

SHAPING THE FUTURE OF CITIES

Sustainable Urban Regeneration Lab – Launch Event
SDA Bocconi University

Carlo Messina - CEO of Intesa Sanpaolo, Chair of the B20 Finance and Infrastructure Task force – took part in the Sustainable Urban Regeneration Lab (SUR Lab) launch event, with a speech on “**The Commitment of Finance Towards Sustainable Urban Regeneration**”.

SUR Lab is an initiative launched by SDA Bocconi to **promote research and education on sustainable urban regeneration at a global level**. The new lab will develop and spread knowledge on how the urban regeneration process creates value for the private sector and for society.

Below the full statement by Carlo Messina - CEO of Intesa Sanpaolo, Chair of the B20 Finance and Infrastructure Task force.

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Dear distinguished speakers and guests, it is a **pleasure to be here today** for the launch of the Sustainable Urban Regeneration Lab.

My thanks go to Bocconi University, Professor Verona and Professor Croci, for inviting me and promoting this important initiative with a focus on urban regeneration, which is a strategic opportunity to rethink our cities from the three perspectives of social inclusion, sustainability and digital.

This topic is so important that **it was one of the main highlights of the B20 Task Force Finance & Infrastructure**, in particular focusing on social inequalities and on the wide gap in infrastructure investments to support quality of life.

Job loss, poverty, growing social inequalities, debt, have all **hit vulnerable people**, including informal and low-skilled workers, women, students, young workers and older people.

These trends are even stronger in cities, where today over 55% of the global population lives. By 2050, this will increase to 66%, when the number of people living in urban areas will reach 6.7 billion.

Urbanization, in itself, **is an opportunity**. Cities have become the primary drivers of economic development around the world. Cities attract talent and investments. The concentration of people promotes a faster dissemination of knowledge and a higher rate of innovation, while stimulating the development of infrastructure.

Urbanization **also has a negative side**. Concentration creates congestion, poor environmental quality, tensions in the real estate market and, in general, a growing demand for services.

Given these facts, our main priority should be how to promote urbanization according to the principle of “**doing well by doing good**”: doing good for Italy, for Europe and for international growth, while taking care of vulnerable people.

Principles, infrastructure, and sustainability are often mentioned, maybe too often, but let me ask you this: **do we really believe that there will be unsustainable infrastructure?** As recently stated by the G20 leaders in Rome, **cities are enablers of sustainable development**, and urban regeneration is a key driver for the post-Covid recovery.

Our country is well-known for its beauty and its cultural heritage and we have some of the most innovative entrepreneurs - and I'm very proud to be here in one of the world's best business schools. But Italy has the disadvantage of a **significant embedded infrastructure gap**.

The infrastructure gap is not just a statistic, a piece of data that places Italy at the bottom of European rankings.

The gap impacts people's daily life, such as the elderly who don't have adequate health care, students without efficient school systems, transport services and sports centers.

These **gaps, which are mainly related to neighbourhoods, shape the lives in our country**. In past years, when there was less attention on ESG and urban regeneration issues, **our Bank invested in order to give back requalified neighbourhoods to our country**.

We were able to do this thanks to the **strength of our results and balance sheet**, and, let me say, with **the conviction of those who believe in extraordinary initiatives**.

The perspective of Intesa Sanpaolo on urban regeneration sets an international benchmark, with real projects where we are providing sustainable infrastructure finance to support our country's growth.

Let me tell you about three examples. The first is **MilanoSesto**, one of Europe's most significant urban redevelopment plans, including senior living, student housing, the City of Health and Research with the "National Cancer Institute" and the "Carlo Besta Neurological Institute". The second is **Milano Santa Giulia**, the new district with a unique multifunctional arena (12/15,000 seats), which will be used for the winter Olympic games Milano-Cortina 2026. The third one is **Redo SGR**, a non-profit asset manager specialised in social housing, student housing building and urban regeneration projects.

Our bank will continue to be a **reference model for social protection in Italy** and an accelerator of investments for the next generation. This makes teamwork essential. **Governments are looking to huge increases in expenditure**, with a focus on investing in housing, renewable energy, transport and telecoms, as they seek to overcome the recession induced by the pandemic.

This is demonstrated by the fact that **Italy's economic growth projected for this year** (6% vs 4.5% expected by the OECD in April) has **had the biggest upgrade among G7 countries** over the past five months¹, while business confidence soared to an almost 20-year high in October².

Converting this economic projection into real growth can only happen if we act with a **clear definition of the priorities** and a sense of urgency. This needs to be backed up by standard procedures and a task force with public / private / financial / industrial skills acting in coordination.

I would summarize it in **A NEW EQUATION where PPP stands for People, Prosperity and Planet** and where the traditional PPP scheme (public private partnerships) is at the service of People, Prosperity and the Planet's growth.

As I was saying, we, as Intesa Sanpaolo, are ready to support businesses so that they can make the most of the benefits deriving from the National Recovery and Resilience Plan, and we will provide **over €400bn in medium/long-term lending to businesses and households** in support of Italy's Recovery Plan.

Over the last twelve months I have had the privilege with my team of chairing the **B20 Taskforce on Finance & Infrastructure** within the scope of the Italian G20 Presidency.

Together with stakeholders from the G20 countries, **we have developed practical steps that G20 nations should take to promote more investment in sustainable infrastructure and urban regeneration projects.**

First of all, as a member of the Bocconi University Board, I would like to promote **a process of international growth for the development of our skills.**

I would like to scale up our experience and enable synergies with international universities because such issues are of global importance. For instance, we could share the experience we have developed over the last months, during which my team has been working on a **pilot with Harvard Business School for the development of a framework for impact monetization of urban regeneration projects.** .

Urban regeneration **should be transformed into a mainstream asset class**, acting also on standards and taxonomy. Through this labelling system, investors can trust that their money is going to projects that meet ESG needs and contribute to the Sustainable Development Goals.

It's the right time to attract new investors, such as insurance companies, family offices, institutional investors to support a strategic project for Italy: an investment platform focused on urban regeneration, in other words **a recovery impact fund.**

As a bank CEO I would like to give a message that I believe in very much: I think **profitability and "taking care of others" are two prerequisites to creating value for stakeholders. Profits alone are not enough.** You must have both to make real impact.

We can make a difference for the next generation only if **we can make the most of today's unique opportunities for reinvesting a part of our profits to make our communities stronger**, to promote solidarity and to ensure that services for people-care are available.

To do this fully, we need the right regulatory framework, coherent with the nature of infrastructure financing, which requires long-term investments and long-term credit of 20+ years.

Let me conclude with **3 actionable proposals I support in terms of concrete actions:**

- **FIRST, CREATE URBAN REGENERATION AND INFRASTRUCTURE FUNDS** managed with an impact approach, focused on social infrastructure and with a vision of taking care of people by creating an environment more favourable to the development of their untapped potential.
- **SECOND, CREATE INTERNATIONAL IMPACT FINANCING PROGRAMS** similar to Intesa Sanpaolo's experience with the "Rinascimento Project" which, during the pandemic, demonstrated in Italian communities the strength and success of public-private partnerships, with a fundamental contribution from NGOs, to accelerate urban regeneration of territories as part of broader infrastructural planning. And
- **LAST, CREATE IMPACT FUNDS FOR INTERNATIONAL SUPPLY CHAINS** to develop innovation ecosystems with digital and sustainable infrastructure servicing districts, corporates and SMEs.

These can be very effective accelerators of Italian growth.

I think that the priorities we are discussing today are the most important responsibilities that each of us has – as individuals and as institutions – and that must be **transferred to the students attending universities**, such as the one hosting us today.

We need to **enhance the importance of technical skills together with the spirit of service towards our country.**

Last but not least, in this new vision, it's very important to **measure project results in terms of financial returns but also in terms of positive impact on our communities**, creating new jobs, startups, top-ranking schools, encouraging academic researchers to move back to Italy or stay here to work.

Such an approach changes the way we do banking.

Milan, 10th November 2021