products and services from SMEs.

Box 5.20. **International inspiring practice: "Meet the Buyer" events, New Zealand**

The objective of the "Meet the Buyer" events, organised by the New Zealand Ministry of Business, Innovation and Employment, is to help SMEs "get a foot in the door" with some of the country's largest public procurement agencies. A typical one-day event is organised as a series of speed datings between representatives from businesses and approximately 20 government agencies. About 600-800 meetings, each lasting for 15 minutes, are hosted throughout the day and are offered free of charge. SMEs have the opportunity to make a short sales pitch, find out about contractors' current/future needs and "qualify" their interest in any projects coming up.

Before the event, the organisers pre-arrange the meetings based on mutual interests. Each of the invited agencies defines their interests in advance – some are broad, others are specific; some have immediate needs, others are simply checking out the market for new suppliers to meet future needs. The agencies' interests and needs are consolidated into one document made available to all interested companies. Businesses that believe they could meet those needs and that are interested in meeting one or more of the agencies complete a simple online application (an "elevator pitch"). Each participating agency then identifies the enterprises they would like to meet with. Successful applicants are asked to book a time with the agencies they have been matched with. An exhibition area gives businesses the opportunity to interact with the exhibitors (i.e. public agencies) and adds to the value of the day. In addition, throughout the day, approximately 24 presentations (10 minutes plus 5 minutes question and answer time) are conducted by experts from both business and government sectors.

Source: "Meet the Buyer" programme website, *www.business.govt.nz/procurement/procurement-reform/meet-the-buyer.*

The government has taken steps to tackle late payments by the public sector

As well as seeking to increase the access of SMEs to public procurement, the Italian government has also placed recent attention on reducing late payments that have often been associated with public contracts, as a way of improving the working capital of SMEs. Until recently, the Italian public sector figured as one of the worst for late payments in the EU. At the beginning of 2013, it was taking the Italian public sector on average 170 days to pay a bill after the firms' entitlement to payment had arisen, which is more than double the time taken in all other EU countries apart from Greece, Spain and Portugal (Intrum Justitia, 2013). Furthermore, as well as having the longest delays in settling its bills, the Italian public sector had also fixed the second longest payment terms in the original contracts. Besides harming the financial positions of SMEs that participate in public contracts, this could also dissuade many smaller-sized firms from actually applying for public contracts in the first place. In order to help address the problem, the Italian government transformed EU Directive 2011/7 into national law (decree 192/2012), with the result that since January 2013, public authorities normally have to pay within 30 days for the goods and services they procure. Furthermore, the government has also made arrangements to accelerate the payment of nearly EUR 50 billion in public payment arrears to private suppliers. Attention should be paid to the full implementation of these measures.

Policies for specific social target groups

There is substantial under-exploited potential for enterprise creation and, above all, enterprise growth among population groups who are not in the mainstream of entrepreneurship – such as women, youth, ethnic minorities, and seniors – if the special barriers these groups face are addressed. However, the public entrepreneurship support system in many OECD countries has not been good at offering these target groups easy access to entrepreneurship policy measures or providing tailored solutions to their needs. Promoting "inclusive entrepreneurship" has become an increasing priority in recent years, in Italy as in many other countries (OECD, 2013c). Yet, whilst Italy is a forerunner in promoting women's entrepreneurship, support for senior, youth and ethnic minority entrepreneurship still needs to be boosted.

Italy is a leader in policy support for women entrepreneurs

Compared with most other OECD countries, Italy has a long tradition of tailored programmes at national and regional levels that explicitly target female entrepreneurs. This reflects a long-standing concern to increase the country's female labour market participation rate using female self-employment as one potential lever.

As early as 1992, the Ministry of Productive Activities enacted a special law targeted at "Positive Action in Favour of Female Entrepreneurship" (215/1992). For many years, it represented the key legislation for the promotion of female entrepreneurship in Italy and demonstrated the government's commitment to this policy field. In addition to raising awareness of female entrepreneurship, the main aim of the law was to promote specific measures for training and access to finance for women entrepreneurs and foster the creation of women-owned enterprises in innovative industrial sectors. Financial assistance was provided to women-owned businesses and support services though six different calls for proposals, both at national and regional levels. The measure was discontinued in 2006, but some regions still issue annual calls for tender in the frame of the Law and finance them with EU funding. A recent evaluation by the Bank of Italy on the impact of the law argues that supported women-owned enterprises showed higher survival rates than a control group for an initial period of five years from their establishment (Gennari and Lotti, 2013).

Access to bank loans has been identified as a particularly pressing problem for Italian women-owned enterprises, which might reflect structural dissimilarities between female- and male-owned enterprises (e.g. with regard to company age and size, growth potential, economic sector and amount of available collateral) or more limited experience and confidence of women when it comes to negotiating loans and the terms of financing with their bank (Cesaroni, Lotti and Mistrulli, 2013). In recognition of these women-specific barriers, in March 2013, the Italian government reserved a special section of the Central Guarantee Fund worth EUR 20 million to assist women-owned start-ups and enterprises in securing bank loans expected to be worth some EUR 300 million. In the same month, the Ministry of Economic Development reached an agreement with the Confederation of Women Entrepreneur Associations (*Coordinamento Donne d'Impresa*) to establish a permanent round table to discuss issues related to the access of women entrepreneurs to credit and tax breaks. Furthermore, in April 2013, a public information campaign ("Microcredit for Women") was launched in cooperation with the Ministry of Economic Development in order to raise awareness and facilitate women's access to microcredit. Another significant measure is the network of 31 regional Women Entrepreneurship Ambassadors established in the framework of an EU programme. Most of the Ambassadors also participate in a mentoring project called BE-WIN (co-financed by the EU), which brings together 32 experienced female entrepreneurs and 64 young female enterprise starters (mentees).

In addition, regions implement their own policies in favour of female entrepreneurship. They are supported in this effort by a nationwide network of "Committees for the Promotion of Women Entrepreneurship" (see Box 5.21).

Box 5.21. **Italian good practice: Committees for the Promotion of Women's Entrepreneurship**

Based on an agreement concluded in 1999 between the Ministry of Productive Activities and the national association of chambers of commerce (*Unioncamere*), 105 Committees for the Promotion of Women Entrepreneurship (CIFs) have been established at local chambers, covering all 20 Italian regions. CIFs are staffed with more than 1 000 female experts who have been delegated by local business associations and trade unions (thus reflecting a broad variety of local stakeholders).

The Committees act as intermediaries listening to the needs of female entrepreneurs, aiming to integrate them into the decision-making processes of the chambers, promote women-specific support measures and increase co-operation with other public and private stakeholders committed to the promotion of female entrepreneurship. CIFs deal with all topics related to female entrepreneurship, such as awareness raising, access to finance, training and mentoring, and innovation. The main instruments used to achieve these goals are seminars, meetings, conferences and working groups. In addition, surveys are carried out to analyse the economic situation and needs of women-owned enterprises in their locality. An important communication tool is the nationwide website which provides comprehensive information on new policy measures and on economic conditions affecting women entrepreneurship (*www.imprenditoriafemminile.camcom.it*). For more localised information, the website directs users to the websites of the individual CIFs.

Over the years, the CIFs have developed several innovative initiatives in favour of female entrepreneurship. One example is the "*Giro d'Italia* of women entrepreneurs", an itinerant information and awareness campaign carried out in the form of one-day events organised in cooperation with local stakeholders and successful female entrepreneurs. The *Giro* has operated for five years in nine different cities. Each year it promotes a specific theme or motto (enterprise transfer, entrepreneurship education, internationalisation etc.) using round table discussions, testimonials from role models and theme-specific workshops. The CIFs also co-operate in collecting and sharing examples of good practice, for example in April 2013 it profiled local projects facilitating women entrepreneurs' access to finance. The national government renewed its commitment to support women entrepreneurship through the CIF network in February 2013 by assigning *Unioncamere* the task of creating 20 regional units for the coordination of the 105 local CIFs.

Source: OECD

Another interesting feature of Italian programmes for female entrepreneurship is the "National Observatory for Women Entrepreneurship", which is co-financed by *Unioncamere* and the Ministry of Economic Development. The Observatory publishes quarterly statistical data on Italian women-owned enterprises registered by law with chambers of commerce together with more qualitative information on conditions for women entrepreneurs (e.g. on business climate, payment delays, capacity utilisation and access to finance), as generated by *Unioncamere's* trimestral surveys. In addition, *Unioncamere* was recently assigned the task of producing a comprehensive national report on female entrepreneurship every three years (similar to the ones produced in 2005 and 2011). The Observatory therefore plays a key role in providing information for tailoring and evaluating policy measures, whereas in most other OECD countries it is hard to find such detailed data on the development of women entrepreneurship and the challenges faced.

Despite all these positive initiatives, it is suggested that the institutional emphasis on women's entrepreneurship be renewed. The Law 215/92 could be reshaped, placing a stronger accent on business training and coaching in addition to financial support.

Support for immigrant and ethnic minority entrepreneurship is rare

National government in Italy has not designed special measures to encourage business creation by ethnic minorities or recent immigrants or to improve the quality of the enterprises they own. Those programmes that do exist are rare and of small-scale, often carried out at local level. However, immigrants and ethnic minorities often have some special needs in terms of entrepreneurship support and often use different channels to access public programmes (OECD, 2014a). This suggests either the need for some separate programmes directly aimed at ethnic minorities or some tailoring and outreach activities to adapt existing mainstream programmes.

The role of microcredit is particularly relevant given that ethnic minority enterprises often tend to be undercapitalised. The main national programme in place in Italy for microcredit policy involves the allocation of a portion of the Central Guarantee Fund to micro loans. The degree of take up of these loans by ethnic minority entrepreneurs should be monitored over time to ensure that immigrants and ethnic minorities are fairly represented compared to their incidence in the population of entrepreneurs. In addition, the finance offer should be accompanied by skills-enhancement initiatives (e.g. business coaching and entrepreneurship training), particularly because of relatively low average educational levels of Italy's immigrant and ethnic minority entrepreneurs. In particular, efforts are needed to support immigrants and people from ethnic minority groups to shift their proposed or existing entrepreneurship initiatives from more traditional (often less growth- and innovation-oriented) economic sectors to sectors with opportunities for higher levels of income generation and growth, including through training measures that focus on entrepreneurial creativity and the development and sharpening of innovative new – yet sustainable – business ideas.

A few pilot projects could be developed and tested by business chambers and other policy actors in order to see what approaches will work best in Italy and what might merit scaling up into national initiatives. Two existing examples are provided in Box 5.22.

Youth entrepreneurship is a priority for the government

In summer 2013, Italy's coalition government launched an employment agenda with the principal goal of addressing high youth unemployment. The Plan is budgeted with EUR 1 billion, half of which will be dedicated to tax concessions for employers hiring workers

Box 5.22. **Selected projects in support of immigrant and ethnic minority entrepreneurship, Italy**

(1) CNA World Dedalo project, Turin:

- Established in 2000 by the Turin office of the National Confederation of Crafts and SMEs (CNA) with support from the Turin Chamber of Commerce and the Intesa San Paolo Bank.
- Offers free-of-charge counselling and support services and a training programme specifically designed for immigrant and ethnic minority entrepreneurs who are starting-up or are already established in business.
- Approximately 120 start-ups are supported per year (with an average two-year survival rate of 85%).
- The project has inspired 25 similar initiatives throughout Italy.

(2) Start It Up:

- A one-year pilot project co-ordinated by *Unioncamere* and conducted in 2012 by chambers of commerce in ten major Italian cities.
- The programme offers structured immigrant and ethnic minority-specific counselling and training in preparation of business start-up.
- It has supported 434 non-EU origin participants, of whom 12 have entered self-employment.

Source: Al Shawwa H. (2012), Italy's New Immigrant Entrepreneurship: The Paths of Development of this New Phenomenon, PhD Thesis, Università degli Studi di Ferrara.

aged less than 30 years old. As much as EUR 100 million will be spent on re-financing the main policy measure for youth entrepreneurship ("*auto-imprenditorialità*"), which targets aspiring entrepreneurs aged between 18 and 35 years through a combination of grants and loans and had run out of resources in early 2013. In addition, in early 2012 (Decree Law 1 of 24 January 2012, converted by Law 27/2012), the Italian government introduced a new form of limited liability company with simplified administrative procedures, which is intended to facilitate start-up by young entrepreneurs by reducing the cost of administrative compliance, although the initial age limit of 35 years to benefit from this legal form has subsequently been lifted. An interesting national platform has also been established (We4Italy: *Innovatori d'Impresa*) to stimulate youth entrepreneurship by presenting 100 young role models of successful company starters who describe how they found their way into self-employment and share valuable "inside" knowledge.

There are also a few programmes that specifically target young (potential) entrepreneurs at local level. One example is the *Bollenti Spiriti* project (Boiling Spirits) in Puglia. It provides non-repayable grants of up to EUR 25 000 to young people between 18 and 32 years if they start businesses in specified strategic policy fields (e.g. knowledge economy, social inclusion). In addition to the financing, the project supports networking and co-operation among the young entrepreneurs.

The programme measures which have been undertaken to date are important in helping to address the youth unemployment challenge. However, their accent is on addressing the financial side of the problem, whereas potential youth entrepreneurs face a number of other important challenges, notably lack of entrepreneurship skills and networks. Financial support should therefore be coupled with business advice, coaching and mentoring, hands-on entrepreneurship training, and network development to help young entrepreneurs to be prepared to manage a business (OECD, 2012b). A potential model for a nationwide programme of this kind is the Think Big programme in the UK, which inspires young people to launch community projects (Box 5.23.)

Box 5.23. **International inspiring practice: Think Big programme, UK**

Think Big is a programme to provide young people with opportunities to launch community projects that make a positive impact on themselves and their community. The programme aims to benefit young people who lead projects or actively take part in them by (1) increasing aspirations, hope and confidence, (2) providing new experiences, and acquiring new skills, (3) improving employability and entrepreneurial skills and (4) developing their leadership potential. Moreover, it engages with adults, through campaigns, to think differently about the positive role young people can and do play in their communities.

The project targets people from 13 to 25 years old and is socially inclusive in its design, with a target of at least 50% of participants having low education levels, disabilities or belonging to an ethnic minority group. Think Big has been running since March 2010. The programme currently has two levels: Level I projects (Think Big) are awarded GBP 300 in funding to young people with good ideas about how to make a contribution to their community and also offer information, training and support on how to do the project along the way. Level II projects (Think Bigger) receive more funding (GBP 2 500), and it is expected that they are larger in terms of scope, reach and ambition. These projects are accompanied by more in-depth training together with some further incentives to get involved and stay committed. Participants must complete a successful level I project before applying for a level II project. There are plans to develop a third level for even larger projects which could pave the way for the development of social enterprises.

The programme is delivered and supported by a variety of organisations and individuals: more than 50 national and regional partner organisations help to recruit and support young people doing projects. Employee volunteers (Big Thinkers) provide support and expertise for young participants. Community stakeholders – both individuals and organisations – encourage young people to apply and give support to the projects. Finally, Think Big alumni are successful participants in the programme who give their time to support others who join it and promote their successes more widely. Funding is provided by a range of individuals and organisations including contributions from O2 Telefónica and three charities – the National Youth Agency, Conservation Foundation and UK Youth.

A recent evaluation showed that 3 535 applications for level I projects had been submitted by the end of December 2011, of which 1 708 were awarded grants, and young people developed concepts for 120 level II projects, of which 70 were approved. Across the programme as a whole, 3 400 young people have been involved in leadership roles and another 29 890 youths have benefitted as participants. Think Big was found to make an important social contribution by helping young people to build their resilience and make better choices when opportunities come their way. The programme is now being rolled out across six European countries.

Source: Think Big programme website, *www.o2thinkbig.co.uk*

Another potentially promising area for youth entrepreneurship policy involves support for intergenerational business succession. This could involve identifying the scale, sectors and locations of closing enterprises (often run by senior entrepreneurs approaching retirement) that are still viable and the extent to which there is efficient business transfer to successors. Interventions could be designed to support take-over of these enterprises by young entrepreneurs, for example involving financing solutions to enable the retiring owners to obtain the value of their equity and mentoring solutions to support the young entrepreneur to succeed in operating and renewing the business. In this respect it is relevant to ensure that existing policies that foster new venture creation also permit support for business take-overs where this could promote business succession and survival. In addition, collaboration could be developed between the national government authorities and chambers of commerce and business associations to create a formalised online marketplace for business take-over, where potential buyers and those searching for successors can meet.

There is little awareness of the potential of senior entrepreneurship

Italy is one of the fastest-ageing societies in the OECD area, reflected in a ratio of only 3.2 people of working age (15-64 years) per person of retirement age (65 years and over). There is clear potential for seniors to contribute to entrepreneurship by engaging directly in starting a business or indirectly, by investing in or mentoring a business starter (Kautonen, Down and South, 2008; OECD, 2014b). However, existing support measures targeting potential senior entrepreneurs are still rare in Italy and mostly of small scale. Examples are the national "Lavoro over 40" (*www.lavoro-over40.it*) project, which assists unemployed people in re-entering the labour market through self-employment or other means, and the "Over 50" project developed by the Committee for the Promotion of Women Entrepreneurship in Verona, which targets female business starters aged 50 years old or more. It would be useful to develop more programmes of this kind, with the aim of increasing the awareness of entrepreneurship as a labour market option for seniors and helping them acquire the skills, networks and ideas that they can use in business. Policy options include raising awareness about the benefits of entrepreneurship among seniors; encouraging the indirect involvement of seniors in entrepreneurship in the role of business mentors or business angels; and reviewing the national social security system so that it does not present disincentives for seniors to engage directly or indirectly in entrepreneurship (OECD, 2012c). Inspiration can be drawn from international initiatives in this area, such as the "Senior Enterprise" initiative, described in Box 5.24. It would also be appropriate to review the national social security system to assess whether there are major disincentives that hinder seniors from engaging in entrepreneurial activities.

Social enterprises

Support measures for social enterprises are limited

Social enterprises and co-operatives are a distinct, important and rapidly-growing sector of the Italian economy that helps provide new products and services and new methods of supplying them with a primarily social rather than profit-making goal. One of the measures undertaken to promote social enterprises in Italy has been the introduction of Law 118/2005, which enabled the creation of social enterprises using any possible legal status, including corporations, under the condition that they comply with strict requirements concerning the social goal of the activity and the non-distribution constraint (no distribution or partial distribution of profits to shareholders and managers). However, the procedures have proven relatively complex for non-profit organisations to attain the social enterprise label, while it has not been backed up by concrete benefits, such as fiscal incentives. Indeed, the level of programme support to social enterprises has been relatively limited, although there are several examples of useful actions.

For instance, the Start-Up for Social Entrepreneurship programme is supported by *Unioncamere* via the regional chambers of commerce with the goal of encouraging new social enterprise start-ups through the provision of free assistance services for the development of the entrepreneurial idea and for the start-up itself. In addition, several regional public programmes support social enterprises to make social use of real estate confiscated from organised crime, while the *Fondazione con il Sud* is a private foundation that achieves the same objective by mobilising bank foundations, together with Italian social enterprise and

Box 5.24. International inspiring practice: Senior Enterprise

In accordance with its motto "experience never ages", Senior Enterprise is an EU-supported transnational initiative operating in Ireland, France and the UK, which aims to promote senior entrepreneurship and tap and support the entrepreneurial potential of people aged 50 years and over.

Description of the approach

Senior Enterprise is specifically designed to encourage a greater involvement with enterprise by those aged over 50. Its main objective is to raise awareness of the various ways in which people aged 50+ can engage with enterprise and the many benefits that can flow from such activities, while also supporting and facilitating them. The project has four "work packages" comprising: (1) awareness raising, (2) starting a new business alone or with others, (3) acquiring or investing in a business started by someone else, and (4) advising an entrepreneur or supporting innovation within a business owned by another person.

The programme began in October 2010, led by the Mid-East Regional Authority in Ireland, with partners in France and the UK and nine observer institutions across North-Western Europe. The budget for the project, which runs until mid-2014, amounts to EUR 1.8 million. One-half of the funding is provided though the INTERREG IVB NEW, a financial instrument of the EU's transnational cohesion policy, while the other one-half comes from the three partners' own resources.

The initial task after the launch was to raise awareness about the project among its target audiences and other key influencers, e.g. people aged 50+, politicians and policy makers, enterprise development agencies, financial institutions, agencies working with older people, business chambers and young entrepreneurs. The Senior Enterprise partners rolled out an active media campaign featuring older entrepreneurs as role models.

Senior Enterprise has also designed and carried out special 50+ "Start Your Own Business" training courses covering all the relevant aspects of setting up a business, including market research, marketing, human resources, financial and legal issues and succession planning. For a fee of EUR 100, participants attend group training over a period of 10-12 weeks (involving one half-day meeting per week). Many groups continue afterwards and become self-sustaining thanks to voluntary mentors who step forward. So far, more than 600 people aged over 50 have participated in the training programmes; approximately two-thirds of them having started a business. The businesses started have relatively small size and limited growth ambitions compared with businesses in general, but nevertheless provide opportunities for older people to be active. They operate mostly in various service sectors such as health care, tourism, software, crafts, web-based services or B2B/B2C-services.

Factors for success

The project recognises that the over-50s are not a homogeneous group and has thus developed a diverse menu of supported activities that appeals to a large number of different individuals. In this way, Senior Enterprise harnesses the specific resources of its target group (skills, experience, well-established networks, time, and greater financial independence) and brings about a range of economic, social and personal benefits to all those concerned and their wider communities.

Further success factors include the holistic approach of the initiative, the involvement of role models and ambassadors, the excellent working relationships between the partner organisations and the support received from local observers and other stakeholders. The communication strategy has also been central in raising awareness about the initiative and in drawing the attention of the media and influential individuals and organisations to support its aims and objectives.

Box 5.24. **International inspiring practice: Senior Enterprise** *(cont.)*

Obstacles and responses

In general, "Start Your Own Business" training programmes are very popular and often over-subscribed. However, people belonging to the targeted 50+ age group often do not naturally consider business start-up and entrepreneurship as viable professional options. Therefore, the challenge was first to find and develop good marketing channels in order to create general awareness and interest in this topic. In this context, the presentation of credible and interesting role models as well as testimonies from past participants proved to be very influential. The initiative's website now features inspiring one-page presentations of 62 role models who operate in a wide variety of economic sectors. The experiences from role models and successful participants illustrate the many ways how people aged 50+ can start a successful business and highlight the personal and economic benefits accruing from these activities.

Relevance for Italy

Considering that Italy is experiencing declining birth rates and population ageing, it is important to support and develop activity among older people. Entrepreneurship is one means of doing so. However, the Labour Force Survey indicates that Italy's self-employment rate for the age group "55-64 years" fell below 10% in 2009 and is now lower than most other EU-countries. The Senior Enterprise initiative can provide useful insights in how to activate more senior people through entrepreneurship. Of primary importance seem to be initial awareness raising activities among the targeted age group, and also among policy makers and business institutions, followed by specifically tailored training programmes.

Further information

Source: Senior Enterprise Ireland's website *www.seniorenterprise.ie*

volunteer organisations. Progress is also being made in making social enterprises eligible for generic business development support. For instance, the Smart&Start subsidy available to new innovative firms in southern Italy has been opened up to social enterprises.

Further measures of this kind are needed to enable the social enterprise sector to strengthen in scale and performance, including by stimulating increased social enterprise start-ups and consolidating existing social enterprises. These measures should seek to respond to the main obstacles that social enterprises face, which are commonly linked to poorly adapted legal and regulatory frameworks (particularly with regard to fiscal matters), insufficient opportunities to access tailored financial resources and markets, and the lack of tailored business support and development structures.

An initial step would be to increase awareness and understanding of the role and operation of the social enterprises sector. Second, consideration should be given to adaptation of fiscal regimes to provide suitable incentives to social enterprise activity. Third, actions are needed to provide sustainable finance to the social enterprises sector through a number of measures and tools, including fiscal incentives to attract investors and policy measures that co-invest with the private sector and seek social returns as well as financial ones. Fourth, the business development services offer to social enterprises should be strengthened by developing a "braided" system of support, i.e. one that both facilitates the access of social enterprises to generic business development support – for example by marketing public programmes to social enterprises and ensuring that public programme officers are keen and capable to support the sector – and that offers certain specialist services targeted to specific features of social enterprises, such as training and mentoring services by and for social entrepreneurs. Social enterprises incubators are beginning to emerge and should be supported as potentially important tools for the development of the sector. In a related area, as well as opening up general SME business development services to social enterprises, public procurement contracts should be made more open to the social enterprise sector through a better use of social clauses.

Finally, it should be recognised that there are a number of relevant European Union initiatives, including the European Parliament Resolution on the Social Economy (2009) and the Social Business Initiative, which offer a means of supporting new policy actions for social enterprises with matching European funds already assigned by the European Commission to social enterprises and microcredit activities. Indeed the preparatory study for the Italian partnership agreement with the European Commission concerning the 2014-2020 Structural Funds programmes of the European Union stresses the importance of a platform for promoting social inclusion and the fight against poverty. A number of specific actions for social entrepreneurship can therefore be envisaged in the 2014-20 European Union Structural Funds programming cycle.

Corporate social responsibility

Italy has a well-developed policy framework for Corporate Social Responsibility

The Italian policy framework for corporate social responsibility (CSR) involves implementation of three main instruments: the OECD Guidelines for Multinational Enterprises on responsible business conduct (OECD, 2011); the EU Communication on CSR (European Commission, 2011); and the United Nations global compact agreement. The principles of these international agreements are put into practice through the Italian National Action Plan on CSR 2012-14 (MISE and MLPS, 2012), which is the main strategic document for CSR policies and offers a set of policy tools covering the following pillars:

- Awareness-raising, education and training initiatives about CSR amongst enterprises and individuals;
- Support to CSR-adopting firms, especially through preferential access to public funding such as tax incentives, grants and soft loans;
- Market rewards for CSR through green and socially-aware public procurement funding of the social enterprise sector and microcredit initiatives;
- Dissemination of CSR practices to social enterprises and social cooperatives;
- Support to disclosure of company information not only of an economic and financial nature but also of a social and environmental nature.

One of the strengths of the Italian approach is that it explicitly includes and supports SMEs in their CSR engagements, as well as large and multinational enterprises. In particular, the strategy includes a set of actions that can promote a strategic and integrated approach to doing business in SMEs, particularly those that are involved in international supply chains (indeed it can sometimes be critical for SMEs to adopt CSR principles in order to participate in the supply chains of larger and multinational enterprises that have adopted CSR in their whole network).

The Italian CSR approach addresses the problem that SMEs frequently do not have the necessary knowledge or resources to put CSR principles into practice. In response a set of actions are promoted by national and regional governments including information, sources of finance, and direct incentives for CSR activities. These actions aim to spread the CSR culture as a "core" and strategic approach at firm level, using the public sector's market leverage by promoting public procurement with social and environmental considerations, fostering international activities in line with EU and OECD agreements, and sustaining CSR disclosure and reporting by enterprises. Many of the initiatives are at the regional level and include workshops to showcase the benefits of CSR (Emiglia Romana); cooperation between the regional administration and the Chamber of Commerce (Piemonte); promotion of equal opportunities (Puglia); extra credits in public procurement exercises for enterprises with CSR certification (Toscana); and assistance in self-evaluation of CSR (Veneto). They are commonly implemented in the context of business networks, clusters and global supply chains, and recognise the proportionally higher costs for SMEs of adopting CSR principles.

It is important that these different initiatives are evaluated and that the most effective practices are spread across the country, as the National Action Plan provides a framework in which they can be further developed.

Conclusions and recommendations

There is a comprehensive range of national programmes in place to support SMEs and entrepreneurs in Italy, although there are some gaps and areas in which existing approaches can be improved.

The programmes include several large-scale interventions to improve the supply of SME and entrepreneurship financing, including the Central Guarantee Fund (CGF) which supports access to loans. It is nonetheless important to shore up the local mutual guarantee fund system and expand initiatives to support SME and entrepreneurship financing from the demand size, such as through better financial education, advice and consultancy. Stimulating the development of equity finance markets for high-impact entrepreneurship and expanding medium-sized SMEs is also a priority. Some modest efforts have been made along these lines to date, but so far the outcomes are very limited in scale.

The Italian government has also recently tried to encourage innovation, for example by strengthening the patent system and giving tax incentives to entrepreneurs who use innovative inputs. While these efforts are commendable, the emphasis on patents seems wide of the mark as very few entrepreneurs or SMEs use them. Innovation incentives tailored to the real needs of SMEs and entrepreneurs would be more appropriate. At the same time, the government could do more to improve the transfer of technologies to SMEs and entrepreneurs for commercial exploitation. There is also important support for SME exporting, but efforts are nonetheless somewhat undermined by the existence of numerous poorly co-ordinated interventions, leading to a fragmented and potentially confusing system of support.

The entrepreneurial culture in Italy is still underdeveloped with respect to business start-up and growth, despite the large numbers of small enterprises, and entrepreneurship education in schools, colleges and universities is in its infancy. The vocational training system can also be strengthened to increase the match of supply with the demands and relative scarcities of the labour market and encourage increased use of formal continuous vocational training. Links between education institutions and the world of work and occupational orientation could also be strengthened. A particular concern is that many SMEs, especially micro firms, have a low level of training participation and a lack of awareness of and participation in consultancy and management training.

There is also an ageing of entrepreneurs in Italy, and closure of their enterprises would represent a loss to the economy if the business is transferable and viable and has intangible assets such as networks and knowledge that would be lost if the firms are closed. Orientating youth, especially unemployed youth, towards the possibility of entrepreneurship, including takeover, is one possible avenue for policy in this regard. To date, transfer of businesses has largely been organised informally. It would be helpful to build a market and mechanisms for information flows about investors and companies for sale.

Despite many promising local activities and policies for specific social target groups, there is a shortage of target-group specific policy measures for ethnic minority, youth and senior entrepreneurs as well as for social enterprises. On the other hand, Italy is one of the pioneers in promoting women's entrepreneurship, based on a clear political commitment, specialised institutions and a comprehensive database. Female entrepreneurs nonetheless still face substantial difficulties in accessing external finance at affordable cost, despite useful micro credit schemes that have been set up by the Italian government.

Rigorous evaluations help governments to establish the impact of policies and programmes, thus facilitating informed decisions about the allocation of funds. They also assist governments in achieving continued improvements in the design and administration of programmes as well as in allowing them to tailor their policies and programmes to the needs of their customers. There is scope to increase evaluation of SME and entrepreneurship policy in Italy, which tends to focus on evaluations of EU-funded programmes. Guidance on programme evaluation to programme managers would be an important step forward, and could follow the lines of the guide produced by the Impact Evaluation Working Group in the Netherlands (Impact Evaluation Working Group, 2012).

The following recommendations are offered to improve Italy's national SME and entrepreneurship programmes:

- Increase value for money from the Credit Guarantee Fund by capping lender default payments, allowing borrowers to post personal guarantees, and permitting larger firms to participate in the scheme. Set limits to the total volume of counter-guarantees to local mutual guarantee associations to reduce potential moral hazard and systemic risk problems.
- Strengthen the viability of the *Confidi* by encouraging mergers and the creation of consortia and offering training and good practice exchange to increase management capabilities.
- Broaden the financial instruments for high-impact entrepreneurship and medium-sized firms by opening up the mini-bond market to non-professional investors, expanding tax breaks for mini-bond and business angel investors, supporting a dedicated small caps or accelerator programme, considering an initiative to facilitate indirect investment by informal investors in SME equity on the Italian stock market through managed funds, and offering financial education programmes for entrepreneurs and SME managers.
- Introduce new initiatives to favour collaboration between universities, SMEs and entrepreneurs, for example through mentoring of potential academic entrepreneurs, dedicated seed funding for early-stage commercialisation of research, funding for co-operative research centres for staff of universities and enterprises and a major national programme for joint research between universities and small collections of related SMEs.

- Develop information, education and training programmes to support entrepreneurs and SME owners to manage their intellectual assets, and extend current innovation policy support to encourage other types of intellectual property in addition to patenting.
- Amend the criteria for obtaining tax breaks under the “innovative start-up legislation” to reward firms generating innovation outputs, rather than using technology inputs (R&D, PhD staff and patents), and including non-technological innovation.
- Streamline and prioritise the system of support for SME exports based on a comprehensive review of existing initiatives, ensuring that adequate resources are provided to the most effective actions. Favour the development of networks of SMEs for the purposes of collaboration on exporting to new markets. Offer advice and training to SME managers and workers aimed at better exploiting export opportunities in areas such as foreign language skills and supply chain and operations management, including by encouraging banks to play a more proactive role in assisting entrepreneurs and SMEs with exports. Develop infrastructure, awareness and training programmes to promote e-commerce among SMEs.
- Develop a national strategy and action plan to promote entrepreneurship education at all levels (schools, vocational training, and higher education institutions) and to incentivise education institutions to offer entrepreneurship support. Accompany this with a promotional campaign to create awareness towards entrepreneurship and new business creation in the general population.
- Integrate components of a dual apprenticeship system into vocational education. This includes industry- and nation-wide standards for training, formal labour contracts with apprentices, formal centralised examinations, and proper quality assurance mechanisms.
- Expand company-based apprenticeship training schemes by increasing their quality, and hence their attractiveness to businesses and young people, by further development of national standards on the contents and methods of training and improved arrangements for authorisation of training companies and tutors, monitoring and supervising the training, and central organisation of apprentices’ final examinations.
- Revamp existing workforce training measures, including the Industry Training Funds, so that they can better respond to the relatively limited organisational capabilities and budgets of SMEs with respect to training by increasing SME awareness of available public training programmes, introducing a simplified procedure for SME applications to ITF courses, encouraging training for networks of SMEs, and making more use of training vouchers for SMEs.
- Introduce a national programme to encourage the recruitment of graduates by SMEs, such as through specific goal-oriented internships for university students in SMEs supervised by university teachers and researchers as part of their degrees, which may lead to subsequent hiring at the same time as promoting SME innovation directly.
- Expand the reach of public management support to more SMEs by developing low cost solutions including a comprehensive system of enterprise diagnostic self-assessment health checks, the use of retired professionals as mentors and advisors, and peer-to-peer learning activities such as a national company visit programme to discuss best management practices.

- Create an online portal providing signposting to all public management support measures available at different levels of government and across different public institutions, together with tailored search facilities which allow SMEs to easily identify appropriate support across different stages of the life-cycle of a company.
- Increase the participation of SMEs in public procurement contracts by increasing the subdivision of contracts into lots, increasing the visibility of public contracts to SMEs, for example with an online search tool, offering basic online guidance and training to SMEs in winning contracts, and organising "meet the buyer" events to match SMEs with public agencies with potential contracts.
- Pilot test and scale up promising new initiatives for female, youth, ethnic minority and senior entrepreneurship. Broaden the support by placing a stronger accent on business training and coaching in addition to offering financing, encourage programme participants to develop more growth and innovation-oriented business projects, and facilitate and support intergenerational business succession.
- Increase programme support for social enterprises by increasing awareness of the economic and social contribution of the sector, adapting the fiscal regime to provide suitable incentives to social enterprise activity, developing new measures for social enterprise finance, such as fiscal incentives for investors, adapting existing business development services to facilitate access by social enterprises to regular support and offer certain tailored services such as training, mentoring and social enterprise incubators, and making public procurement contracts more open to social enterprises through better use of social clauses.
- Set up a comprehensive evaluation framework for regular and rigorous evaluations of SME and entrepreneurship support programmes to determine their effectiveness and ways they can be improved, including guidance on the regularity, scope and methods of evaluation to be used.

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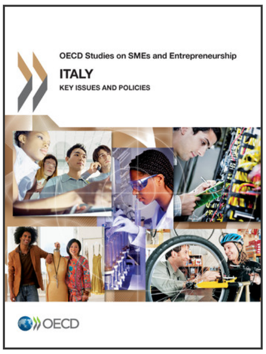

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