

## Chapter 4

# The strategic framework and policy delivery system in Italy

*This chapter examines the strategic framework for the formulation of SME and entrepreneurship policy in Italy, including the Statute of Enterprises, the national SME Envoy and the Annual SME Law. It then turns to the roles and responsibilities of different public sector organisations and initiatives in delivering policy, including questions of policy coherence and accessibility to SMEs and entrepreneurs. The chapter highlights the importance of implementing the Annual SME Law and its proposed policy actions in practice, extending the reach of business support services to nascent entrepreneurs and entrepreneurs from under-represented and disadvantaged groups, and strengthening the policy coordination role of the SME Envoy.*

## The strategic framework for policy formulation

### ***Italy is making use of the Small Business Act for Europe to develop a more strategic approach***

Until recently, the Italian approach to formulating SME and entrepreneurship policy was rather fragmented. Each measure required the voting of a specific law and the subsequent allocation of a specific budget, and there was no concerted effort to develop a comprehensive, coherent and integrated set of actions. However, Italy is taking the opportunity of the adoption by the European Union (EU) of the Small Business Act for Europe (SBA) in 2008 as a starting point for the design of a more comprehensive policy approach, including a prioritisation of required measures and development of specific proposals for action across those policy fields corresponding to the scope of the SBA.

The SBA contains ten common principles for SME policy across the EU Member States, which each Member State should put into practice in the appropriate manner for their own contexts. The principles are aimed at two types of objectives:

1. To apply the “Think Small First” principle with respect to business regulation and the coordination of government policies affecting SMEs and entrepreneurship.
2. To address the market failures faced by SMEs, such as in access to finance, awareness of the opportunities of sustainable products and processes, and access to international markets.

Whilst the Statute does not provide a complete strategic framework for SME and entrepreneurship policy in itself, in that there may be national priorities that fall outside of the scope of the SBA, it can nevertheless provide the basis for more comprehensive and co-ordinated policy design because the ten SBA principles cover most of the territory that an SME or entrepreneurship policy should deal with.

By approving a directive as early as May 2010, Italy was one of the first countries to formally incorporate the SBA into national legislation (MISE, 2013a). One of its first steps to put the SBA into practice was the preparation of a Statute of Enterprises in 2011; a Law which recognises the importance of SMEs and entrepreneurship to the Italian economy and society, promotes SMEs and entrepreneur-friendly business regulation and identifies government priorities for implementing market failures affecting SMEs and entrepreneurs in Italy.

At the same time, the Italian government appointed a national SME Envoy (MISE, 2013b), following the suggestion of the European Commission. The SME Envoy plays an important role in the policy design process by gathering policy intelligence from Italian SMEs and entrepreneurs. The Envoy also helps apply the Think Small First principle by defending SMEs in government and helps secure the effective implementation of SME and entrepreneurship programmes by maintaining close relationships with national business associations and chambers of commerce tasked with delivering and promoting programmes.

The final piece of Italy's strategic policy design function for SMEs and entrepreneurship is not yet fully in place; it concerns a proposed Annual SME Law that should identify specific policy actions that the government will implement each year in order to meet its SBA priorities.

### ***The Statute of Enterprises is a significant but partial strategic policy document***

The “Statute of Enterprises” was unanimously approved by the Italian parliament in November 2011 (Law n.180/2011, “Norms for the protection of the freedom of business activity”). It serves to set down the principles for dealing with small enterprises in regulation, identify priorities for government policy actions to support SMEs and entrepreneurs and promote better relations between the government and representatives of SMEs and entrepreneurs. It also establishes two mechanisms for the implementation of the SBA, which are discussed in more detail below, the Annual SME Law and the appointment of an SME Envoy.

With respect to regulation, the Statute introduces the principles of competition and freedom of economic initiative and red tape simplification (Unioncamere, 2012). One of its articles requires regulatory impact assessments to be undertaken on any proposed new government regulation that may affect SMEs or entrepreneurs. Governments and public bodies at national, regional and local levels must assess the need for the new regulation, its expected impact on small businesses, and the alternative options available. Any new burdens on business must take into account company size, number of employees and business sector. The Statute also simplifies administration for SMEs by allowing them to substitute certificates granted by professional and accredited bodies for checks carried out by the public administration. It also promises legislation on procurement within 12 months to protect the interests of micro and small firm suppliers with respect to large firm and public contracts, and proposes changes to the way in which public sector contracts are packaged to make them more accessible to smaller enterprises.

In terms of prioritising policy actions, the Statute highlights supporting the innovation potential of SMEs (e.g. with increased co-operation between universities and SMEs and reinforced formal networks among firms), improving access to finance (e.g. through greater transparency in the relationship between enterprises and credit institutions), and creating new start-ups, in particular by young people and women, as critical areas for future policy intervention.

The Statute also places an important emphasis on the role of SME and entrepreneur associations in policy. For example, it states that central, local and regional government must consult the major business associations before approving a new law, regulation or administrative provision. Entrepreneurial associations are also assigned a proactive role in the promotion of public policy actions among their members. In addition, the Statute recognises the important role of entrepreneurial associations in supporting innovative entrepreneurial activity through knowledge brokering and by facilitating the development of informal network relationships between small firms (Unioncamere, 2012; Pittaway et al., 2004; Spillman, 2012). Box 4.1 highlights the example of the SBA Lombardy Lab, which is an arrangement whereby local business associations and chambers of commerce collaborate with the regional government in designing policy approaches to help implement the SBA in the Lombardy region. This type of collaborative policy design approach can usefully be rolled out to other regions of Italy.

#### Box 4.1. Italian good practice: The SBA Lombardy Lab

SBA Lombardy Lab is an institutional partnership between Lombardy's Association of Chambers of Commerce (*Unioncamere Lombardia*) and the regional government, supported by the European Commission and the Italian Ministry of Economic Development. All business associations and chambers of commerce in the region participate in the initiative in order to help develop tailored SME policies in the region that are, at the same time, co-ordinated with national and EU initiatives.

In order to assess policy needs, the Lab has developed a 'Dashboard' of indicators, the first mechanism in Europe aimed at monitoring the implementation of the EU Small Business Act at the regional level. It also seeks to engage local SMEs proactively, for example by organising six regular focus groups in which firms can voice their concerns and provide suggestions on policy development. The Lab also emphasises the role of the media in the diffusion of good policy practices. It has an Internet website which regularly reports the conclusions of all the local focus groups, a dedicated social network (*Lombardybusiness.net*) with over 2 200 subscribing firms in the first five months, and a Twitter account which offers a live-tweeting covering each regional and local initiative.

SBA Lombardy Lab is a good example of how institutional partnerships might be leveraged to engage SMEs in a dialogue aimed at sharing ideas on policy development. For example, in 2012 it conducted a survey on knowledge of the SBA among SMEs in Lombardy and undertook an assessment of existing SME policies in the region, which generated a position paper with a package of policy proposals in support of SMEs in the region.

Source: [www.sbalombardia.it](http://www.sbalombardia.it).

Another provision, envisages setting up a micro enterprises and SME authority within the Ministry of Economic Development. This authority would have a strong monitoring and reporting function on policy impacts on SMEs and would be tasked with the creation of a standing committee involving the most representative SME associations.

The Statute of Enterprises is an important step forward for Italian SME and entrepreneurship policy. It provides a stimulus for more business-friendly regulation, for the identification of priority policy measures and for hearing the voice of SMEs and entrepreneurs in Italian policy. However, it also has some weaknesses in its current form:

- Much of its content is based on a translation of the EU-wide SBA into the Italian context, whereas a true national strategy would start by identifying the most important actions needed to address the specific challenges of Italy.
- There is only limited information on the objectives, rationales and expected outcomes of the specific policy interventions identified.
- The implementation arrangements for the proposed initiatives are not specified. However, timely implementation must be ensured to translate the policy suggestions into action on the ground and maintain the confidence of the business community in government policies in this area. There is also a danger that the bureaucracy of SME and entrepreneurship programmes will increase if implementation arrangements are not considered at the same time as the identification of policy measures.
- The full implementation of all the measures in the Statute could clash with the concurrent objective of policy simplification.

- The Statute introduces new responsibilities for government officers and civil servants with regard to SME and entrepreneurship that will require some specific skills and a more pro-business attitude. However, it is not clear how the capacities of these professionals will be developed.

A number of responses can be taken to address these weaknesses. First, a full national strategy could be developed to take on further the strategy for SMEs and entrepreneurship started in the Statute of Enterprises. This strategy would consider other areas for action that are not stressed by the SBA, set out the objectives, rationale and expected outcomes of all suggested policy measures, and identify the implementation mechanisms and associated budget arrangements for the actions. Second, the introduction of any new legislation could be linked to the removal of an existing legislative requirement, in order to control the total number of legislative acts and regulations. Third, a training programme could be introduced for public officials with new SME and entrepreneurship responsibilities covering technical issues such as regulatory impact assessment methods as well as the public sector equivalent of customer care. For example, a traditional role for inspectors dealing with issues such as health and safety or food hygiene would be policing to ensure that businesses are fully compliant with the legislation, whereas a more enlightened approach would involve inspectors offering some advice and giving businesses time to make appropriate changes in order to meet the requirements of the legislation.

### ***The SME Envoy is the advocate of small business within the government***

In common with other EU Member States, the Italian government has appointed an SME Envoy to promote the implementation of the SBA and make the case for SMEs and entrepreneurs within government. The SME Envoy has the following formal responsibilities: i) to monitor the implementation of the SBA in Italy; ii) to analyse – ex-ante and ex-post – the impact of any new regulation targeting the SME sector; iii) to elaborate new proposals aimed at further developing the SME sector; iv) to inform the Parliament, the Presidency of the Council of Ministers, the Ministers and local governments of cases in which new legislation, regulation, or administrative acts may increase the financial or administrative burden for SMEs in a relevant way; v) to deliver to the Prime Minister, before the 28<sup>th</sup> of February each year, a detailed report of his or her activity with an assessment of national policies for the SME sector and recommendations for additional measures; vi) to monitor the impacts of regional laws on SMEs and facilitate the diffusion of best practices across regions; and vii) to co-ordinate a network of regional SME Envoys and collaborate with national SME Envoys from other EU Member countries.

Consultation between the SME Envoy and the small business sector has been facilitated by the creation of the regional network of SME Envoys, who can feed up the views of SMEs to the national level, and the creation of a permanent roundtable, chaired by the SME Envoy, involving an institutional partnership between national and local governments and the most representative business associations. Further support for the work of the SME Envoy has been put in place with a new set of SME monitoring tools, including a national observatory of SME activities at regional level and an annual in-depth survey on the impact of new policy measures on SMEs and entrepreneurship.

One of the difficulties the SME Envoy is likely to face involves dealing with micro enterprises at the same time as larger SMEs because the issues affecting micro enterprises are often different in important respects to those affecting larger SMEs and because it can be more difficult to engage with micro firms in gathering views, promoting public support

and furnishing regulatory information. The latter reflects the large numbers of micro enterprises, their reluctance to engage in associational activity, and attitudinal issues that make micro enterprise managers more inward looking and less willing to take time away from production than those of larger firms. If the SME Envoy is to take an important role in supporting micro enterprises then it is important that he or she has adequate resources and administrative support for this role.

### ***The Annual SME Law should support these strategic tools***

The Statute of Enterprises requires the Government to submit a proposed Law for the Micro and SME Sector (SME Law) to the Italian Parliament every year by the 30<sup>th</sup> of June, following consultations with the SME Envoy and business associations. The Statute clarifies that the Law is to include four sections:

- Norms for immediate application to reduce red tape and improve the relationship between SMEs and the state administration.
- One or more mandates to the Government to produce – within 120 days from the approval of the Law – all the decrees necessary to realise a proposed package of policy interventions for the following year.
- All the necessary regulatory authorisations to facilitate the implementation of the package.
- Integrative or corrective norms to simplify the existing body of legislation.

In addition, the Statute requires the Government to include, as part of its proposal, a report that specifies: i) how far the current state of the art of national legislation is in compliance of the EU Small Business Act; ii) how previous Annual SME Laws have been applied and their effects; iii) how the proposed Annual Law is expected to impact on the SME sector; and iv) how the proposed packages of interventions target the development of SMEs in underdeveloped regions.

The Annual SME Law could be very important in increasing policy coherence and prioritisation and in ensuring that actions are implemented over time to improve regulation and address market failures. However, there have been delays in the implementation of the Law, which has not yet been passed in a first edition. It is important that the Law is implemented in practice. It is also important that a mechanism is put in place to allocate the budgets required to deliver the actions proposed in the Law.

### ***A public SME agency or financial institution should be considered to promote medium-sized enterprises and high-impact entrepreneurship***

One of the main requirements for strengthening the SME and entrepreneurship activity in Italy is stimulation of more high-impact entrepreneurship and high-productivity medium-sized firms. However, unlike several other OECD countries, Italy does not have a public bank or SME agency that is tasked with addressing the needs of these types of enterprises, and it is not clear that the current arrangements will give them enough attention. Consideration should therefore be given to creation of an appropriate public financial institution, modelled for example on the new British Business Bank or BPI France, or SME agency, modelled for example on the lines of the US Small Business Administration, Japanese SME Agency or Mexican Institute of the Entrepreneur. Such a body would be able to design and deliver targeted innovation support and better co-ordination of existing

policy measures for growth-oriented SMEs in Italy, in full respect of state aid guidelines on public investment in SMEs.

## The policy delivery system

### ***Chambers of commerce and business associations are important delivery agents***

Policy delivery refers to the process of implementing policies and programmes on the ground, which involves not only making SMEs and entrepreneurs aware of relevant policies and programmes, but also ensuring that they have access to business development support. The key actors in the Italian SME and entrepreneurship policy delivery system are the representative business associations and the network of local chambers of commerce, the latter being semi-public institutions in Italy.

The business associations and chambers of commerce are active in publicising available fiscal incentives to SMEs and entrepreneurs and guiding them through the regulatory regime. They are also among the most important third party organisations involved in delivering public programmes, such as business consulting and management training, on behalf of the government.

A model which involves delivery of business development programmes through chambers of commerce and business associations has both advantages and disadvantages. The advantages are that the members of these organisations would typically look to them anyway as the first port of call to find out about business support. They are also likely to have reasonable reputation because of their longevity and established position in the economic infrastructure and are likely to introduce private sector methods, networks and attitudes to service delivery. However, there are also disadvantages. For example, there is typically considerable geographic variation in the effectiveness of these agencies. Because they are serving membership, these institutions are weaker in regions and localities where entrepreneurship and SME activity is less dynamic, which is arguably where it is most important to have strong local support agencies. Further disadvantages may be associated with a tendency for these organisations to promote services which are in some way in their interest, and perhaps be less active in instances which are not. In addition, there may be a significant gap in co-ordination of programmes across the different organisations involved in delivery.

There is scope for introduction of more competition in the delivery of publicly-funded business support services, through encouraging new organisations to participate in tenders for services. This should help to keep the delivery organisations on track in meeting public objectives and keep efficiency high. Mechanisms for co-ordinating programmes can also be strengthened to reduce duplication and fill gaps. The SME Envoy can play an important role in this respect. In addition, co-operative co-ordination arrangements, such as those outlined in Box 4.2, can be introduced among ministries, business associations and chambers of commerce.

### ***More outreach is needed to start-ups and entrepreneurs from under-represented groups***

The model of delivering business support services through third-party intermediaries appears to work well overall in delivering standardised services to typical SMEs in Italy that are members of chambers of commerce and business associations and regular users

#### Box 4.2. Italian good practice: The National Control Room for Enterprise Internationalisation

The National Control Room for Enterprise Internationalisation (*Cabina di regia per l'internazionalizzazione*), chaired by the Minister of Economic Development and the Minister of Foreign Affairs, has been established as a partnership between institutional actors (ministries, technical agencies, chambers of commerce and regional governments) and private actors (business associations) to increase co-ordination in the country's support for business internationalisation, for example by avoiding the duplication of effort, making the deployment of resources for business internationalisation more effective, and leveraging scale and synergy benefits. It is assisted by a "Junior Control Room" consisting of government officers and technical staff and charged with the implementation of the guidelines set by the senior political body.

One of the outputs of the National Control Room has been the "Regional Plan for the Internationalisation of the SME Sector", which was approved in October 2012. The Plan identifies a set of actions for joint working by regional governments and chambers of commerce in the areas of: i) technical and information support; ii) training; iii) territorial marketing to attract foreign investments; iv) development of dedicated export-oriented financial products; v) promotional and commercial initiatives in Italy and abroad; and vi) better use of the EU Structural Funds to promote the internationalisation of southern regions.

As of June 2013, the Plan had brought about the following tangible results: i) the creation of common foreign trade missions by regional governments and Chambers of Commerce; ii) the development of specific guidelines to support the SME sector in the South of Italy during the EU's 2014-20 Programming Period; and iii) the activation of local Internationalisation Help Desks by chambers of commerce at provincial level, in collaboration with the already-existing regional Help Desks hosted by the regional governments.

Source: OECD

of their services. However, there are certain gaps in the outreach of support to important targets of policy.

One of the major challenges for Italy's SME and entrepreneurship policy is to increase the rate of business start-up activity, and in particular the rate of high-impact entrepreneurship. However, the chambers of commerce and business associations typically have much stronger involvement with existing SMEs than with nascent entrepreneurs and have a programme offer that is weighted to existing rather than new business support. In addition, SME and entrepreneurship policy in Italy needs to place greater emphasis on social groups that are under-represented in successful entrepreneurship activities, including women, members of ethnic minorities and young people. Again, it is difficult to reach these groups fully through mainstream chambers of commerce and business association programmes because of differences in the types of support that they require, for example the proportion of young people pointing to lack of skills and finance is much higher than that of other entrepreneurs (OECD/European Commission, 2012), and because the mainstream bodies have relatively poor connections with the target groups in terms of membership, networks and operating procedures.

Special initiatives are likely to be needed in parallel to the chambers of commerce and business associations to target nascent entrepreneurs and entrepreneurs and business owners from under-represented social groups. This suggests the need for the



government to offer contracts to deliver target group programmes to new organisations or existing community organisations that specifically work with each of these communities. An alternative would be to introduce contracts that require the mainstream business associations and chambers of commerce to employ advisors that are experienced in working with the target groups and to use an outreach that is focused on the channels of communication that people from the target groups are most likely to engage in. Many micro entrepreneurs can also slip under the radar of the business associations and chambers of commerce and efforts should be made to reach them.

## Conclusions and recommendations

The Italian government is using its adoption of the European SBA to take a more strategic approach to the formulation of SME and entrepreneurship policies and programmes in the country. In a package of SBA-related measures, the government has introduced new monitoring processes and consultations with the business sector to gather better intelligence on policy needs, as co-ordinated by the SME Envoy; it has introduced a prioritisation of the main measures needed to address the problems faced, in the form of the Statute of Enterprises; and it has planned an annual exercise to identify specific policy actions that should be undertaken, in the form of the proposed Annual Law for the Micro and SME Sector. This represents a considerable strengthening of the strategic policy framework as compared with the previous approach that consisted of developing a new Law and budget for each proposed public intervention.

Yet further steps are needed to make the most of these developments. In particular, the proposed Annual SME Law should be passed without delay each year and in parallel the appropriate budgets and implementation schemes should be put in place. This is required to ensure that policy intentions are put into action and that the momentum is maintained and the business sector kept on board. In addition, consideration should be given to what policy actions, if any, are needed to run alongside those foreseen for the implementation of the 10 pillars of the SBA, i.e. whether there are any specific priority areas for Italy that are not addressed through the SBA. Finally, an important complement to the intelligence gathering for policy making purposes is the introduction of more programme impact evaluation studies.

As concerns the delivery of public programmes to SMEs and entrepreneurs, the main actors are Italy's extensive network of business associations and chambers of commerce. These bodies, working locally and nationally, play a critical role in informing SMEs and entrepreneurs about regulations, incentives and programme availability and in delivering key government support services such as advice and consultancy direct to beneficiary firms. The system largely works well, and is kept efficient and effective through appropriate contracting and performance requirements imposed by central government funders.

At the same time, delivery through the existing mainstream network needs to be complemented or adapted for certain important policy target groups, since the chambers of commerce and business associations have better connections with existing SMEs and businesses from the mainstream population than with nascent entrepreneurs and micro entrepreneurs, especially where they come from under-represented and disadvantaged social groups such as women, youth and ethnic minorities. To ensure that existing business services reach out to new and under-represented entrepreneurs the existing providers will need to adapt their approaches, for example by bringing in new advisors from the targeted populations and using the communication channels that these populations

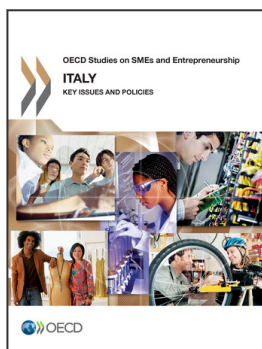
access. Alternatively, the appropriate business services could be delivered by contracting with new organisations that specialise in start-up support or support of under-represented groups. A few tailored programmes could also be considered. Finally, there is scope to increase policy co-ordination across the various actors involved in the delivery of SME and entrepreneurship policies and programmes. A key step would be the reinforcement of the orchestration role provided by the national SME Envoy.

The following specific recommendations are offered to improve Italy's strategic framework for the design and delivery of SME and entrepreneurship policies and programmes:

- Ensure that the proposed Annual SME Law is instituted and introduce a parallel budget allocation process to fund the implementation of policy actions proposed in the Annual SME Law and the Statute of Enterprises.
- Strengthen the evaluation of SME and entrepreneurship policies and programmes as an input into policy formulation.
- Consider the establishment of an SME agency or public financial institution responsible for co-ordinating investment and innovation support for medium-sized SMEs and high-impact entrepreneurship.
- Reach out to nascent entrepreneurs and entrepreneurs from under-represented populations, including firms of very small size and entrepreneurs that are not members of any specific business association, by communicating through appropriate channels on regulations and available programme support and by developing accessible programmes tailored to these groups.
- Develop a training programme to support public officials charged with implementation of foreseen regulatory simplification measures for SMEs.
- Strengthen co-ordination in the delivery of SME and entrepreneurship policy, drawing on the institutional role of the SME Envoy.
- Increase competition in the delivery of business support services by encouraging new suppliers to bid for contracts to deliver public programmes.

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