



***Investing in Long-term Europe:
Relaunching Fixed, Network and Social Infrastructure***

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Introductory Notes by **Luigi Abete**

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1. Welcome speech

Welcome to this important International Conference on long-term investment in Europe to relaunch fixed, network and social infrastructure.

I would like to thank all the authorities present today here in Rome who have honoured us with their presence.

I would like to thank all the organizers who have worked together with us to make such a far-reaching event possible (CDP, OECD, Long-Term Investors Club, European Long-Term Investors Association, Official Monetary and Financial Institution Forum, Integrate Think-tank, Consiglio Italiano del Movimento Europeo), which has been organized together with the Semester of Italian Presidency of the EU Council.

What is the Federation:

We should first of all introduce ourselves before an international audience

We are the Banking, Insurance and Finance Federation. We are and would like to become more and more “the Italian common House of savings and finance”. Our members include Abi, Ania, Assogestioni, Aifi, Assofiduciaria, Assoimmobiliare, assoprevidenza, assosim, the main representatives of businesses working in the financial markets.

2. Long-Term Investments

Structural reforms aimed at improving investment conditions have been implemented too slowly in Europe. Six years after the economic and financial crisis, the investment levels in the EU are still 17%, below what they were in 2008.

Europe needs a greater convergence of industrial, energy and climate policies.

Participation of the European industry in the world's industrial added value has dropped by 5% during the 2000-2012 time period; in Italy it even dropped by 28%.

Europe has lost six million jobs in the industry: this trend needs to be reversed¹.

In real terms, there has been a drastic drop in European market competitiveness which saw the growth of unemployment, especially among the younger age groups.

That is why the objectives for the next few years should be far more ambitious.

Quoting Minister Padoan: *“the time for action on investment and structural reforms is now”*

In March 2013 the Green Paper on European Long-Term Investment Fund (ELTIF) was adopted, and as a Federation we have contributed to this Paper during the public consultation (see attachment)

3. Why today's Conference

a) As the Italian financial industry we keep asking to relaunch public and private investments on the European market (in particular, for those small businesses having strong potential but lack of credit). As a Federation we are the ideal forum to “summarize” the positions of the Italian “financial business community”;

b) To encourage proposals and solutions on the role that the various public and private institutions together (Public Private Partnership, PPP), may/should have vis-à-vis growth, sustainable and long-term investments for real economy;

c) Infrastructures represent the backbone for growth: both fixed (once they were defined *heavy*), and the so-called network (utilities, etc) and social (which would have been defined as *thinking*). R&D investments, innovative Infrastructures, green

¹ Il Sole 24 Ore, 3.7.2014

economy and smart-grids /smart cities are the key to return to growth, and therefore require long-term financing to bring the EU back on the right track.

d) If we want to be consistent – chronologically too – with the presentation of Juncker’s Plan: **#investEU** is not only the hashtag (note: the keyword of messages on twitter) proposed by the European Commission when the Plan was presented, and it’s not even the hashtag only which, together with this Conference, **#ltirome**, we have embraced during these two days. It is the password of a new Europe which either truly invests or is doomed to wearing out. As Juncker said: *“This time it’s different”*: We’ve got to work together to turn President Juncker’s statement into the precondition of a working plan and not of an act of faith.

4. Juncker’s Plan

The Plan, which up until now has only been presented in general terms, seems to be well-articulated. In fact:

- a) It is based on three pillars: a European Fund for Strategic Investment (EFSI), a system of real services and an in-depth reform of the regulatory and legal framework on investment along the lines of a single market and market integration (Capital Markets Union).
- b) It is oriented towards the market and investments financed on the market, thus reducing the risk of “white elephants”.
- c) It gives finance a special role, which must contribute by gathering savings, with assessment, screening and scoring of projects, with mobilization and multiplication of resources (lever action).
- d) It is inspired by the principle of subsidiarity (horizontal and vertical), because what is public does not floor the market, but with guarantees it takes on risks which the private sector could not afford (risk taker of last resort).

The Plan’s only problem (but this is a dramatically relevant issue) is that since it is a structural Plan of supply-side reforms, it is destined to produce only medium-long term results, whereas the European economy would need “demand”, cyclic and temporary signs and stimuli, albeit sufficient and credible, in order to reverse the expectations and its severe confidence crisis.

5. How can we overcome this limit in Juncker’s Plan?

To this end we might act on the **smart enforcement of the flexibility clause allowing individual countries interested to finance the European Fund**. Member States could, on a voluntary basis, transfer resources to the EFSI not only to extend the guarantees to the European investments, but also to finance a broader, cyclical and temporary programme of incentives to equivalent private investment to be carried out in the same country, through tax exemption, in other words tax credit on investment. This means the Member State may decide to transfer to EFSI equivalent resources to a tax cut programme supporting investment (tax credit), bears the relative debts, but this is not calculated according to the Maastricht lines, since these are investments validated at the European level. The EFSI decides which criteria to apply and manages and controls the programme.

In addition, European resources could be allocated from European structural funds belonging to the country; naturally, in this case, there would be an exemption from the obligation of public co-funding, since these resources are actually co-funded by the market, as well as by European benchmarking constraints.

In this context, the European Fund might also finance an Italian credit guarantee fund for small businesses, thus protecting this business segment from the ongoing deleverage structural risk.

6. An assumption requiring further examination:

Such Guarantee Fund, which is being studied by our Federation, in other words, a reassessment of the current Central Guarantee Fund of the Italian Ministry of Economic Development (MISE), might be included in Juncker's Plan, with the adequate specifications.

A close relationship between the Italian and the European Fund would lead to multiple benefits: a) first of all, public resources feeding the Italian Fund might be calculated outside the Stability Pact; b) since they are separate from the national public finance, these resources might benefit a better rating; c) European constraints, and related benefits, might strengthen the drive towards reforming the existing mechanisms; d) confrontation between European best practices could be a valid contribution to programming and implementation.

7. In conclusion:

We need to build a Single Market for Investments, Single and European, and go one step further after the Banking Union

As the Federation representing the Financial Industry, we believe three conditions in particular can lead to immediate benefits:

- 1) Complete the process toward the Single Capital Market as soon as possible.
- 2) Remove obstacles and barriers to the leading infrastructure sectors, such as: telecommunications, digital economy, energy, transport and connected sectors
- 3) Create a single, simple, clear and stable regulatory framework

Any complexity which might weigh upon credit and business financing thus penalizing competitiveness must be avoided.

To this end a Single European Rulebook, with few simple rules, is necessary, which must not come before the 28 different regulatory regimes, but which should instead replace them.

The aim is to avoid dual regulation in favour of a single, European, harmonized, clear and not too restrictive one.

We expect a unitary contribution from the enlarged business community to today's Conference, as well as a debate on the themes included in the "Action Plan" for long-term investment in the European Economy.

Special focus will be given to social investment, aimed at reaching lasting results for the community and presenting opportunities for the territories and for the local administrations.

Solutions such as the Public-Private Partnership (PPP) involving through the horizontal principle of subsidiarity both private investors and public administrations, in a well-coordinated manner, also allowing the free participation of citizens and stimulating their contribution, are crucial to face the challenges which are at the centre of our concept of Europe.

We are therefore looking forward to the work of the new Commission, continuing the national and European collaboration to promote ideas and proposals from the private sector and therefore contribute to this highly ambitious but necessary programme to relaunch investments, growth and jobs within the European Union.

