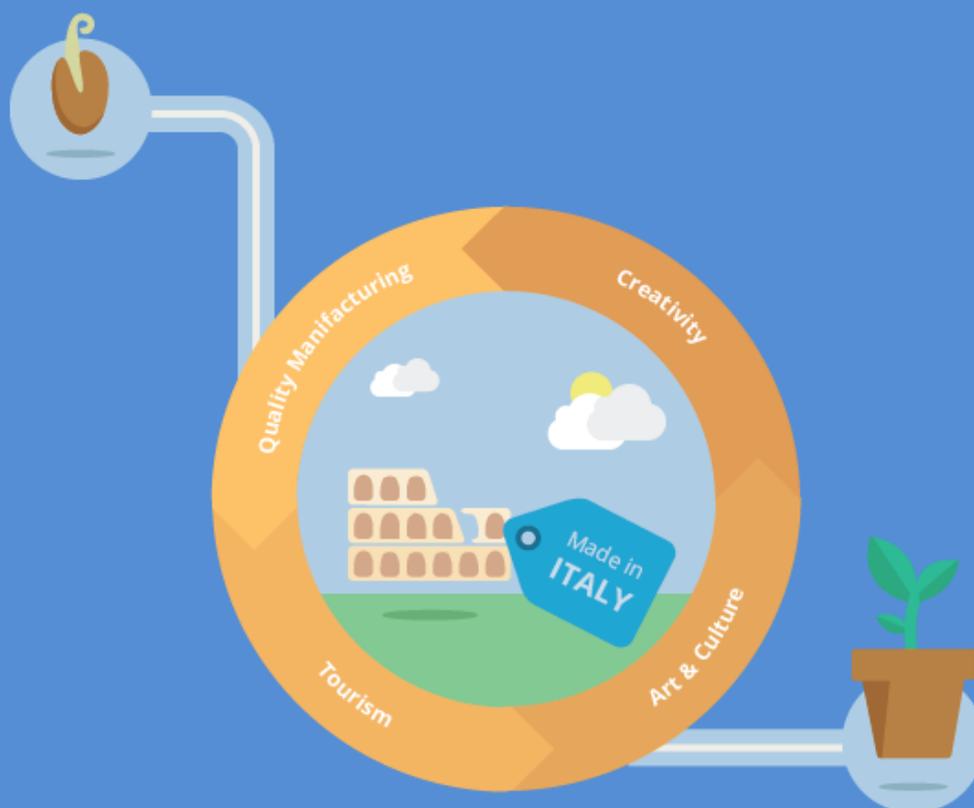


#ISV Survey 2019

Italia Startup Visa Report

EXECUTIVE SUMMARY



January 2020



Ministry of Economic Development

Directorate General for Industrial Policy, Innovation and SMEs

Division VI - Policies for SMEs, the cooperative movements and innovative startup, corporate social responsibility and international industrial cooperation

The ISV programme

In recent years, the Italian Government has adopted a number of ambitious policies to strengthen the national innovation ecosystem. Among these, the so-called Italian Startup Act, introduced in 2012, plays a major role in improving the regulatory framework for innovative firms. Launched in 2014, the Italia Startup Visa (ISV) programme for 'migrant entrepreneurship' is part of such broader effort.

The main objective of the ISV programme is to attract entrepreneurial talents from all over the world, encouraging them to establish their innovative firm in Italy.

Through a fast-track and digital procedure, ISV facilitates the granting of an entry visa for self-employment to non-EU citizens who want to set up, individually or in teams, an innovative startup in Italy. More in depth, citizens entering the country to conduct business activities can benefit from a simplified authorization procedure, which in case of a positive outcome ends with the concession of a no-impediment document to get a visa for self-employment.

The applicant has a single point of contact with the public administration: the Secretariat of the ISV Committee set up at the DGPIIPMI of the MISE.

The Secretariat offers direct support ('help desk') to visa holders in dealing with any administrative problem possibly arising along the migration process and in the early stages of the business activity. It also ensures coordination with all the administrations in charge both at the central level (Ministry of Foreign Affairs and International Cooperation, and Ministry of the Interior) and at the local level (diplomatic and consular offices, police headquarters, etc.);

Another important feature of the programme is the high level of specialisation of the members of the technical committee tasked with assessing the applications. The ISV Committee is composed of the chairs (or their delegates) of five key organisations of the national innovation ecosystem: PNICUBE representing university incubators, IBAN for business angels, AIFI for Venture Capital Funds, APSTI for Science and Technology Parks and NETVAL for Technology Transfer Offices. Committee members are therefore highly qualified professionals, with sound understanding of the innovation economy and hands-on experience in assessing business proposals.

Since its inception, the ISV programme has subject to continuous monitoring by the MISE. Its main evidenced is publicly reported on a quarterly basis. Key data feature the latest trends and stock of applications, candidates' academic and professional background, their countries of origin, and much more.

So far, the programme has been able to create a widespread interest as demonstrated by the high number of registered applications (481 up to 31 December 2019) and the countries of origin (49), emphasizing the great attractiveness of Italy. Therefore, it was deemed appropriate to carry out an additional Survey aimed at completing the set of current available data and collecting new qualitative information on migration and entrepreneurial pathways undertaken by the startup visa holders.

Survey's goals and methodology

To complete the set of information, between July and August 2019, the MISE launched an investigation addressed to the startup visa beneficiaries.

The survey was conducted through an online questionnaire sent via email to 232 beneficiaries of the ISV programme. The questionnaire pursued a twofold objective: a) detecting the current state of the migration pathways followed by startup visa holders; b) collecting evaluations from beneficiaries of the visa on their entrepreneurial experience in establishing a startup.

The dissemination of the questionnaire started on 18 July 2019 and to ensure a high response rate, the ISV Secretariat launched a phone-based outbound campaign two weeks later. The form was closed to replies on 31 August 2019, as the level of representativeness of the information obtained by core respondent groups was considered satisfactory by then.

In parallel to the monitoring of participation levels, the Secretariat dialogued with the Ministries responsible for the broader immigration process (Italian Ministry of Foreign Affairs and International Cooperation, for visas, and Ministry of Interior, for central police headquarters) in order to obtain a complete, up-to-date picture of the administrative information available of survey beneficiaries (e.g. the date of arrival in Italy, or the date and reason for renewal of the residence permit).

All the above-mentioned elements made possible to have a more comprehensive overview of the strengths and weaknesses of the ISV programme, as well as the challenges and opportunities that characterized the entrepreneurial experience of the participants.

Participation rate and classification of respondents

Of the 232 foreign citizens that obtained an Italia Startup Visa at 30 June 2019, the respondents to the survey were 111, with an overall participation rate of 47.8%.

By adopting an approach focused on the ultimate goal pursued by the programme - the attraction of innovative entrepreneurs to Italy - it is possible to distinguish three types of respondents, in relation to the pathways they actually followed:

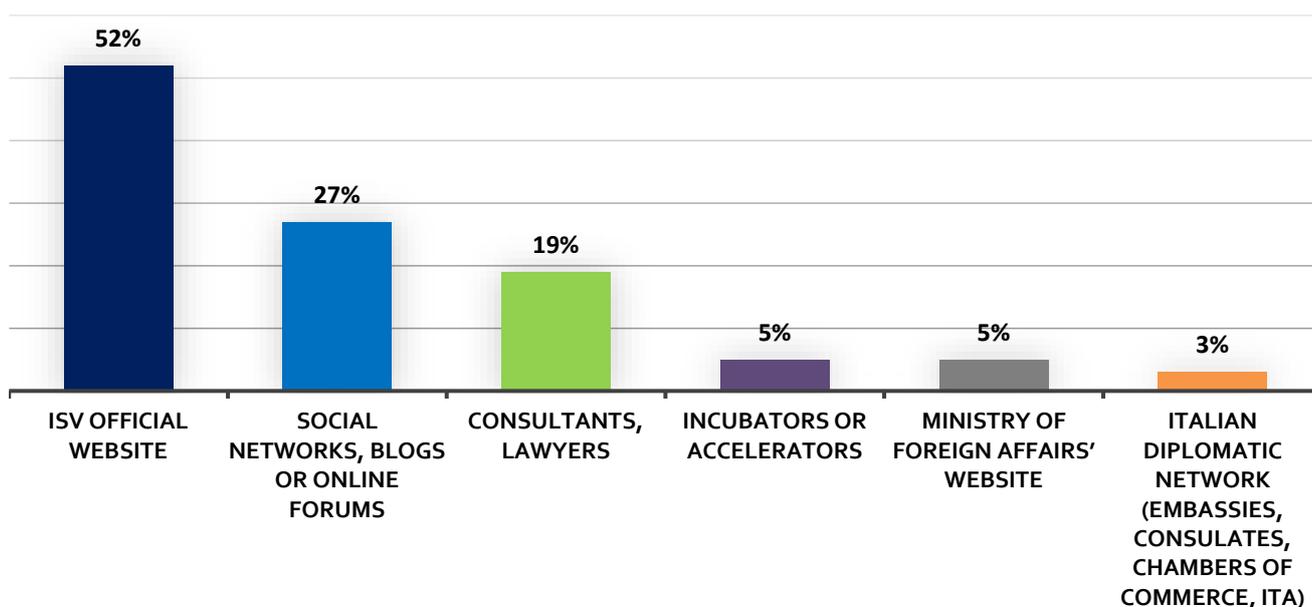
- the "startupper", refers to non-EU citizens that fulfilled the primary goal of the programme, incorporating an innovative business in Italy;
- the "newcomers", including people that have arrived in Italy only very recently and that are yet to incorporate their innovative company;
- the "leavers", those individuals who abandoned the Italia Startup Visa programme, i.e. they departed from their original entrepreneurial proposition.

Main findings: evaluation of the migration experience

The survey distinguishes between different “progress stages” in the resettlement process of startup visa holders: the **early steps**, the **arrival and settlement in Italy**, and the **business experience** proper.

A first remarkable finding is that more than half of the respondents indicated that **they found out about the programme on the internet**. Particularly prominent is the role played by the ISV web portal – where all official materials are uploaded (application forms, guidelines) – and the monitoring reports issued by the Ministry. A non-trivial role is played by non-institutional online resources, such as social media, blogs and forums. Other forms of publicity, such as dissemination activities arranged by incubators and accelerators, or the promotional role played by the Italian diplomatic network (embassies, consulates, Italian chambers of commerce abroad, the Italian Trade Agency – ITA), were relevant just for a small number of respondents.

Main instruments through which candidates have known ISV (%; n. of respondents = 111, multiple choices)



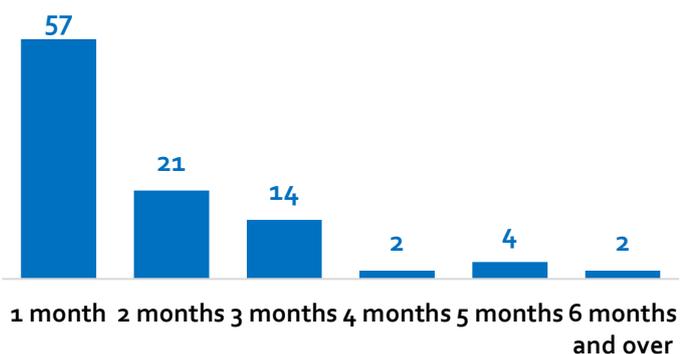
Source: authors' calculation, July-August 2019

The respondents underlined the absence of major difficulties at the Italian Consulates when it comes to the issue of the entry visas, highlighting it as a strength of this process: **57% of the survey participants claimed that from their request to the Consulate, they got their entry visa within one month at the most**.

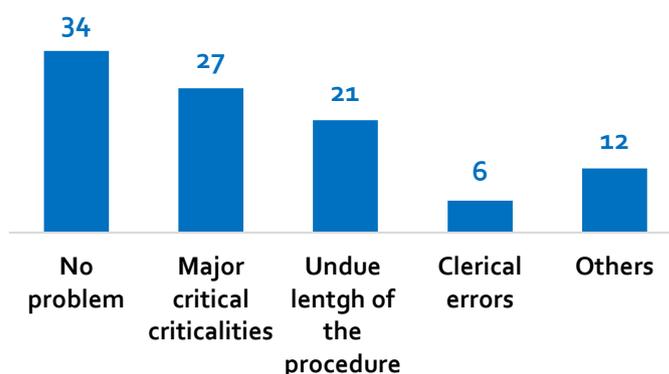
Yet, the **residence permit issue** seems to be a challenging process. **Although 34% of the respondents did not face any kind of problem, 27% of them experienced significant difficulties**. Among these issues, the biggest ones regard **language** (i.e. communication issues) and the **lack of knowledge about ISV programme** among local Police Offices (*Questure*) during the residence permit request. Being

those Police Offices the main contact point supporting the end-users throughout the procedure, the survey's participants experienced some criticalities when applying for residence permit at outer or smaller Police Offices. Due to the lower amount of ISV applications received by these offices, the chances to encounter similar issues might be higher compared to bigger and central ones.

Time lag between the nulla-osta issue and relocation to Italy
(%; n. of respondents = 92)



Problems encountered during residence permit issue
(%; n. of respondents = 111)



Main findings: evaluation of the entrepreneurial experience

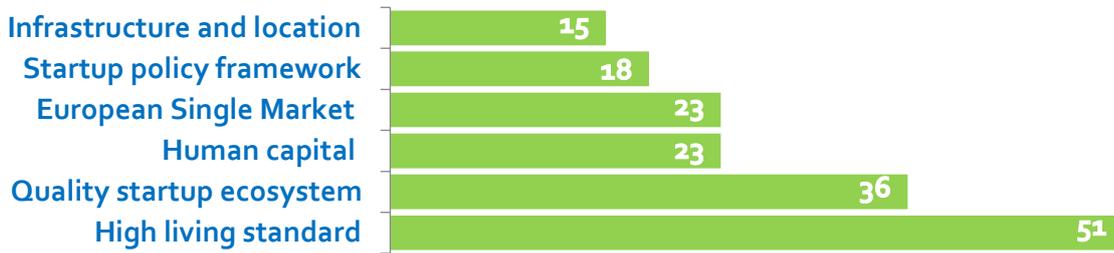
The second part of the questionnaire was filled out exclusively by the “startupper” group of interviewees (57 individuals), i.e. **those who established an innovative startup in Italy.**

One of the main findings to point out is that almost the whole population of the “startupper” is **graduated**. Half of this population holds a **high-level university degree** (PhD, MBA, etc.). In addition, likewise the Italian national trend, one startupper out of four chose **Milan** to establish the headquarters of its business activity. Most firms created in this framework can be described as **digital startups (e.g. software applications)**. In some cases, their business model focuses on **emerging technologies** (e.g. artificial intelligence, Internet of Things).

For the majority of respondents, Italy’s key attractiveness factor lays on its high living standards. The core elements shaping the quality of life are the welcoming attitude shown by the locals, a rich historical and artistic heritage, perceived attention for equal opportunities, as well as high-quality educational and health services.

Additional positive factors include **a significant potential of the Italian innovative startups ecosystem** (incubation services, presence of other innovative undertakings, and a notable R&D system), **a high-skilled and creative workforce**, and **the access to both the Italian and the EU single markets.**

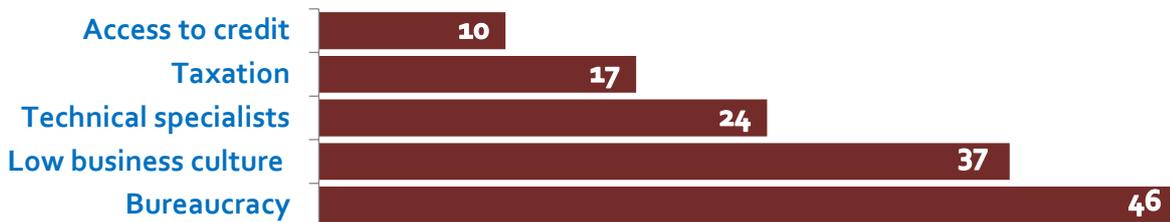
Main benefits of doing business in Italy (%; n. of respondents = 43, multiple choices)



Source: authors' calculation, July-August 2019

Nonetheless, startup visa holders' claimed critical aspects experienced in running a business appear to be quite similar to those generally reported by Italian SMEs. A large share of respondents argued that specific difficulties in doing business in Italy are related to heavy and time-consuming bureaucratic procedures (46%), some complained a different business culture (37%). Among the founders of startups at a more advanced stage of development, concerns have been raised about finding specialised professionals (24%).

Main difficulties in doing business in Italy (%; n. of respondents = 45, multiple choices)

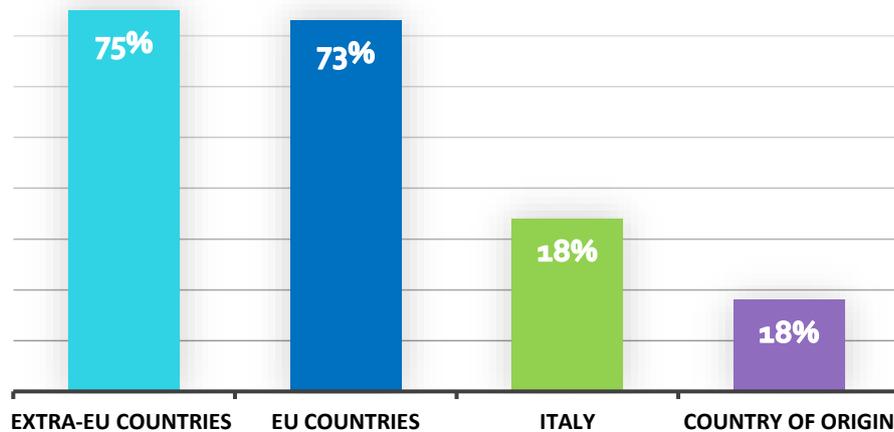


Source: authors' calculation, July-August 2019

The survey also asked startup entrepreneurs to self-assess the stage of development of their business initiative. After excluding firms no longer in operations, **almost 4 respondents in 10 state that they are in a 'development' phase; 21% are already on the market, while 16 % define themselves as scale-ups.**

ISV startups primarily target international markets. Three respondents in four report that their main sales market is either European or global. Only 34 % indicate that they aim to sell primarily on the Italian market, while just 18 % have their own country of origin as their main destination.

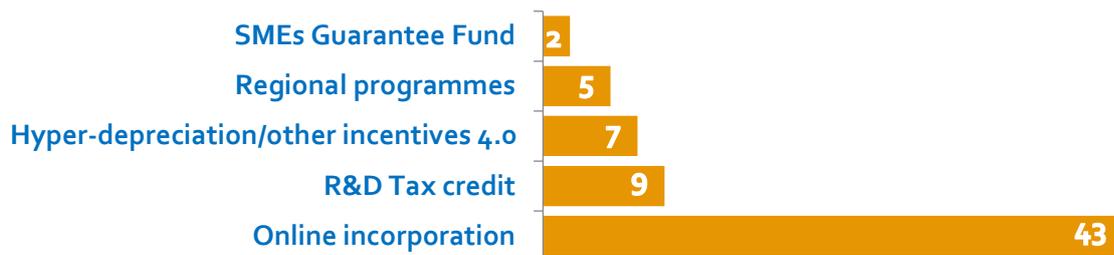
Main markets of destination (%; n. of respondents = 56, multiple choices)



Source: authors' calculation, July-August 2019

Coming to the legal incentives offered specifically to tech companies, a **very significant share of visa holders (43 %) indicate that they have set up their business online, using the digital based, cost-free procedure.** Despite the wide range of incentives available, some of them, such as the Smart&Start Italia subsidised finance scheme, and the robust tax incentives available for investors in risk capital, were not mentioned by respondents. In this sense, the answers reported a limited use of other public instruments such as R&D tax credit, hyper-depreciation for the purchase of digital equipment, the priority access to the SMEs Guarantee Fund. The limited use of the mentioned instruments can be attributed, at least in part, to a lack of knowledge of how to access the incentives on offer.

Degree of use of public incentives (%; n. of respondents = 56)

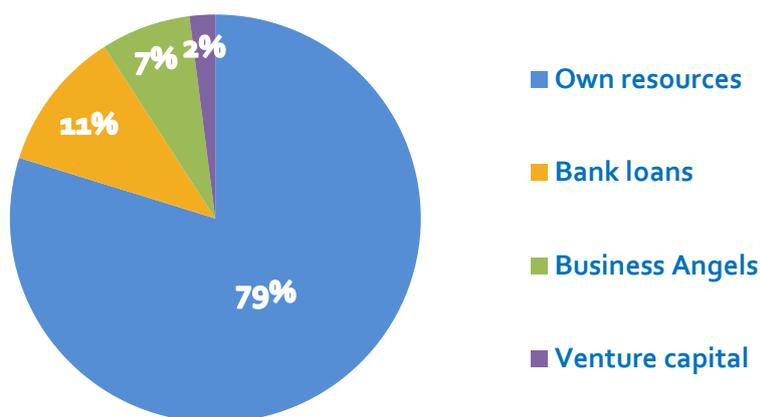


Source: authors' calculation, July-August 2019

*Each of the other public incentives has been deployed by less of 1% of respondents

On the financial side, 79 % of beneficiaries 'bootstrapped' their business, using exclusively their own funds in the early stages. External sources of supply (bank loans, business angels, venture capital) are mentioned only by a minority of startup visa holders.

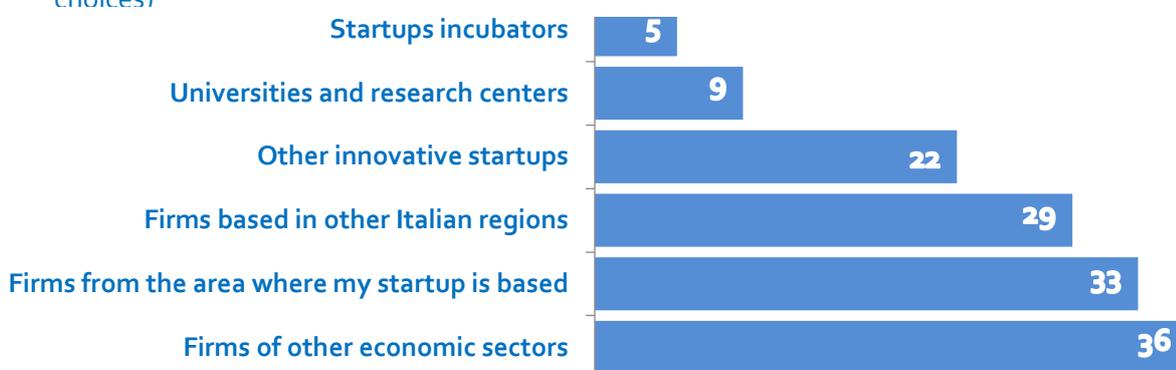
Main sources of funding (%; n. of respondents = 56)



Source: authors' calculation, July-August 2019

In terms of the co-operation with other players of the innovation ecosystem, geographical proximity plays an important role, with many beneficiaries reporting to have built mutually beneficial linkages with other businesses based in the local area. More modest are the ties to universities, research centres, science and technology parks.

Degree of co-operation with the national innovation ecosystem (%; n. of respondents = 55, multiple choices)



Source: authors' calculation, July-August 2019

Two cases of success in the ISV programme

More than five years after the launch of ISV, the programme witnessed some success stories. These stories represent an evidence of the good functioning and of the high potential of this policy: foreign entrepreneurs that decided to both choose and invest in Italy and to accomplish their business project with remarkable results. After applying for Italia Startup Visa and establishing their innovative startup, these participants managed in gaining market shares and in fostering their business performance, with a significant economic return.

The first business story regards **Fueguia 1833**, an innovative startup established in 2015 that produces fragrances from natural plants flavours typical of Patagonia. Based in Milan, the startup was founded by the Argentine entrepreneur **Julian Francisco Bedel**.

Nowadays, it has a 14-members team and an **annual turnover between €1.5 million and €2 million in 2018**. The innovativeness of the company derives from new production methods, particularly a sustainable and environmentally friendly supply chain, which ensures the traceability of all ingredients and absolute transparency for consumers.

The firm has now gone international, opening boutiques in New York, Stockholm and Tokyo, but still retains Milan as its headquarters.

The second business story regards **Routes Software**, an innovative startup **established in 2015 in Lomazzo (Como)** by **Denis Bulichenko**, entrepreneur and software developer of **Russian nationality**.

His startup deals with programming, developing and managing mobile apps tailored for different operative systems and providing touristic services, such as its flagship product, the mobile app **PeakVisor**. It is capable of providing a software that detects mountain peaks and that exploits an advanced 3D-map system for outdoor activities and orienteering all over the world. The idea met widespread recognition, with Peakvisor being even promoted in Apple's 'App of the Day' list. PeakVisor counts more than 400.000 active users all around the world and an average of approximately 40.000 single users per month. This resulted in an **annual turnover very close to €2 million in 2018**.

Main takeaways and policy recommendations

In an increasingly competitive and interconnected global context, attracting foreign entrepreneurs to Italy is an important growth factor. In this regard, the present work has stressed in which way an ambitious and concrete-based programme like ISV, while operating in a specific context, can contribute to achieving such a goal.

ISV was met with great interest at the international level, showing that Italy can be an attractive location for startups. This is shown by the relatively large amount of applications registered (481 to 31 December 2019) and the related countries of origin (49).

As the survey highlighted, most visa holders intend to settle to Italy on a long-term basis. Their decision to stay depends on the growth prospects offered by the Italian market and by the country's high living standards, as well as by the presence of a supportive innovation ecosystem and of high quality local human capital.

At the same time, the survey shed light on several critical issues and offered useful ideas to identify some policy indications. These recommendations aim at unlocking the potential represented by the ISV programme.

1. LAUNCH A WIDE-RANGE COMMUNICATION STRATEGY TO ATTRACT TALENTS TO ITALY

A first critical element is represented by difficulties encountered in reaching the total potential audience of the ISV programme across the international tech community. The awareness of the ISV programme still appears to be limited, considering the lack of dedicated resources. To face this issue, it could be

decisive **to define a structured communication strategy**, thereby ensuring a wider **exposure to the press, with particular reference to digital and international media**. To achieve this objective, actions could be taken to:

- ④ **Encourage the mobilization of the Italian institutional actors in promoting the ISV programme abroad.** This may be achieved through the involvement of the Italian diplomatic community (embassies, consulates, the ITA, international Chambers of Commerce, and the Italian Institutes of Culture) and, in turn, the network connected with these players.
- ④ **Produce structured and targeted communication materials.** These should: communicate effectively the benefits brought about by the programme all along the migration and business pathway; be disseminated by targeting specific interest groups; be available not only in English but also in the languages of the main target countries, in order to better reach the local press and opinion makers.
- ④ **Conduct an awareness campaigns in emerging markets e.g. through 'showcasing' actions.** The promotion of ISV's success stories in selected countries would make it easier to attract target groups that have hitherto been under-represented and are potentially interested in gaining access to the European market and Italy's driving sectors.
- ④ **Relaunch of the Italia Startup Hub (ISH) programme** among foreigners who already have a residence permit, in order to enable an increasingly large number of students and non-EU researchers who, after having obtained an academic qualification, are willing to extend their stay in Italy to set up an innovative startup.

2. IMPROVE SUPPORT SERVICES AND INCREASE THE INVOLVEMENT OF ACTORS PART OF THE INNOVATION ECOSYSTEM

A second aspect highlighted by the survey concerns the **critical aspects affecting newcomers in running their company in Italy**. Finding an orientation within the Italian business and legal environment could be rather complex, owing both to a stratified regulatory framework (e.g. in the fields of taxation and company law) and to cultural aspects (e.g. the importance of informal networks). It is conceivable that these problems could be more easily solved by **promoting better integration and exchange of information between the participants in the programme and the national startup ecosystem**. Specific actions should therefore be implemented to:

- ④ **Promote a greater interconnection between the startup ecosystem and foreign startupper,** by increasing the involvement of organisations that have an intermediary role in the national ecosystem such as university incubators and private accelerators, technology transfer offices, science and technology parks, digital innovation points, competence centers. These bodies could contribute both in terms of the engagement of foreign talents, and by supporting them in the creation and development of their business.
- ④ **Strengthen the exchange of information between public offices involved in ISV programme and the startup visa holders,** by paying particular attention to small offices and those located in outer positions, which are more likely to suffer from information asymmetries and are less used to deal with non-Italian speaking individuals.

- **Facilitate cooperation between companies, particularly with established entrepreneurs from non-EU countries.** Those who have been living in Italy for a long time could provide support, mentoring and sharing of useful information thus reducing language or cultural barriers.

3. FACILITATE THE ACCESS TO VENTURE CAPITAL AND BANK CREDIT

A third element regards **foreign entrepreneurs who does not always have sufficient resources to face high management costs incurred when establishing a startup.** Most beneficiaries have to use their own savings, as external sources such as venture capital and debt finance are difficult to access.

In addition, there is an untapped potential in the use of public tools dedicated to startups and innovative companies, such as incentives for the creation and development of startups or tax credit for investments in R&D. The reason underlying this seems to be linked to the limited knowledge of these tools. In view of improving access to finance, it would be important to:

- **Promote enhanced dialogue and interaction between startup founders and the national financial industry:** venture capital funds, business angels, equity crowdfunding platforms, venture incubators/accelerators and large companies engaging in corporate venture capital. A matchmaking web portal featuring company profiles could be a first step in this direction. The website dedicated to innovative startups and SMEs run by the Italian Chambers of Commerce (startup.registroimprese.it), which contains a wealth of administrative and market data, is a good starting point in this direction.
- **Foster a widespread dissemination of information on direct and indirect public finance instruments dedicated to innovative companies,** whether they are specifically aimed at startups (e.g. Smart&Start Italia, tax incentives for equity investment) or not (e.g. tax credit for R&D investments). This could be achieved through awareness campaigns, both at national level, with the support of the MISE and other administrations involved in the programme, and at local level, involving the Italian Regions, which could add their own tools to support innovative entrepreneurship.
- **Create synergies between public instruments aimed at attracting capital (investors visa, flat-rate scheme for new residents with high tax-paying capacity) and aimed at attracting foreign talents (startup visa, EU Blue Card for skilled workers).** These tools could be promoted jointly as a single 'attraction package', including through targeted actions focusing on specific geographical areas or groups of intermediaries, and combined in their practical application (e.g. the investor visa may be used to finance Italian startups founded by non-EU nationals). In addition, linkages between Italy and third countries could be developed and leveraged based on specific instruments (e.g. the investor visa could pave the way for emerging markets with a wide community of high-net-worth individuals, which could subsequently be addressed for promoting the startup visa). Last but not least, it would be useful to explore the potential synergies between the startup visa and the bilateral scientific cooperation programmes coordinated by the Italian Ministry of Foreign Affairs and International Cooperation.