



# Policy Roundtable Report

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## Place, Date and Time

Rome, 05-03-2018, 14:30-17:30, Cassa Deposito e Prestiti (CDP), Rome, Italy.

## Stakeholders

Italian policy makers and influencers. An attendance list (besides FIRES members) is reported here below:

Mattia Corbetta, Consultant for the Italian Ministry of Economic Development, MISE.

Silvia Magri, Senior Economist, Bank of Italy.

Mauro Bellofiore – Head Office for Analysis on the Regulation Impact in CONSOB (i.e. the Public authority responsible for regulating the Italian financial markets).

Salvatore Zecchini, Chair Working Party on SMEs and Entrepreneurship, OECD.

Fulvia Farinelli, Senior Economist, UNCTAD – Economic Affairs Officer Entrepreneurship Unit.

Selected Staff from Cassa Depositi e Prestiti (CDP):

Fabio Gallia, Chief Executive Officer (CEO).

Antonella Baldino, Chief Business Officer(CBO)

Marco Zizzo, Equity Investments Director.

Maria Elena Perretti, Senior Researcher- Responsabile Ufficio Industria e Infrastrutture - Servizio Studi.

Silvia Keller, Analyst, Affari Societari e Istituzionali.

Davide Ciferri, Researcher, Servizio Studi.

## Format

See the program in the flyer of the event below reproduced:



The flyer features the CDP logo (cassa depositi e prestiti) and the FIRES logo. The main title is 'ITALIAN START-UPS: FINANCE, INNOVATION, GROWTH AND POLICY (time for a new renaissance?)'. The event is held at the Sala Consiglio CDP, Via Castelfidardo, 1 - Rome, on 5th March 2018, starting at 2:30 pm. The agenda includes a welcome address by Fabio Gallia and Antonella Baldino at 2:30 pm, an introduction to the H2020 FIRES project by Luca Grilli at 2:50 pm, a presentation of the FIRES Reform Strategy for Italy by Mark Sanders at 3:00 pm, a view of CDP by Marco Zizzo at 3:30 pm, a roundtable with panellists at 4:00 pm, and a wrap-up by Erik Stam at 5:15 pm. The event is a close door event.

Joint event organized by CDP  
in collaboration with FIRES -Financial and Institutional Reforms  
for an Entrepreneurial Society and Journal of Industrial and Business Economics

**Agenda**

- 2.30 pm - Welcome address by CDP by **Fabio Gallia** (CEO), **Antonella Baldino** (Chief Business Officer)
- 2.50 pm - Introduction: The H2020 FIRES project by **Luca Grilli** (Politecnico di Milano)
- 3.00 pm - FIRES Reform Strategy for Italy by **Mark Sanders** (University of Utrecht)
- 3.30 pm - The view of CDP by **Marco Zizzo** (CDP)
- 4.00 pm - Roundtable reactions, feedbacks and suggestions by the selected panellists
- 5.15 pm - Wrap up by **Erik Stam** (University of Utrecht)

close door event

Participants were sent the Policy Brief on the FIRES-reform strategy for Italy one week in advance and asked to reflect on the questions below.

## Main Questions put to the Stakeholders

Would you agree with our approach?  
Would you agree with our diagnosis?  
Would you agree with the proposed treatment?

And specifically:

- a) Which proposal(s) among the ones proposed by FIRES, you would support and endorse and, conversely, which one (if any), you would disregard?
- b) Is there any policy proposal for the Italian entrepreneurial ecosystem that you would recommend to include that it is not mentioned in the FIRES policy brief?
- c) Can you please gauge about the political feasibility of the FIRES proposal(s) that you like. Are they easily implementable or not? Do you see any difficulties or obstacles of any sort, and in particular political obstacles, to implementing the proposed recommendation(s)?

## Summary

The brief welcome by the CEO of CDP, Fabio Gallia, very much revolved around the parallelism of the Italian entrepreneurial ecosystem to a Caravaggio painting, with dazzling lights and sombre darks.

On the positive side, he sees the high importance of manufacturing for the whole production system, a vibrant small business sector and, a scientific base which does well on publications and citations, despite an endemic low budget on R&D expenditure. On the dark side, he considers the lack of growth and ambition, low mobility of workers and a general low human capital. Savings are high, but investment is very much short term-oriented and with a low risk profile.

In this landscape, by the own words of the CEO, CDP aims to promote entrepreneurship in Italy by developing activities and funding schemes over the entire life cycle of firms. Including firms that are in turnarounds. CDP has a focus on finance, but realizes the importance of nurturing the entire ecosystem. Still its core business is to inject funds and will do so in technology transfer activities and late stage venture capital, thus to favour the scale-up of entrepreneurial ventures.

Then, Antonella Baldino, the CBO took over and presented briefly the current activities and the prospected ones for CDP, where great emphasis will still be played on the mission of CDP which is to provide equity finance with a longer time horizon to ambitious firms which are of strategic importance for the country. She think this is really important in the Italian context which continues to be characterized by the so-called 'innovation paradox': it is doing well on many indicators of Science and Technology, but this poorly translates into great performances in terms of growth, jobs creation and export orientation.

Chair Prof. Luca Grilli then welcomed the participants and explained them the purpose of the day.

Prof. Mark Sanders presented the FIRES-project and its approach aimed at developing a reform strategy to promote the entrepreneurial society in Italy. In this presentation, he stressed the weaknesses in the Italian ecosystem in human capital, in networking, in growth ambitions and opportunities and in a supportive culture.

Italy is indeed well positioned, but perhaps suffers from early mover disadvantages. It was so far ahead in the past, that it has probably lost the appetite for risk and experimentation and it has become less inclined to

experiment and try new ways. Then moving from diagnosis to treatments, Prof. Mark Sanders presented the 15 proposals selected for Italy.

The presentation was followed by a short speech by Marco Zizzo (CDP), who presented the CDP views on the issues and explained how CDP is trying, from their perspective and mandate, to invest with patient equity investments along the entrepreneurial life cycle where market funds are short. The CDP has substantial funds available and the small Italian venture capital sector translates into the implication that a lot of opportunities are still untapped. Mr. Zizzo recalls the fact that VC backed companies outperform non-VC backed ones and he is keen on considering VC as a good proxy for the health of the entrepreneurial ecosystem. And with its mandate and funds amounting to some 4% of total Italian listings, CDP can play a significant role in improving the situation in Italy.

After these programmed and scheduled interventions were terminated, the Chair Prof. Luca Grilli opened the frank discussion among participants along the aforementioned suggested lines (see “Main Questions put to the Stakeholders”). The climate was friendly and relaxed so to make everyone comfortable in sharing opinions and expressing personal views.

Here follows a brief synthesis of the most relevant issues discussed.

Overall, the FIRES diagnosis on the main problems of Italy was very much shared by participants, with few exceptions. Some for example claimed that it is not totally true that Italians are not internationally oriented or do not speak sufficient English. Or, some others claimed that it is hard to circumscribe the VC thinness to a problem only residing in the insufficient demand for this type of capital, while instead, it is equally likely to stem from the VC lack of competencies and the shortage of ad-hoc professional skills in this area.

More importantly, other weaknesses not mentioned by FIRES were deemed important. Public procurement and the governance of the public administration were surely considered among the most prominent problems by many participants.

Public procurement is seen as an effective way to support innovative start-ups in Italy, but this requires more than just making such procurement possible. The public sector also needs to be willing and able to carry on such activities and perhaps even some legal requirements would be helpful in order to ease the process. In this respect, the Italian government could also follow the French example and invest consistently in start-ups to create a culture of entrepreneurship. On top of this, some panellists raised that there is a problem about the ageing of the personnel enrolled as civil servants in Italy and point to the scarce injection of young and qualified human resources in the Italian public administration as a major issue. This is considered problematic since the current aged workforce seems incapable to handle the challenges of administering policies addressing high tech and digital start-ups effectively. In a nutshell, this ageing problem seems to heavily affect the overall quality of governance of innovation and entrepreneurship policy.

Few statistics were brought to our attention in order to corroborate these statements.

The share of central government employees below the age of 35 is just 2.2%. This is the lowest among developed countries – by far. The average rate hovers around 20% (see OECD’s Government at a Glance 2017). The equivalent ratio for over-55 employees is 45%, exceeding by far all other countries surveyed. This has increased dramatically since 2010, when no more than 30% of government workers were in this category. According to Eurispes (September 2012), just 40% of Italian civil servants hold a university degree. All these figures reflect an almost complete absence of turnover in employees in the last decade.

For participants, no personnel turnover also means no skill turnover and no intergenerational exchange. Shutting out of the public service a generation that is digitally native (and international by default) risks not only to be just

profoundly unfair for those young graduates who aspire to serve the public good, but it also makes it extremely difficult to keep up with technological advances (and globalization) and user expectations.

Most of the participants agreed that politics should be taking care of this. In the prevalent views expressed during the discussion, the issue is not only a matter of hiring more young people in government, regardless of their capabilities and the tasks they will be allocated to – a mistake that was made in the past, and that should not be repeated. Conversely, it means a profound reconsideration of what public service is meant to be, what it does, and how it should be done. And it means not being afraid to initiate truly ambitious reforms, and to devote to them sufficient financial resources, adequate and motivated personnel, and enough time.

Unfortunately, the feasibility of such approach from a political point of view is deemed rather low.

Other more structural problems on the governance of Ministries and Offices in the public administration were also detected and highlighted. It seems the many mixed responsibilities and competencies make the governance of innovation and entrepreneurship policy complex. Too many Ministries and Public Bodies are responsible for too many parts of a too complex puzzle. As emphasized above, the aged civil service also implies that well-designed initiatives and policies that did get implemented, are not always communicated in the right way through the right channels to reach the target audiences. An example of how well intended policies could still end up holding back the entrepreneurial society was given by a participant describing the phenomenon of cash-negative tenders, which he judged too often adopted in Italy over the recent past. In those programs, support is given to firms that first put up the cash themselves, only to be reimbursed after a (lengthy, uncertain and complicated) assessment and validation procedure. Such programs are biased against cash-poor small, high growth firms.

One other important deficiency (but also a remedy for nurturing) the Italian entrepreneurial ecosystem was by many participants individuated in the shortage of dedicated networking events. Italy has many, small, high-quality centres of excellence, but they lack mass. CDP even “invests” in such supporting network developments e.g. in its ELITE-program with the London Stock Exchange. In this specific case, the intended aim is to build up a support structure that facilitates exits and in that way supports the development of a more professional VC sector in Italy. But more generally, there is also the need to increase the possibilities of banks to finance more risky loans, and the organization of roadshows and other ad-hoc events which help matching banks’ professionals with (would-be) entrepreneurs is considered an important mechanism in this respect. But the necessity for favouring networking is not only seen by participants to the discussion in the financing domain of entrepreneurial ventures, but rather it is deemed to go beyond that area and also target the entrepreneurial culture and mindset of citizens in the country. Here, discussants were unanimous in saying that we need to be bold and creative. A participant mentioned the case of the “FuckUp Nights” as an example of events where entrepreneurs do share their knowledge of why ventures fail. These events may help institutions, from one side, to create real “communities” and improve attitudes towards risk taking, and, on the other side, to lessen the cultural stigma arising from failure.

In this vein, there was general consensus about participants on the fact that universities could function as catalysts by playing an important aggregating function. First, universities and public research organizations can set up observatories, collecting information, data and stories on local successful and unsuccessful entrepreneurial initiatives. This enhanced information may prove to be beneficial for all involved stakeholders (entrepreneurs, financial operators, policy makers, etc.). Second, universities could set up (or promote to some extent) specific initiatives (one participant mentioned the Entrepreneurial Olympic games held in Ecuador for example) which help, from a social and an economic point of view, to put entrepreneurship at the centre of the stage. Third, it is really important that financial education spreads among citizens (and potential entrepreneurs), and Universities have of course a major role in this respect. This would also probably be beneficial for the emergence of (equity) crowdfunding platforms that could provide an alternative route to financing scale ups and exit, especially if rules would allow for a secondary market to emerge. This new method can in fact fit well with

the Italian tradition of family based share holdings and finance, which may create an orientation on long-run value creation.

On a general ground, all panellists remarked the need to implement policies to promote the sustainment of (already existing and new) industrial districts, since the Italian ecosystem appears to be too fragmented. There was a great attention by all panellists on the geographical dimension which was considered crucial for triggering virtuous dynamics in the Italian entrepreneurial ecosystem.

Finally, as reported in the program of the event, Prof. Erik Stam wrapped up all the discussion. His final remark was that the dark sides of the Italian ecosystem are most prominently visible in the 10 year stagnation in GDP per capita and the 20 years of stagnation in labour productivity. Thus, we can deem Italy as sick, where the underlying ailments are rooted in both human capital and labour market issues. The conclusion of the day is that the diagnosis was broadly shared among the participants. It is only natural, given the core business of our host, that the discussion also centered on what finance could do. But finance can do very little if there are no ideas to finance and nurture. Italy needs to work on that too, and all panellists agreed upon such final statement.

A picture of the roundtable discussion is provided here below.



## Follow Up

After the discussion with the Italian policy makers there will be a final revision of the policy brief and country report to be submitted as parts of deliverable D5.12 on M36. Also the discussion in Rome serves as input for D6.3 in M36.