

THE MESSAGE



LAST CHANCE!

The Italian opportunity

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There are times when one has to get in the game to avoid vanishing into nothingness, come up with changes to get another chance. But the structures built over time are so deep-rooted that a remarkable thrust is needed to shake them up.

Europe has been in the shadow of US and China for some time now: growth is lacklustre, unemployment is higher than on the other side of the pond and, if we look at investments, no European company is among the world's top ten. Why on earth a foreign investor should look at Europe? And within the continent, Italy is among the countries that have struggled in the last 20 years to keep pace even of a sluggish Europe.

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With the *Next Generation EU*, Europe has come up with that diversion needed to increase growth, create new jobs and become again the main character among the world's powers. It's not a coincidence that Europe is leading the way in the green transformation, for example with the Taxonomy that Ursula von der Leyen announced as the world's first handbook to distinguish what is green from what is not.

Italy will have a leading role in this revival, as it is the biggest beneficiary of the European Recovery and Resilience Facility with EUR 191 bn of financial support from now to 2026. Just a few days ago Ursula von der Leyen tweeted that the “**first disbursement of #NextGenerationEU funds to Italy**” had been made, with congratulations for the reforms implemented or approved so far. In fact this is the first payment subject to the assessment of the milestones and targets fulfilled for 2021, and it's on top of the pre-financing of 25 bn of last August. It's also one of the first assessment-linked disbursements at European level, after those granted to Spain (December), France (March) and Greece (April).

It's a **substantial payment of 21 bn** that brings the total so far to 46 bn destined to the six “missions” of the plan. If investments totalling 12 bn have been made in 2021, **more than twice as much (27 bn) are targeted for 2022.**

Almost a third of this, slightly less than

9 bn, are destined to the digitalisation of the public administration, national health service and companies, to the optic fibre network (the “Piano Italia 1Gbps”) and 5G infrastructure.

Almost **4 bn to improve the energy efficiency** of towns and schools and to strengthen the 110% ecobonus for building renovation, while **1.5 bn will go to renewable energy, hydrogen and sustainable mobility.** The investments for wind and photovoltaic projects are only 60 million euros, but those are technologies now self-sufficient and less in need of public investments. Agrivoltaic systems, more recent, will get 108 million euros. **The high speed railway network will get 3 bn and research and education will get 6 bn** ([more details here](#), or in [italian](#)).

About two thirds of the total financing will be loans and one third grants. Italy is one of the few countries (along with Greece, Romania, Poland and Portugal) that have requested loans, given the economic incentive of paying less than on their own sovereign debt. The possibility of requesting loans up to 6.8% of the Gross National Income makes Italy, that used this possibility in full, the country with the most funds at its disposal: 191 bn euros, as mentioned above, which gives a clear idea of the gargantuan scale of the reforms and investments needed to modernize the country.

Should one wonder how much such reforms will contribute to the economic growth, EU studies indicate that, depending on the



timing of the implementation and the productivity level, Italy's GDP will grow by 1.5% to 2.5% by 2026 in real terms, creating about 240 thousand jobs in the process. Not a small increase for a country that had grown by 1% p.a. between 2015 and 2019.

It's easy to imagine that companies linked to digitalisation and energy efficiency will get a lot of business in the near future, even with some caution due to bottlenecks caused by raw materials sourcing and costing, in particular for energy.

The long journey that will bring us to the final objective, being the first continent with net zero emissions by 2050, has begun. Perhaps it's a real objective, perhaps it's only a diversion created on purpose to boost the sluggish economic growth and reduce the unemployment too often close to double digits. Or perhaps it's a bit of both, because both targets are commendable and they can coexist. Certainly this looks like the last chance for Europe, and for Italy, to win the trust of investors.

