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ITALY INSIGHT: WHY ITALY?

NEXT GENERATION EU
OPPORTUNITIES AND CHALLENGES FOR ITALY'S FUTURE

The National Recovery and Resilience Plan (NRRP), part of the European Union's Next Generation EU program, is the cornerstone of Italy's strategy for economic recovery and modernization.

The recent approval of the sixth payment, amounting to **€8.7 billion**, confirms the completion of 23 milestones and 16 targets, including significant infrastructure projects, the enhancement of renewable energy sources, and advancements in the digitalization of public administration. This achievement strengthens Italy's credibility at the European level and marks a concrete step toward the full utilization of available resources. During the latest NRRP steering committee held at Palazzo Chigi, former Minister Raffaele Fitto reviewed the status of the Plan before assuming the role of Executive Vice-President and EU Commissioner for Cohesion and Reforms in Brussels. Fitto highlighted Italy's leadership in Europe in terms of achieved targets, including strategic initiatives such as the enhancement of railway connections, significant investments such as the construction of new gas transport infrastructure such as the Adriatic Line, the expansion of rail links in southern and central Italy, and tax credits for ecological transition 4.0. This represents a crucial achievement for the country, which has secured the largest share of resources under the Next Generation EU program: **€194.4 billion**, over 34% of the total EU allocation.

Simultaneously, Italy has submitted its request for the seventh payment, estimated at **€18.2 billion**. This tranche will be allocated to complex initiatives, including the completion of major public works such as the enhancement of port, rail, and road infrastructure, with a focus on the southern regions to reduce territorial disparities, the reinforcement of zero-emission bus and train fleets, and the modernization of energy transmission infrastructure.

Effective management of this phase will be crucial to maximizing the economic and social benefits of the NRRP and serves as a litmus test for the country's administrative capacity, requiring strong coordination between central government and local authorities.

Meeting the objectives, as also emphasized by the OECD, can sustainably consolidate the country's growth potential, strengthening market confidence and contributing to more sustainable debt management through the positive impact of public spending programs on GDP.

LARGE CASH

ITALY LEADS THE WAY: PENSION FUNDS SET TO INVEST IN STARTUPS

Italy could become the first European country to give tax incentives to pension funds that invest in innovative and technology start-ups.

In fact, the Senate is preparing to approve the amendment to the draft law on Competition, which was created with the aim of encouraging investments in venture capital following what was stated in the Draghi report on European competitiveness. And the main changes concern pension funds, which, in order to maintain the tax exemptions provided for, will have to invest at least 5% of their qualified investments in venture capital funds in the previous year, a quota that will have to rise to 10% from 2026. An important part of pension savings will thus be directed towards strategic sectors of the real economy, such as productive enterprises, infrastructure and innovative start-ups. Furthermore, the Irpef tax deduction for investments in innovative startups will increase from 50% to 65% of the amount invested by taxpayers in the share capital of one or more innovative startups.

In support of this measure, the regulation aims to extend the definition of a start-up even further, for example by removing the **€20.000** share capital requirement.
However, to remain on the Innovative Startup Register, companies that have been registered for at least three years will need to satisfy at least one of the new requirements:

- 25% increase in R&D expenditure
- 50% growth in revenues, or employment, between the second and third year;
- obtaining at least one patent or an experimental contract with public bodies;
- transformation into a joint-stock company (SpA).

Moreover, the maximum period in the Register will be extended from five to seven years for start-ups and up to nine for scale-ups, i.e. companies that have reached a later stage of development and are ready to repay their investors.

In 2024, total equity investments in high-tech startups in Italy amount to approximately **€1.493 billion**, marking a +32% increase compared to the 2023 figure (**€1.131 billion**).

Of these, investments made by "formal" players (independent Venture Capital funds, corporate Corporate Venture Capital funds, and government funds) have shown a +42% year-on-year growth, an estimate the government aims to further boost in 2025 through the new regulations.

In short, if the idea is good, now is the time to realise it. Better in Italy.

ITALIAN M&A

YEAR-END SURPRISE, UNICREDIT'S M&A ATTEMPT ON BANCO BPM

On 25 November, the i**nternational banking group UniCredit launched a voluntary public exchange offer to acquire 100% of Banco BPM, one of Italy's top ten banks by market capitalisation**, for a total value of **€10 billion**. It is estimated that the integration would provide Unicredit with **€900 million** in cost savings and **€300 million** in additional revenues. This action comes after Unicredit's previous attempt to acquire Commerzbanck, in which it recently acquired a 21% stake.

Banco BPM's board of directors rejected the offer, stating that it would continue to operate independently and pursue its growth strategy: it was only mid-November that Banco BPM, together with Francesco Caltagirone (an Italian entrepreneur and building constructor), and Delfin, a holding company owned by the Del Vecchio family, took over a total of 15% of the shares in Banca Monte Paschi di Siena put up for sale by the MEF, the Ministry of Economy and Finance, in particular the entrepreneur Caltagirone rounded up his stake in Monte dei Paschi to above 5%, from the previous 3.5%.

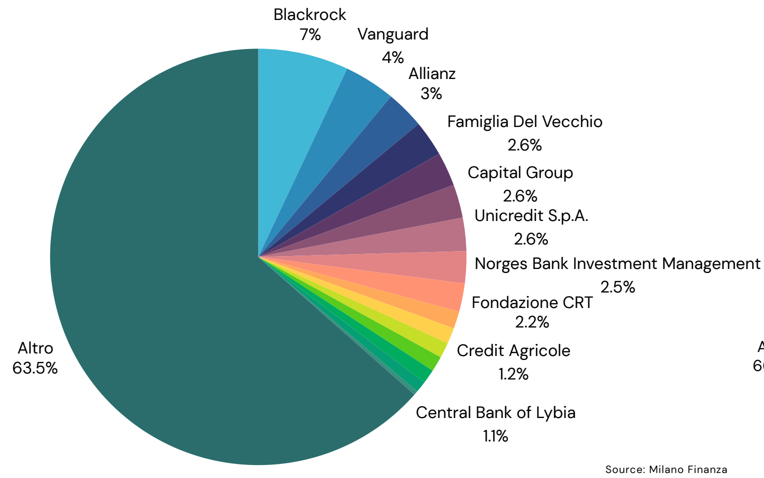
A successful merger between UniCredit and Banco BPM would jeopardise the possibility of creating the third banking pole, as well as eliminating a significant player, thus reducing the chances of the other Italian banking groups to consolidate their market position.

Unicredit's operation is part of a banking integration strategy aimed at strengthening the group's position in the Italian market, with the goal of reducing Intesa Sanpaolo's advantage.

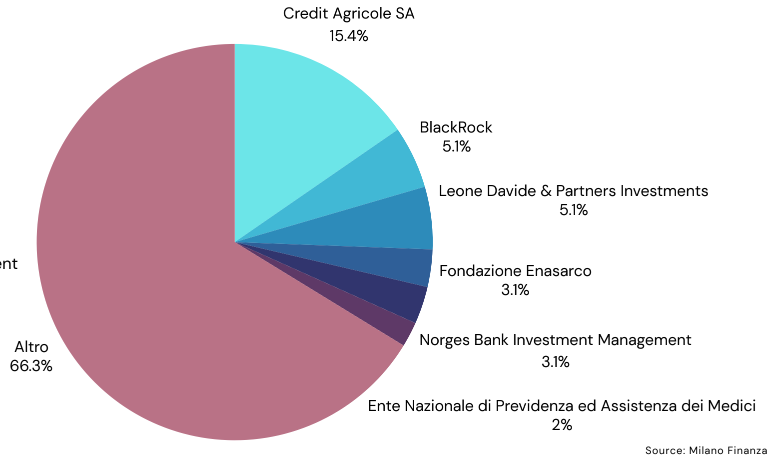
The acquisition of Banco BPM, which recently launched an IPO on the asset management company Anima, could therefore redefine the Italian banking landscape and, if successful, create a banking giant capable of competing with major European banks. This is in line with the recommendations highlighted by Mario Draghi in his latest report on European competitiveness: in fact, the operation rekindles the spotlight on the need to implement a shared strategy on the future of the banking sector in order to foster the creation of a European banking union capable of competing with the large US and Asian financial institutions.

The game is still open, and in the meantime Unicredit would like to examine Banco Bpm's year-end results in order to be able to assess a relaunch of the OPS.

Major Shareholders Unicredit



Major Shareholders Banco BPM



BRUSSELS - ROME PUBLIC AFFAIRS

THE NEW COMMISSIONER: RAFFAELE FITTO

Raffaele Fitto, born in Maglie (Lecce) in 1969, is a central figure in Italian and European politics, with a career combining administrative, legislative and government experience. A lawyer by training, Fitto embarked on the road to politics in the 1990s, following in the footsteps of his father, a historic member of the Christian Democrats.

***Raffaele Fitto**, Executive Vice-President of the European Union Commission*

His first major post was as president of the Puglia Region (2000-2005), where he distinguished himself by managing European structural funds for infrastructure development, agriculture and modernization of the regional health system.

In 2008 he joined the Italian government as minister for regional affairs and autonomies in the fourth executive led by Silvio Berlusconi. In this role, Fitto promoted fiscal federalism and worked to redefine the relationship between the central state and the regions, at a time characterized by the need to improve administrative efficiency and transparency in the use of public resources.

At the European level, his career took a turn in 2014 when he was elected to the European Parliament. During his term, he focused his activities on the issues of territorial cohesion, energy transition and industrial policies, working closely with European institutions to improve the competitiveness of Italian SMEs and support for less developed regions. As chairman of the European Conservatives and Reformists (ECR) group, Fitto consolidated his image as a mediator between national demands and European priorities.

His appointment as European commissioner is the culmination of a path that weaves a deep knowledge of local dynamics with a clear vision of global challenges. Thanks to his experience, Fitto is considered an authoritative interlocutor capable of guiding policies aimed at reconciling economic development, sustainability and social cohesion, in line with the European Union's strategic priorities.