4th March - 4/2022

Bulletin of Italian Finance

1. G20 and the health protection gaps

At the opening Conference of T20, the think-tank forum that accompanies the work of the G20, the handover between the Italian and Indonesian Presidencies took place. The Conference, held on February 9-10, dedicated considerable space to the theme of global governance of health issues and related financing. This theme represents the first of the three priorities of the new Presidency. The various speakers at the Conference first noted that great difficulties have arisen in implementing the ideas, proposals, and commitments accrued in 2021. The result is that the goals of vaccinating 40% of the world's population by the end of 2021, and 70% by September 2022, have been largely missed or compromised. Not only does this create concern that as the virus circulates undisturbed in the most fragile countries, waves and variants will multiply globally, but it also creates the suspicion that once the emergency is over, governments will lose interest in the issue and the world will remain dangerously exposed to future pandemics and other health hazards in the future. Vera Songwe, head of the UN Economic Commission for Africa, underscored how the investment gap to relaunch production, trade, technologies, etc., is strongly conditioned by the lack of public and private financing, and called for the launch of a "Global Pandemic Preparedness Facilities". Mari Pangestu of the World Bank stressed that relaunching investments requires fundamental reforms of national health systems and financial

The President of Ania, Bianca Maria Farina, speaking at the Convention of "Itinerari Previdenziali" on February 3rd, focused on this aspect and on Italy. In order to fill the protection gaps that the pandemic has highlighted, it is necessary to strengthen the private pillars of welfare with supplementary healthcare, complementary pension systems, insurance for natural disasters, etc. This aims not only to integrate public funding with private savings, but also and above all to make protection more efficient, more targeted and also more universal and fairer. Furthermore, the President emphasized the need for a partnership between the public and private sectors with the aim of implementing the health systems reforms that are at the heart of the debate both globally and nationally. These topics will be the focus of the webinar that FeBAF is organizing next 18th March on sustainable development's global financing: special drawing rights and multilateral development banks.

markets, with the objective of making them capable of channeling the vast resources of the private sector which are potentially available.

2. Banks and insurers rate highly for sustainability

In an annual report on sustainability progress, published on 18 February, the research office of Standard Ethics, a London-based sustainability rating agency, gave Italian banks and insurers a pat on the back. The agency's Italian Index is composed of the 40 main listed companies, of which eight are banks and three are insurers. The report shows that the agency places two banks and one insurer in its EE+ (very strong) category while four banks and two insurers are rated as EE (strong) on sustainability. Just one bank ranks as EE- (adequate) and another bank as E+ (low), but with a positive outlook. Thus, only one in eight of the banks in the Italian Index rates as not fully sustainable. Standard Ethics has also developed an Italian Banks Index and describes the Italian banking industry as presenting “a very advanced level of alignment on sustainability”. Italian banks out-perform Standard Ethics' European Banks Index in which 43 per cent of its component banks are rated not fully sustainable. Indeed, Standard Ethics comments, “On average, Italian banks show a higher level of Sustainability Grade than their European peers.”

The rating agency draws attention to how Italian banks are complying voluntarily with global sustainability standards and to how some are taking concrete steps to gender equality in their governance structures. It has a particular commendation for banks that were previously cooperatives, and which have been maintaining their long-run attention to local communities, thereby focusing on the social area of ESG. As regards the national picture, Standard Ethics notes favourably Italy's response to the pandemic and the national recovery and resilience plan launched by the Draghi government.

3. Private capital’s Manifesto

Italy's private equity, venture capital and private debt association (AIFI) has issued its manifesto for private capital for the coming five years. Carrying the title *Private capital: a flywheel for national recovery and sustainable growth 2022-2026*, the 28-page document was published on 18 February. In an introduction, Innocenzo Cipolletta, the association's chairman, who also chairs FeBAF, emphasised how the private capital sector “can offer a combination of competence, know-how and contacts” for firms requiring capital to grow and internationalise. Moreover, such opportunities have been thrown into relief by the pandemic and in Italy's national recovery and resilience plan (NRRP). Mr Cipolletta also noted

As Anna Gervasoni, the association's director-general, observes, “Over the coming years, as well as consolidating its existing activities, AIFI must seek and enter the new areas in which private capital will have a front-line role.” Infrastructure and technology transfer are two where the association's working groups are already busy. In addition, commitment to sustainable growth objectives will continue to absorb attention. (AIFI has signed Italian finance's charter of sustainable and responsible investment promoted by FeBAF.) The association's manifesto lists eight priorities, among them (a) encouraging more private capital through public-private partnership, (b) promoting private capital as a flywheel for

how the good governance practices typical of private capital involvement have been central to improving corporate culture in firms where private capital is invested. And he pointed to AIFI's key role in dealing with governmental and regulatory authorities, and with institutions, in order to eliminate uncertainties, cut red tape and clarify rules that create difficulties for private capital firms. The association has played a major part in boosting awareness of the important part that private capital can play in the country's economic well-being. The manifesto is rich with details on what AIFI is doing in the present, from research and standards definition to networking and the encouragement of young (under-40) private capital analysts and managers through focus on their development. However, the principal thrust is on the future. And with this in mind AIFI has created a group of technical commissions composed of specialists drawn from among its members and covering the areas with which private capital is concerned, including private equity mid-market, private debt, corporate venture capital and turnaround.

the NRRP, (c) encouraging private capital investment by high net-worth individuals, and (d) promoting disinvestment channels. Two figures in the manifesto, from studies by LIUC university, illustrate what private capital can achieve in the Italian economy: 82 per cent of private equity operations had increased the level of internationalisation of firms in which investment had been made for expansion or buyout, and 25 per cent of firms with private equity and venture capital investment had patented technology or processes, against under 5 per cent nationally.

AIFI

Italian Private Equity, Venture Capital and Private Debt Association

4. A good year for mutual funds

Asset managers enjoyed a total net inflow of €93 billion last year, of which net €73 billion were placed in mutual funds, and net €20 billion flowed into portfolio management. Final figures for 2021 were released by Assogestioni (the fund managers' association) on 17 February in their FocusRisparmio newsletter. At year-end, Assogestioni's members, comprising 58 groups and 202 companies, had a total of €2,594 billion under management. The association's analysis shows that €1,351 billion were invested in mutual funds (€1,272 billion in open funds and €79 billion in closed funds) and €1,243 billion in portfolio management, where the largest component was the management of insurance products (€804 billion), pension fund assets standing at €114 billion. Weighing the year's net inflows against assets under management at year-end, the focus was mutual funds, and particularly open funds. Indeed this was a subject to which Ignazio Visco, the Bank of Italy's governor, turned his attention when he addressed the 28th Forex conference on 11 February. He described Italy's asset management industry as “dominated by open funds … in particular by those subject to foreign law, which represent almost 80 per cent of investment in mutual funds in Italy.”

In fact, Assogestioni's figures show that they amounted to €1,014 billion at year-end, equivalent to 79.7 per cent of total assets under management in open funds. Mr Visco pointed out that almost two-fifths of the funds are “offshoots of Italian groups that have transferred, for industrial, regulatory or fiscal reasons, the main part of their asset management business to other parts of the EU (in particular to Ireland and Luxembourg).” Assogestioni's breakdown of net inflows last year shows that the funds of foreign groups (cross-border) raised almost 32 billion while foreign funds of Italian groups (round-trip) raised €28 billion. And what asset class interested savers most? The big winner was equity funds with a net inflow of just over €32 billion to bring assets under management at year-end to €380 billion.

In Brief

ABI's 2022 events programme. On 22 February, the Italian banking association (ABI) announced a busy events programme for the current year. It begins on 5 and 6 April with the 13th edition of Credito al Credito, organised with Assofin (the association of consumer credit and mortgage lenders) and dedicated to the role that credit plays for households and business, which is followed by Banks and Security on 19 and 20 May. The eight-event programme ends on 23, 24 and 25 November with the Salone dei Pagamenti which focuses on payment systems and innovation.

ANIA's second Master's course. Applications for the 30 places on the second post-graduate course in insurance management closed on 22 February. Organised by ANIA Academy (the professional development arm of the insurers' association) in tandem with the Catholic University in Milan, the one-year course locates insurance management within a framework of innovation and sustainability in an international scenario. Open to graduates in a wide range of disciplines and beginning in March, the year's course comprises seven months teaching and five months of project work and placements.

Climate finance. The high capital requirements of green start-ups and the need for public sector finance were among the points raised in a webinar organised by Milan polytechnic's climate finance monitor on 22 February. Although the venture capital sector is growing both in terms of volumes and values, investment targets in climate change mitigation are limited. And, according to Vincenzo Butticé, the monitor's deputy-director, green crowdfunding campaigns currently offer little prospect of success.

SAVE THE DATE

FeBAF organizes (in Italian)

Webinar: Il finanziamento globale dello sviluppo sostenibile; diritti speciali di prelievo e banche multilaterali di sviluppo
18 march 2022
2 p.m.