

Cassa depositi e prestiti (“CDP”), the Italian National Promotional Bank, has been entitled by the Italian State to act as the Italian Development Finance Institution. CDP and its subsidiaries will act together with the other main institutional actors in the development cooperation: the Ministry of Foreign Affairs and International Cooperation and the Ministry of Economy and Finance. Under this scheme and according to the United Nation’s eligibility criteria and guidelines, CDP will mainly play two different roles:

- i. Managing the public fund for development cooperation which aims to provide concessional loans to public and private sector, and
- ii. Directly financing developmental projects by providing loans and risk capital instruments to the private and public sector.

1. Background on the New Italian Development Finance Institution

The priorities for the Italian development cooperation, also as a result of the recent reform of the relevant legislation, may be summarized as follows: (i) increasing the ODA/GNI ratio in the light of the targets set by the UN General Assembly; (ii) promoting ODA as a catalyst to bring private sector investment to support development efforts in partner countries; (iii) widening the range of financial instruments available for partner countries’ public and private sector; and (iv) developing partnerships and joint initiatives with the international finance institutions for development and cooperation.

Up to date, the use of financial instruments available to the Italian development cooperation has been concentrated in the provision of grants to Multilateral Organizations as well as concessional loans and grants in favor of the Least Developed Countries and Low Income Countries. With the reform of the Italian cooperation (*Law 125/14 General Discipline on International Development Cooperation*), Italy adopted an innovative approach aiming to foster a stronger role of the private sector in achieving inclusive a sustainable growth in partner countries.

CDP will be able to provide direct and indirect support to a wide range of public and private beneficiaries: governments, public bodies, local authorities, strategic infrastructure, project sponsors and Special Purpose Vehicles (SPVs), Micro, Small and Medium Enterprises (MSMEs), Microfinance Institutions (MFIs). According to what have been done so far and to the best practices observed in the international development cooperation financing, the direct support will be provided to the public sector and to the large corporates (including large project sponsors and SPVs) or commercial banks while the indirect support will be provided (through investment funds or financial intermediaries) to MSMEs, MFIs or small and medium project sponsors/SPVs.

For what concerns the indirect intervention, CDP will be entitled to (i) invest in private equity funds, managed by independent fund managers, together with other international public and private donors and investors, in order to provide risk capital instruments (equity, quasi-equity or guarantees) to SMEs, MFIs or project sponsors/SPVs or (ii) sign a master agreement with the banking sectors of partner countries (also through the National Central Banks) in order to provide credit lines to local banks which will act as financial intermediaries by providing loans to MSMEs. The rationale is to provide support, especially to MSMEs and MFIs, on a portfolio basis with the objective to improve their creditworthiness and facilitate credit access. Indeed, the private sector, and even more MSMEs and MFIs, may be a major source of inclusive growth and decent employment opportunities.

The objective is to ensure, on a broader basis, an efficient use of the available resources within a coherent framework, avoiding possible duplications or overlapping of actions and hence maximizing coherence and effectiveness of the Italian foreign policy as a whole. This would be achieved through enhancing the strategic co-ordination of the main activities related to investment facilitation, private sector development and the enabling environment, especially for MSMEs, as well as supporting policy dialogue and international cooperation.

The added value of CDP Group as a whole is that its scope of activity will be broader, more inclusive and comprehensive than any existing mandate of other Italian cooperation actors thanks to the relevant experience in the field of international financing.

2. Side event: objectives and tentative agenda

The side event on the New Italian Development Finance Institution is the introduction to the new Italian development cooperation and to the new instruments available, where CDP will be able to play a more important role in supporting the Italian international cooperation acting as a link between (i) the priorities of development in terms of sustainable and lasting growth and (ii) the promotion of an increasingly active role of European and Italian companies in emerging and developing markets.

The event is organized jointly by the Italian Ministry of Foreign Affairs and International Cooperation, the Ministry of Economy and Finance and Cassa depositi e prestiti and it will gather representatives from EU and Bilateral and Multilateral Finance Institutions.