

The Italian development bank: a dynamic view of CDP's public mission

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Abstract. The traditional public purpose of development banks is to promote economic development by mitigating market failures in the provision of finance to public and private initiatives. However, the dynamic theory of public banks suggests that development banks functions and actions are not predetermined, but rather depend on the dynamic economic, social and political context in which they are embedded. In this paper we focus on the case of Cassa Depositi e Prestiti (CDP), and analyse how its mission expanded since its privatization in 2003, till and further its recognition as the Italian National Development Bank in 2015. We find that CDP range of action expanded rapidly under political, economic and institutional pressures (especially from European institutions), sometimes beyond what is traditionally expected of public banks. We also analyse how CDP corporate governance evolved, highlighting strengths and weaknesses with respect to other European Development banks.

Keywords: Public purpose; development bank; promotional bank; corporate governance; crisis

JEL codes: P43; B15; H12; E50; G23

1 Introduction

Development banks (DBs), also referred to as development financial institutions, state investment banks or promotional banks, are ‘legal entities carrying out financial activities on a professional basis which are given a mandate by a member state or a member state’s entity, at central, regional, or local level, to carry out development or promotional activities’ (European Commission, 2016, p. 3). They are typically government-owned, and their mandate, or ‘public purpose’ (i.e., how they aim to benefit “the majority of the society”, Ehnts, 2020), is to promote economic development by tackling market failures in the provision of financial resources to both public and private entities.

In this paper, we focus on Cassa Depositi e Prestiti (CDP), which officially became the Italian national development bank in 2015. Our aim is to investigate how its mission and functions expanded, since its privatization in 2003, shaped by political, economic and institutional pressures, both leading to and after its recognition as the national development bank.

In fact, the role of DBs is far from univocal and static. As mentioned, DBs are expected to mitigate market failures in the provision of finance to individuals and public and private entities under their jurisdictions (De Aghion, 1999). However, this objective can be achieved by DBs through different activities, and with different levels of efficiency. Typically, DBs tend to specialise in the provision of “patient” capital to projects with high uncertainty, high externalities, and long-term horizons, which normally are not attractive for private investors. DBs also play a countercyclical role by sustaining economic growth and employment precisely when traditional banks and equity providers scale back, due to capital constraints or heightened risk aversion (Gutierrez *et al.*, 2011; De Luna-Martínez and Vicente, 2012; Eslava and Freixas, 2021). Notably, many DBs have intensified their efforts following the Global Financial Crises and during the COVID-19 crisis (McDonald, Marois and Barrowclough, 2020; Barrowclough and Marois, 2022; European Commission, 2023).

Over the past few decades there has been a substantial expansion in the activities of DBs, which have been called to contribute to their nation development agenda assuming different roles (Mertens, Thiemann and Volberding, 2021). For example, DBs are now supporting structural transformations by channelling patient capital towards stimulating a response to new global societal challenges in line with the Sustainable Development Goals to be achieved by 2030 (Bleda and Del Río, 2013; Mazzucato and Penna, 2016; Eslava and Freixas, 2021; McDonald, Marois and Spronk, 2021). Moreover, European DBs are sharing the management of EU financial instruments and programs set up to reverse the low level of investment by EU-based companies and especially innovative ventures operating in high tech or strategic industries (Lazzarini *et al.*, 2015; Mazzucato and Penna, 2016; Rubio *et al.*, 2016; McDonald, Marois and Barrowclough, 2020; Clifton, Díaz-Fuentes and Howarth, 2021; Marois, 2021; Griffith-Jones *et al.*, 2022)¹.

The relevance of DBs activities is such that the European Commission (2016) specified: “*Member States that do not yet have a national promotional bank may consider setting one up*” (p. 12). Still, literature is not unanimous regarding the extent to which DBs can successfully achieve their public purpose by fulfilling these roles. According to the most optimistic view of DBs, often called *social view*, *development view* or *benign view* – by pursuing their public purpose DBs contribute to economic development and improve general welfare (Jackson, Atkinson and Stiglitz, 1981). According to the sceptical *political view*, DBs’ efficiency in fulfilling their purpose is potentially compromised by their public nature. Public banks might be used as mechanisms for pursuing the private agenda of politicians (e.g., providing employment to support politicians’ popularity, financing favoured enterprises or transferring resources to their supporters and political allies, see Shleifer and Vishny, 1994, 1997; La Porta, Lopez-De-Silanes and Shleifer, 2002; Bortolotti and Faccio, 2009). As such, DBs pay the cost

¹ Specifically, the European policymakers made explicit the pivotal role of European DBs as the European Commission’s implementing partners to provide financial support to crowd in private investment for sustainable infrastructure defined in the Action Plan on sustainable finance and the European Green Deal (European Commission, 2023).

of their political nature in terms of lower efficiency as compared to privately owned banks, threatening their financial performance.

Recent empirical results show that the so-called “political view” is not supported for DBs as a general rule (Lazzarini *et al.*, 2015; Frigerio and Vandone, 2020; Clò, Frigerio and Vandone, 2022). In the last two decades, improvements in the corporate governance of state-owned enterprises limited the risks associated to political pressures and increased enterprises’ effectiveness (Musacchio and Lazzarini, 2014; Bruton *et al.*, 2015; Karolyi and Liao, 2017; Bernier, Florio and Bance, 2020). Implementing these improvements, modern DBs might pursue their public purpose and at the same time reach adequate financial performance of their operations.

The attention of DBs to financial strength and stability has increased, especially following the corporatisation and privatisation trends in recent decades (Alexius and Cisneros Örnberg, 2015; Frigerio and Vandone, 2020; McArthur, 2023). The European Commission itself stresses the importance of National Promotional Banks focusing on economically feasible projects: *“National Promotional Banks prove to work best where they focus on economically viable projects and operate with sufficient profitability (albeit below private operators’ cost of equity) to maintain financial soundness without continued capital injections by the government (profits mostly being retained to bolster future lending capacity)”* (European Commission, 2016b, p-5). The notion of economic and financial sustainability is explicitly enshrined as a central tenet in the statutes of many development banks.

Interestingly, some scholars warn about the risks of prioritisation of financial performance in DBs, which can come at the expense of social value, in the so called “mission drift” phenomena (Sorrentino, 2020). In Scott (2000) words, *“The key danger is that the ‘public interest,’ the raison d’être for state involvement in services, will be displaced by the pursuit of other interests or values, either because core public interest values are marginalized within new arrangements, or because these arrangements have less capacity to deliver public interest outcomes.”* (Scott, 2000, p. 311). In the context of the global pandemic, Barrowclough and Marois (2022) reveal that public banks with a stronger public purpose had more effective social equity-oriented and public interest responses to the crisis.

The debate among the development, political and “excessively financial” view on DBs is unresolved in the literature. In this context, the “dynamic” view of DBs, proposed by Marois (Marois, 2022) suggests that there cannot be a unanimous answer, as the public nature of DBs does not univocally determine their governance, design and operations. Rather, DBs can pursue both public and private interests, but their specific functioning and activities strongly reflect historically specific power dynamics and relationships among banks, corporations, governments, and the various social forces in the economies in which they operate (Ho, 2016; Marois, 2021). In other words, DBs are dynamically evolving entities, adapting over time to maintain legitimacy amidst shifting social, political, and economic dynamics. Their functions are therefore bound to vary across countries, years and individual institutions.

This “indetermination” of DBs calls for more case studies which analyse how social, economic and political factors shaped the dynamic functions of DBs in time. While most case studies on DBs focus on the EIB (Tuijnman, 2009; Griffith-Jones and Tyson, 2013; Clifton, Díaz-Fuentes and Revuelta, 2014), the German Kreditanstalt für Wiederaufbau (KfW) (Wruuck, 2016) and the French Caisse des Dépôts et Consignations (CDC) (Boudet, 2006), in this paper we focus on the case of CDP, which attracted less academic interest (see (ulfone and Di Carlo, 2021), for a recent exception).² Still, CDP is an interesting case because its mission and functions substantially evolved through recent years, under pressures from its shareholders (the Italian Minister of Economics and Finance, MEF, and the private banking foundations), other national promotion institutions (i.e., KfW and CDC), and European institutions (the European Commission – EC - and the European Investment Bank - EIB). In this paper, we are the first to document the evolution of the corporate mission of CDP, as stated in its “Articles of Association”, and of its activity and corporate governance practices, using the lenses of the dynamic view of DBs.

² We complement the work by Bulfone and Di Carlo (2021) by more systematically analysing the expansion of CDP mission, analysing the drivers of such changes, and framing CDP functions in the context of what might be expected by contemporary DB. Moreover, we highlight more recent evolutions in the roles assumed by CDP, such as its alignment to the United Nations Agenda and its prompt intervention during the COVID-19 pandemic.

According to such lenses, several confounding factors, including social, economic, political, and institutional factors, can shape a DB's mission. In such a complex and dynamic framework, we believe that a rigorous analysis of official documents, which objectively and formally describe how CDP mission evolved in time, is of utmost relevance in setting the foundation for our analysis. To this end, we systematically analyse CDP annual reports in the period 2003-2022, newspaper articles from (mostly) the Italian press on CDP and the relevant academic literature on DBs. We also complement the study with insights collected through informal conversations with experts of CDP and its history. The results reveal a gradual expansion in CDP's "corporate object" (i.e., its public mission) since its establishment as a joint stock company in 2003 and further its recognition as the Italian National Development Bank in 2015. We investigate the drivers of such changes, finding that political, economic and institutional pressures played fundamental roles. In terms of the activities of CDP, we find that CDP functions went well beyond what is expected from a traditional national DB, and sometimes challenged the boundaries defining CDP mission. Lastly, the analysis reveals strengths and weaknesses of CDP corporate governance choices.

The paper is organised as follows. In the next section, we describe the privatization process of CDP and the resulting complex corporate governance structure it uses since 2003. In Section 3, we summarise how its public mission, as presented in its articles of Association, and its activities expanded from inception until 2022, including the initiatives launched in response to the COVID-19 pandemic. In Section 4, we discuss our case and comment how CDP functions sometimes diverge from what is expected from DBs. We conclude with some implications and recommendations for policy.

2 CDP as a joint-stock company

2.1 CDP privatization

Originally part of the Italian MEF, CDP's historical function was the collection of the Italian citizens' savings through postal offices, the latter being considered subsidiaries of CDP. Postal savings and postal bonds ("Buoni Postali Fruttiferi") were (and still are) guaranteed by the

government, and they became popular in Italy because they were considered less risky than deposits in the “distrusted” banks. CDP savings were lent to local administrations to make investments in infrastructures, including roads, school buildings, sewage systems, sanitation works, and to restructure the debt of local authorities to credit institutions. In other words, CDP would act as a financial intermediary between Italian citizens and local authorities, which would invest the resources in projects meant to improve the lives of such citizens.

In December 2003, CDP was privatised and transformed into a joint-stock company (S.p.A., *Società per Azioni*) through the Article 5 of Legislative Decree (D.L.) No. 269/2003.³

CDP privatization was motivated by Italian policy-makers concern for the lower growth rate of the Italian economy with respect to other European counterparts, and the need to boost investments for infrastructures and public administrations. At the same time, Italy was under the scrutiny of the EU, which emphasized the importance of reducing public intervention in the economy. Therefore, the Italian government privatized CDP and charged it with the mandate to fulfil infrastructural investments.

CDP SpA creation had an instantaneous beneficial effect on the Italian balance sheet. First, the transfer of postal savings to CDP reduced the Italian public debt. Before the transformation into a joint stock company, postal savings were fully counted as public debt, as it was considered a loan from private entities to a public institution. In CDP SpA, postal savings are considered a loan from private subjects to another private subject and therefore do not fall into the calculation of the level of public sector debt, except for the fraction that is used by CDP to finance the investments of the public administrations or deposited into the Treasury of the MEF (Pisaneschi, 2021). Second, CDP purchased “strategic shareholdings” from MEF, which further reduced public debt. Upon creation, CDP bought shareholdings of state-owned enterprises (ENEL SpA, ENI SpA and Poste Italiane Spa) for a total value of 10 billion EUR. Besides cash

³ Given its nature of joint-stock company that exercises a specific mission of public interest, CDP is not a “public administration” (Legislative Decree N. 165/2001) and it does not have to comply, for instance, with rules regarding public procurement. Instead, CDP shall be considered a “public held company” (Legislative Decree No. 175/2016).

infusions for the Treasury, such acquisitions also represented formal privatisations of companies, which *de facto* were left under some government control (Gatteschi, 2018). Lastly, CDP dividends improve the balance sheets of the government. CDP statute foresees an annual dividend equal to 50% of profits (unless otherwise decided during the shareholder meeting). Moreover, “extraordinary” dividends can be arranged as needed (for instance, this was done in 2019 to satisfy the European Commission requirements on national deficit (Gentili, 2019)).

2.2 Corporate Governance

CDP’s strong links with the Italian government may create distortions and inefficiencies, as anticipated by the political view.⁴ However, CDP corporate governance system created a formal barrier for political influences around CDP decisions on how to manage the bank resources.

Three fundamental elements of CDP corporate governance deserve attention, as they made CDP privatization credible in the eye of CDP “investors” (i.e., the owners of postal savings), Italian regulators and European institutions.

First, CDP’s resources and activities were organised under two distinct accounts: the “separate account” and the “ordinary account”. The separate account collects resources more closely related to the MEF, most notably the postal savings guaranteed by the State as well as the State’s assets and shareholdings transferred to CDP S.p.A. from the MEF. The ordinary account collects instead resources raised by CDP independently and without the State guarantee, from institutional investors. The resources of the ordinary account can be used more freely by CDP, which in this case operates similarly and in direct competition with other banks and credit institutions.

⁴ CDP’s relationship with the State goes beyond its public ownership. CDP holds most of its cash in the State treasury (obtaining yearly interest), manages several loans and mortgages on behalf of the MEF (for which it obtains annual fees of approximately 2 million EUR, according to the annual reports), and benefits from the guarantee of the State for most of its raised funds (postal savings).

The separation between the separate and the ordinary account was aimed at avoiding the indiscriminate transfer of resources between activities that benefit from State guarantees, and activities carried out at market conditions. The separation was necessary to comply with Italian legislation on state aid and internal competition. With the passing of time, the boundaries between the two accounts faded, and gradually, the separate account resources were used to finance a larger variety of activities ‘of public interest’ and through increasingly more risky investment vehicles (including venture capital).

Second, as a necessary condition for the European Commission (and in particular Eurostat) to consider CDP as private (Bulfone and Di Carlo, 2021), private actors were involved in CDP ownership: 65 banking foundations⁵ entered into CDP SpA capital upon foundation, owning 30% of its shares, while the remaining 70% stayed in the hands of the government (the MEF). Banking foundations own preferred shares, with particular control rights (including the power to block the approval of the resolutions to be taken at the shareholder meeting and the appointment of a third of the members of the corporate board) and cash flow rights (such as a preferred dividends)⁶. Commentators confirm that the involvement of private banking foundations as minority shareholders of CDP played a key role in limiting the pressure of political influences on CDP decisions (Bassanini, 2015). At the same time, others suggest that such involvement made CDP too close to the banking foundations’ interests, with the possible risk of neglecting its public purpose.⁷ A declaration made by the president of Acri⁸, Giuseppe Guzzetti, clarifies the foundations point of view regarding CDP: "We will collaborate positively as we have done in the past, so that the CDP is a center of propulsion and support for the

⁵ Banking foundations in Italy are private organizations with a nonprofit mandate, aimed at social utility and the promotion of economic development.

⁶ See <https://leg16.camera.it/561?appro=609>, accessed on the 4 of December 2023.

⁷ <https://www.ilfattoquotidiano.it/2013/08/20/cassa-depositi-e-prestiti-fondazioni-bancarie-minano-linteresse-pubblico/686369/>

⁸ ACRI is the Italian Association of banking foundations. Giuseppe Guzzetti has been president of the association since 2000; from 1997 to 2019 he has also been president of Fondazione Cariplo, the most relevant banking foundation in Italy and in CDP ownership.

country's real economy, but the objective of having accounts in order is an indispensable premise".⁹

Third, the conversion to the joint-stock legal form required the creation of a board of directors, which according to the Italian tradition follows a hybrid corporate governance system, with a board of directors and a control body called the Board of Statutory Auditors (*collegio sindacale*). CDP Board of Directors includes 9 regular members (of which 2 must be independent) and 5 additional members for the management of the separate account (the Director General of the Treasury, the State Accountant General and three representatives of regions, provinces and municipalities). Additional committees are the "Support Committee of preferred shareholders" (10 -they were 5 in 2005- representatives of the banking foundations), and the "parliamentary supervisory commission" (*commissione parlamentare di vigilanza*, with both parliamentary and non-parliamentary members in charge of supervising the activities of CDP under separate management). CDP also had a "Steering committee" in the 2006-2013 period. In line with modern corporate governance principles, it now has a "Compensation committee", a "Nomination committee", a "Related parties committee" and a "Risk and sustainability committee".

CDP board members' mandate is 3 years long, and members are re-eligible (see CDP Articles of Association of 2023). While the government (and the MEF) is still responsible for defining the general interest and objectives of CDP, it does not have a say on the specific initiatives supported or investments carried out, for which CDP's board is solely responsible (Bassanini, 2015). The state, however, has a say in the choice of the directors, and historically the appointed presidents often had quite strong political connections, in addition to previous managerial or financial experience¹⁰.

⁹ [Fondazioni, ecco le condizioni per l'ok al riassetto della Cdp - Il Sole 24 ORE](#)

¹⁰ See for instance the appointment of the new CDP President and CEO in 2015, on the choice of which the then Prime Minister Matteo Renzi had a quite explicit influence. https://global-factiva-com.pros2.lib.unimi.it/ha/default.aspx?page_driver=searchBuilder_Search#./!/?&_suid=1702644444853044100770039429693

The conversion in a joint-stock company, the participation in the ownership of private banking foundations, and the presence of a special account in which CDP operates as a private bank surely contributed to the decision of ECB in 2006 to classify CDP as a “Monetary Financial Institution” (rather than a public administration or a bank), similar to CDC and KfW (Bassanini, 2015). Importantly, thanks to the identification of CDP as a market operator, its interventions in support of the economy are not considered “state aid”; at the same time, its financial assets, and in particular liabilities, are not consolidated by European authorities (such as Eurostat) in the Italian public debt. Additionally, as CDP was not considered as a bank, it is not subject to Capital Requirement Regulation (CRR 575/2013), but it is still under the scrutiny of the Italian Court of Auditors and the Bank of Italy (as a “special” financial intermediary, Law TUB, art. 107).

In the following, we start describing CDP’s mission upon foundation in 2003. We then analyse the expansion of CDP’s mission and activities in the last 20 years, till 2022, by systematically analyse the Articles of Association, CDP annual reports in the period 2003-2022, newspaper articles, and with insights collected through informal conversations with experts of CDP and its history.

3 CDP evolution of mission and activities

3.1 CDP sustaining public bodies and infrastructures (2003)

In 2003, the Articles of Association of the newly created CDP S.p.A. outlined CDP’s public purpose along two main lines of business, each of which is financed with a distinct account (see CDP Annual Report 2015):

- *the financing in any form and related services (consultancy and research activities) of the State, regions, local authorities, public bodies, and bodies governed by public law, using for this purpose the resources of the Separate Account;*

- *the funding of infrastructures intended for the supply of public services and related services (i.e., consulting and research activities), financed through funds of the Ordinary Account.*

As anticipated, the separate account includes the postal savings guaranteed by the State, and as such they are meant to foster economic development. CDP used this account to continue its historic operations, issuing new loans to public administrations and renegotiating existing ones. The CDP industrial plan for the period 2005–2009 further specifies that separate account funds could also be used in development policies aimed at incentivising ‘companies and research’. While this objective was formally included in CDP Articles of Association only in 2009, already in 2004 CDP launched the 6 billion EUR ‘*Fondo Rotativo per il Sostegno alle Imprese e gli Investimenti in Ricerca — FRI*’, a revolving fund (still active in 2022) aimed at supporting companies and research investments through the emission of subsidised loans offered by CDP, complemented by market-condition loans offered by private banks.

The ordinary account, collecting resources raised by CDP independently and without the State guarantee from institutional investors,¹¹ can be invested by CDP at market conditions for the financing of private projects for the provision of public services, such as infrastructures. Regarding infrastructural investments, besides corporate finance and project finance initiatives, it is worth mentioning CDP’s commitments in 2007 to closed-end investment funds specialised in construction, infrastructures (“Fondo Italiano per le Infrastrutture – F2i” and the “Fondo PPP Italia”) and social housing (“Fondo Abitare Sociale 1” – in 2009 moved under the CDP Investimenti SGR company).

3.2 CDP sustaining companies and SMEs (2009)

With the 2008–2009 crisis, the Italian government issued a series of laws aimed at undertaking urgent measures to face the financial crisis’ consequences. In these decrees, CDP’s powers were

¹¹ Namely, CDP raises through bonds (such as the “Euro Medium Term Notes Programme”) and EIB/ECB lines of credit (430 million EUR in 2005, 5 billion EUR in 2021).

amplified¹² and extended the possibility of using the separate account, as later regulated by CDP Articles of Association, to: 1) *direct or intermediate financing of public interest operations “promoted” by public bodies*; 2) *support to the economy by financing SMEs through the intermediation of credit institutions or the participation in investment funds*; and 3) *direct or intermediated financing of the internationalisation of (public and private) companies*.

Regarding the first extension, CDP expands its traditional activity of supporting infrastructures expanding from direct loans to municipalities, provinces and regions and public bodies at equal rates for all, to private works and infrastructures of public interest at market rates: this innovative operation is worth, according to the 2009-2011 industrial plan, approximately 6 billion EUR in the three-year period, complementing 18 billion EUR in the traditional funding to local authorities (see CDP annual report 2009).

The second extension gives to CDP the unprecedented role of contributing to economic development through the financing of healthy SMEs, with the cooperation of the Italian banks, with the aim of easing the consequences of the credit crunch that followed the global financial crisis. In 2009, MEF entitled 8 billion EUR to CDP’s “SME plafond” (*Plafond PMI*), which provided loans to 50,000 SMEs through the banking system¹³. Also, CDP participated in setting up the ‘Italian Investment Fund for SMEs’ (*Fondo Italiano di Investimento per le PMI*, FII), aimed at financing organic and inorganic growth of SMEs and adopting both direct and funds

¹² Legislative Decrees 185/2008 (“Urgent measures to support families, work, employment and businesses and to redesign the national strategic framework with an anti-crisis function”), 5/2009 (“Urgent measures to support industrial sectors in crisis”), and 78/2009 (“Anti-crisis measures, as well as extension of deadlines and Italian participation in international missions”).

¹³ See https://www.cdp.it/sitointernet/page/it/plafond_pmi_2009?contentId=PRD4908. The initiative was deemed successful and was followed by the 8 billion EUR “New plafond for SMEs” in 2011 and the 10 billion EUR “Business Platform” in 2014 (the latter provided guaranteed loans also to MidCap, and networks of SMEs.) See https://www.cdp.it/sitointernet/page/it/nuovo_plafond_pmi?contentId=PRD4906 and https://www.cdp.it/sitointernet/page/it/piattaforma_impresa?contentId=PRD4904.

of funds approaches (in 2010, the fund raised 1.2 billion EUR, to which CDP has allocated 250 million EUR)¹⁴.

The third new activity regarded the creation of an “export banking” system in which CDP finances the internationalization of companies when assisted by a guarantee or insurance from SACE, an insurance-financial joint-stock company specializing in supporting businesses and the Italian economic fabric and fully owned by MEF at the time.

In short, these extensions gave CDP much more flexibility in terms of entities to finance and instruments to use (including guarantees, credit and equity). Such activities again could be carried out by CDP on behalf of MEF without burdening on the state budget. An important element of the 2009-2011 industrial plan was the large foreseen involvement of private co-investors, which accounted for one third of the total 75 billion EUR budget.

Interestingly, CDP started to nurture its international cooperation with other national promotional agencies, namely the EIB, the French CDC and the German KfW, founding the “Long-Term Investors Club” and participating in funds dedicated to infrastructural greenfield projects (such as the Marguerite Infrastructural Fund and the InfraMed Infrastructure Fund).

3.3 CDP as a holding company (2011)

CDP role was further extended by the Italian government in 2011, a historical moment in which a series of Italian companies were acquired by French competitors (Bulgari by LVMH, Parmalat by Lactalis, Edison by EDF), with the explicit aim to protect the Italian state-owned enterprises from potential international acquisitions¹⁵.

¹⁴ In 2014, FII launched two new funds: a private debt fund (with a target size of 500 million EUR, half provided by CDP) acquiring minibonds (i.e., bonds issued by SMEs) and a venture capital fund of funds (target size of 200 million EUR, 50 provided by CDP).

¹⁵ See <https://st.ilsole24ore.com/art/notizie/2011-03-27/tremonti-martedi-nuova-norma-150940.shtml?uuid=AaKrU0JD&fromSearch=> and <https://st.ilsole24ore.com/art/economia/2011-03-30/fondo-strategico-impres-ecco-225759.shtml>

On the initiative of the minister Tremonti, the Legislative Decree 34 of 2011, Article 7, formally allowed for the extension of CDP's public purpose in the Articles of Association, beyond the three points mentioned above to: *the acquisition of shareholdings in companies of significant national interest (i.e., sectors, such as defence, security, infrastructure and public services, transport, communication, energy, insurance and financial intermediation, research, and high technology), provided that they were characterised by a stable situation of financial, equity and economic balance and adequate profitability prospects, through the Separate Account. Such shareholdings can be acquired both directly or through investment funds.*

CDP can acquire shareholdings directly or through corporate vehicles or investment funds owned by CDP, and possibly by private or state-controlled companies or public bodies. This allowed the creation of the "Italian Strategic Fund" (*Fondo Strategico Italiano*, FSI), a holding company "identical" (in Minister Tremonti's words)¹⁶ by the French "*Fond Stratégique d'Investissement*" by CDC, aimed to acquire minority equity shares in Italian companies of 'significant national interest', which are in a stable economic and financial situation and have good growth prospects. With 4.4 billion EUR committed by CDP, FSI can invest in strategic industries, in large companies, or in companies with large positive potential externalities. In this sense, FSI is complementary to the FII, which is instead focused on SMEs. Interestingly, the FSI also attracted significant international funds from the State Grid of China and KfW.

The activities of the FSI fell under the separate account and were, therefore, influenced by MEF¹⁷. This created a potential concern for political interferences influencing the choices of the companies in which to invest, as it happened in the past in the case of the Italian IRI and GEPI. In fact, Tremonti effort to enlarge CDP mission was mainly aimed at allowing CDP to make a counteroffer to Parmalat, the insolvent Italian food corporation which was under the threat of the French Lactalis acquisition. The then president Bassanini explained how CDP's

¹⁶ See [Tremonti: mancano l'Iri e la vecchia Mediobanca - Il Sole 24 ORE](#)

¹⁷ For this reason, for antitrust purposes only, CDP shareholdings falling under the separate management are considered as directly held by MEF.

corporate governance would not allow FSI to operate as a “rescue” fund for companies: CDP mandate specifies that CDP can only acquire shareholdings in stable and healthy companies, fundamental ‘in order not to jeopardise the nature of CDP as a “market actor” and not to violate European regulations on the prohibition of state aid’ (Bassanini 2015, p. 7). Bassanini also explains that while the MEF is entitled to determine which companies represent the “national interest”, it cannot evaluate the merit of the investment in terms of economic-financial sustainability and profitability, for which CDP directors are instead solely responsible.¹⁸ CDP only acquired a 10% share in Parmalat after the acquisition by Lactalis was complete.

Now justified by the expansion in its mission, in 2012 CDP also continued its activity of acquisitions of state-owned enterprises from the Italian government, which was further fuelled by the 2012 spending review of the Monti government aimed to reduce public debt by selling public assets (Decree of 6 July 2012). CDP took control from the MEF of SACE S.p.A. and SIMEST S.p.A., companies supporting exports and internationalisation, and of Fintecna S.p.A., a holding company controlling most of government real estate assets¹⁹. As such, the acquisitions should not be seen only as a way for the Italian government to “cash in” (the acquisitions were worth 10 million EUR), but also to exploit strong existing and potential synergies with CDP²⁰. CDP absorbed Fintecna expertise in supporting public entities in the valorisation of their assets, SACE skills in creditworthiness assessment, insurance services and international finance and Simest support activities for export. With these acquisitions, CDP developed a “holding” function and became “the CDP Group”.

3.4 CDP in real estate (2013)

¹⁸ At the same time, other scholars emphasised that MEF direction on the use of the separate account for acquiring shareholdings was particularly strong (Pisaneschi, 2021).

¹⁹ Fintecna also owned Fintecna Immobiliare srl, with a strong expertise in the sector of real estate redevelopment and valorisation, and Fincantieri, one of the main shipbuilding groups in the world.

²⁰ <https://archiviostorico.ilsole24ore.com/private/default.aspx?iddoc=19819079#showdoc/19819079>.

In 2013, the Italian government was still tackling the compelling issue of the credit crunch, consequence of the Global Financial Crisis, which resulted in an increased risk aversion of Italian banks, and as consequence a sharp reduction in the availability of retail mortgages and loans to SMEs. CDP once again was called to intervene in the economy, this time explicitly through the banking system. Specifically, under the Letta Government, the Decree 102/2013 expanded the use of the separate account of CDP to activities aimed at lowering the burden of mortgages and loans to SMEs in the balance sheet of private banks²¹. The articles of associations now included the following activities: 1) *the supply of funding to authorised Italian banks and branches of foreign EU and non-EU banks operating in Italy for the disbursement of mortgage-backed loans on residential properties to be assigned primarily to the purchase of the main house and to renovations and increases in energy efficiency*; 2) *the purchase of guaranteed bank bonds issued against securities based on mortgages on residential properties*; and 3) *the purchase of securities based on loans to small- and medium-sized enterprises* (see CDP Annual Report 2013).

According to CDP then president Bassanini, with the CDP mission expansion “we have done the most we could do to play an anti-cyclical role”²². Specifically, the CDP group launched together with the Italian Banking Association a programme of acquisitions of assets-backed securities (ABS) and covered bank bonds aimed at stimulating the residential real estate sector. Yet, some commentators perceived this extension of CDP mandate as too favourable for banks, which had no restrictions in the amount of ABS they could sell to CDP or on the use of the proceeds.²³

It is worth mentioning that in 2013 CDP also boosted its involvement in real estate funds managed by CDP Investimenti SGR, founded in 2009 and managing the 2 billion EUR fund of fund “Fondo Investimenti per l’Abitare FIA” (targeted to social housing), and the “Fondo

²¹ <https://lavoce.info/archives/18570/mutui-per-la-casa-cdp/>.

²² <https://archiviostorico.ilsole24ore.com/private/default.aspx?iddoc=19574587#showdoc/19574587>

²³ <https://www.ilfattoquotidiano.it/2013/09/03/aiuti-alle-banche-niente-limiti-ai-finanziamenti-della-cassa-depositi-per-mutui/700476/>

Investimenti per la Valorizzazione FIV” (promoting the privatisation of real estate owned by the State).

3.5 CDP as a National Development Bank (2014)

During Matteo Renzi’s centre-left government, the Legislative Decree 144 in October 2014 (“Unblock Italy”) allowed the expansion of the scope of operations of CDP, which resulted in a modification in the Articles of Association of the group to further enlarge the use of separate account resources to: *1) finance international cooperation initiatives aimed at direct development for public and private subjects and 2) The financing of projects not only aimed to deliver public services or in reclamation projects but also, more broadly, initiatives “in the public interest”, such as investments in research, development, innovation, protection and leveraging of cultural assets, promotion of tourism, the environment and energy efficiency, and the green economy.*

Moreover, the uses of the resources of the ordinary account were also extended to activities traditionally financed only through the separate account, such as: *1) the purchase of guaranteed bank bonds issued against securities based on mortgages on residential properties and of securities based on loans to SMEs; and 2) the acquisition of shareholdings in companies of significant national interest results in a stable situation of financial, equity and economic equilibrium and is characterised by adequate profitability prospects.*

These changes were once again partly motivated by the government attempt to expand scopes of intervention of CDP, vastly inspired by other national European institutions (e.g., CDC and KfW), and at the same time its firepower in terms of budget (the ordinary account allowed the increase of CDP budget by 10 billion EUR for the industrial plan 2013-2015)²⁴. In an era of low interest rates, Renzi foresaw a stronger industrial role of CDP, more focussed on spurring economic growth than on the traditional financing functions.

²⁴ <https://archiviostorico.ilsole24ore.com/private/default.aspx?iddoc=19123975#showdoc/19123975>

CDP powers were recognized in 2015, when it was declared by the Italian Government (Legge di Stabilità 2016, Law 208/2015) as a “National Promotional Institute”, and by the ECB as the “Italian Financial Institution for the Cooperation of Development”. The latter recognition gave CDP a key role in international cooperation, and, made it the Italian access point and coinvestor of the Juncker Plan, and the advisor to public administrations for an improved use of the European Commission Funds. Several new initiatives were launched in the following years to support Italian public administrations and companies in collaboration with the EIB, the EIF, and other European National Promotional Institutes (e.g., CDC and KfW).

To better align CDP with its new priority of spurring growth through companies’ financing throughout their lifecycle, in 2017, the equity portfolio of CDP was rationalised along two lines: long-term equity investments in companies of strategic interest for Italy (the FSI established in 2011, which was rebranded CDP Equity) and short-term equity investments in growing companies, for which a closed-end fund (FSI SGR) was created and opened to private co-investments. Initiatives for companies spurred in this period, also fuelled with funds from the Juncker Plan (especially the European Strategic Funds Infrastructure, EFSI, to which CDP contributed) and collaborations with EIB and EIF.

3.6 CDP alignment to the United Nations Agenda (2018)

Starting from 2019, CDP aligned its strategies to the large international trends and to the objectives of sustainable development defined by the United Nations Agenda for 2030. In March 2019, CDP announced that its Articles of Association would include in the policy mission (CDP, 2019): 1) *financing to promote sustainable development; and 2) finance business combinations and acquisitions of enterprises to facilitate their sustainable growth and expansion in Italy and abroad.*

The first extension is meant to allow CDP to contribute "proactively" also to the achievement of the objectives set by the UN Agenda 2030 signed by Italy and by the National Strategy for Sustainable Development. With the second extension, CDP will instead further strengthen its support for the dimensional and sustainable growth of companies with a view to greater

competitiveness, overcoming the fragmentation of the production structure, and consolidating the development path on international markets²⁵.

For the first time, CDP Industrial Plan for the period 2019-2021 allocated a budget (3 billion EUR) to “cooperation” projects aimed at financing projects in developing and emerging economies promoted by both private and public local actors. As a general approach, CDP starts to include social and environmental considerations in its investments’ selection and management. In 2019, CDP published its first “Sustainability Report” aimed at depicting the environmental, social and economic impact of the group in Italy.

The CDP also strengthened its support for the development of Italian enterprises by expanding its range of actions to the financing of business mergers and acquisitions, both in Italy and abroad. In 2019, CDP acquired control of Invitalia Ventures SGR (rebranded CDP Venture Capital – Fondo Nazionale Innovazione) and the “Italian Innovation Fund” (*Fondo Italiano d’Innovazione*), which specialised in Private Equity and Private Debt.

3.7 CDP response to COVID-19

After the COVID-19 pandemic hit Italy, on 21 February 2020, CDP’s response was swift. On February 27th, 2020, less than a week after the first case of COVID-19 was announced, the CDP set up measures to first support enterprises and local authorities, such as moratoria, deferral of instalments, guarantees; and liquidity instruments (see CDP annual report 2020)²⁶.

Such initiatives were partially funded with new funds from the MEF, from which 12 billion EUR were used for the financing of public administrations and 44 billion EUR—“Patrimonio Rilancio” —raised through governmental bonds meant “to sustain and the revive of the Italian

²⁵ <https://archiviostorico.ilsole24ore.com/private/default.aspx?iddoc=33401299#showdoc/33401299>

²⁶ Measures such as moratoria and deferral of instalments were aimed at improving the liquidity of local public administrations under liquidity pressure due to the combined effect of the expansion of expenses related to the epidemiological emergency and the reduction in tax revenues. Guarantees on loans were provided to local authorities to support the procurement of goods to face the health emergency (e.g., medical equipment, accessories for individual protection, diagnostic devices). Private enterprises were targeted by liquid instruments to support staff costs, investments or working capital (i.e. “Liquidità Covid-19”).

economic productive system”. In April 2020, the CDP also launched the COVID-19 Social Response Bond to independently raise funds meant to support Italian enterprises and local authorities adversely affected by the pandemic. The raised amount of 1 billion euro was entirely subscribed by institutional investors (half domestic, half foreign investors). The bond’s targeted initiatives include easing access to credit for Italian SMEs severely affected by the pandemic and supporting public administrations and local authorities in strengthening and intensifying health care capacity. Additional funds were also received from the EIB (approximately 1.5 billion EUR).

Further instruments were launched in 2021 to speed up postpandemic recovery. This is the case for the “Fondo Rilancio Start-up”, a 200 million EUR fund provided by MEF and targeted to quasi-equity coinvestments in innovative Italian start-ups and SMEs.

4 CDP functions

The public mission of CDP has evolved since its establishment as a joint-stock company in 2003 and has allowed the CDP to use its ever-growing resources to back an increasing number of projects with broadened objectives, adopt heterogeneous financial instruments, and be directed to different economic actors. Figure 2 summarises the main changes.

[Insert Figure 2 here]

CDP’s budget to achieve its many objectives expanded rapidly over time, with resources available for investments increasing from 165 billion in 2003 to 382 billion in 2021 (see Figure 1). Even though CDP diversified its fundraising sources, the vast majority of its assets still consists of the savings of Italian households, collected through the postal system (74% of total resources in 2021 according to the CDP Annual Report 2021).

4.1 CDP’s functions as a development bank

According to what is traditionally expected of DBs (De Aghion, 1999), CDP has contributed to tackle these market failures in the provision of long term capital to projects with substantial

societal value (infrastructural projects, socially oriented projects) and to market agents affected by information opacity, such as companies, well before its recognition as a national development bank in 2015. Figure 3 shows that funding to infrastructures and local administration represented most of CDP budget in early years, while the focus steadily shifted to companies and the economy in more recent years.

[Insert Figure 3 here]

CDP was originally established with the purpose of managing financial resources aimed at financing public infrastructural projects. The financing of “infrastructures intended for the supply of public” has been part of the Articles of the Association of CDP since 2003. CDP has been one of the most important providers of resources to Italian local administrations, with a market share constantly increasing over time (it was 70% at the end of 2010s, according to (Bassanini, 2012)). By granting and constantly renegotiating loans to public administration, CDP made it possible to realise infrastructural projects whose long time to completion would not be compatible with the typical short-termism of private investors. In addition to direct financing, CDP also participates in closed-end investment funds specialised in construction, infrastructure, and social housing, established both in Italy (e.g., F2i) and internationally. Moreover, CDP offers consulting services to public administration, including how to improve access to European funds. In 2018, CDP created the “CDP infrastructure” unit to manage these core activities.

More recently, CDP started responding to global societal challenges. Although early signs of CDP’s sensitivity to socially oriented tasks were evident in the support for social housing projects and renewable energy projects (the Marguerite Fund) as soon as 2009, the formal inclusion of sustainable development in the CDP mission took place only in 2019, when, answering the European Commission (EC) call to catalyse long-term finance towards the new global societal challenges in line with the Sustainable Development Goals to be achieved by 2030, and dedicated part of the budget to cooperation programmes in emerging markets. We expect larger budgets to be allocated to green and social projects in the future.

The support to companies and SMEs was formally included in CDP Articles of Association in 2009 (“*Financing the internationalisation of (public and private) companies, and of the support the economy through the financing of SMEs*”). Following the EU guidelines, CDP leveraged private resources as much as possible in its financing activity, and closely collaborated with the Italian banking system, through which it granted state-guaranteed loans to SMEs through the “SMEs Plafond” (2009–2011), “New Plafond for SMEs” (2012–2013), and the “Business Platform” (2014–present). The CDP started to take equity shares in companies first through commitments to the EIF and then launched its own funds, most importantly the “Italian Investment Fund for SMEs” FII in 2010 (for SMEs and later start-ups), the “Italian Strategic Fund” FSI in 2011 (for larger companies), QuattroR in 2016 (for turnaround investment), and CDP Venture Capital in 2019. In short, by 2021, CDP used loans, guarantees, equity, and quasi-equity investments (carried out directly, through funds or funds of funds) and advisory services, targeted to companies in all stages of development, from seed, to start-up, to international growth, to turnaround.

CDP support to both local administration and companies intensified in instances where private investments contracted, i.e., during the Global Financial Crisis or right after the pandemic, assuming the countercyclical role typical of many DBs.

4.2 CDP more controversial functions

While it appears evident that CDP has been loyal to the public purpose of a DB, we also note that its ever-expanding mission made so that CDP also played other roles that are not necessarily justified by a clear market failure and, as such, do not necessarily fall into what is expected from a DB.

This is the case of the important “holding function” that CDP assumed in time. Especially since 2011, CDP has had a very active acquisition policy, targeted to different sectors of strategic importance for Italy and especially to state-owned enterprises (Ninni, 2013). As mentioned earlier, CDP acquisitions of such enterprises from MEF led to a decrease in Italian public debt. Some scholars criticise such circumstances, especially because CDP acquisitions seem not to

be strategically guided ex ante by a well-defined industrial policy, which instead could allow for a better coordinated effort to support the Italian economy, for instance, through a better integration of productive supply chains (Averardi, 2021). However, CDP has been able to find a certain coherence in its acquisition portfolio “ex post”. In 2012, CDP created “CDP Reti”, an investment vehicle specialising in strategic shareholdings in sectors, such as infrastructure, transportation, natural gas, and electric energy, to which CDP transferred its shares in Italgas, Snam, and Terna (CDP also opened the vehicle to external partners, and, in 2021, it holds 59.1%). In the same vein, “CDP Industria” was created in 2019 to hold CDP strategic shareholdings in the industrial field, such as Fincantieri and Saipem (CDP Industria was merged in CDP Equity in 2022). The CDP rationalisation of its portfolio of shareholdings in state-owned enterprises and the launch of common initiatives improved the communication among such enterprises and provided a “policy guide”, which is not necessarily present in state-owned enterprises owned directly by the Italian government (Barca *et al.*, 2020). This result justifies the holding function of CDP as part of the public purpose to contribute to Italian economic development. As such, the CDP role in holding the State strategic shareholdings could even be reinforced in the future. OECD guidelines related to the corporate governance of state-owned enterprises (OECD, 2015) emphasise that “the exercise of ownership rights should be centralised in a single ownership entity, or, if this is not possible, carried out by a coordinating body. This ‘ownership entity’ should have the capacity and competencies to effectively carry out its duties”. In this vein, MEF could therefore transfer all its shareholdings to CDP (Barca *et al.*, 2020).

Another potential source of concern regarding CDP activity is the fact that it occasionally operated “at the boundaries” of its stated mission, especially in terms of support to companies in temporary distress. Specifically, CDP Articles of Associations clarify that it can only acquire shares in companies “which result in a stable situation of financial, equity and economic equilibrium and characterised by adequate profitability prospects”. Such mandate, in line with Italian and European regulations on national aid, forbids CDP in being directly involved in corporate bailouts. Still, there were instances in which CDP support was targeted to distressed companies, although indirectly. In an effort to help the distressed Ilva, the largest still-making

plant in Europe²⁷, in 2016, CDP established the QuattroR SGR, an investment company managing funds meant to acquire equity shareholdings in Italian companies that, “despite temporary capital or financial imbalances, are characterised by adequate industrial and market prospects” (source: CDP Annual report 2016). In 2017, CDP invested in the “Atlante Fund”, which was meant to help private banks raised funds on secondary markets (acquiring shares) and to manage and sell bad loans packages put on the market by banks to improve their accounts.

In response to the COVID-19 pandemic, CDP was formally charged by the government to help companies in temporary difficulties due to the lockdown periods. Specifically, the government changed CDP-owned SACE (traditionally responsible for providing guarantees to loans for internationalisation projects and 100% owned by the CDP at the time) with the provision of guarantees to loans issued by credit institutions to companies that were successful before the COVID-19 pandemic but that were facing liquidity issues because of the pandemic (through the “Liquidità COVID-19” initiative). Moreover, the SACE had to consult with the MEF and the Foreign Ministry regarding their most important corporate decisions related to investments, guarantees and credit recovery. According to Pisaneschi (2021), the risk was that political influences would have affected the decisions on which company would be saved and which would not. This was, however, a temporary issue for CDP: in March 2021, the SACE was formally sold to the MEF and paid in government bonds²⁸. The “Patrimonio Rilancio”, delegated by MEF to CDP during the pandemic, is another source of concern, according to some experts. The initiative is funded by MEF and benefits from a separate account from postal savings. Nevertheless, the objective of using equity to support companies facing temporary capital or financial imbalances (although characterised by adequate prospects of profitability) potentially conflicts with the stated policy mission of CDP. Pisaneschi (2021) warns regarding the risk that CDP is increasingly used by the state for rescuing missions rather than to promote national development. This might trigger a European infringement procedure for state aid, and

²⁷ [Il piano giallo-verde: nazionalizzare usando il fondo di Cassa depositi - La Stampa \(origamisettimanale.it\)](https://www.laStampa.it/2016/05/12/origamisettimanale/1121842111-il-piano-giallo-verde-nazionalizzare-usando-il-fondo-di-cassa-depositi)

²⁸ <https://www.mef.gov.it/en/ufficio-stampa/comunicati/2022/Reorganisation-of-the-SACE-Group-00001/>

as a consequence CDP could be reclassified as a Public Administration by Eurostat (and its debt would contribute to Italian public debt). The Bank of Italy supervisory board and the Italian Court of Auditors, to which CDP is subject, might also intervene, and citizens might eventually avoid postal savings because of the controversial and risky use of those funds by CDP (Bassanini, 2015).

5 Conclusions

According to the dynamic view (Marois, 2022), DBs are indetermined institutions, whose functions differ across individual cases and in time. In this paper we focus on the case of CDP, which attracted limited academic interest but whose evolution in time is impressive.

Our first contribution is to analyse CDP's mission over time. CDP has for the first 150 years of its life dealt solely with the collection of household postal savings and its use in state debt and in investments by local authorities. The transformation into a joint stock company in 2003 made CDP able to expand the nature of its business, more similarly to a market-based economic-financial entity. This change was followed by the extension of activities to support businesses and projects of public interest, the possibility of acquiring stakes in companies 'of significant national interest', the opening to international cooperation projects, to infrastructural investments and in research and aid, also through direct credit, for the internationalisation and export of companies. The year 2015 was especially important for the CDP group, as it was recognised by the ECB as the "Italian Financial Institution for the Cooperation of Development" and by the Italian Government as a "National Promotional Institute". In 2018, CDP embraced the UN Agenda for 2030, adding the promotion of sustainable development projects to its mission. During the pandemic, CDP played a key role in providing support to public administrations and companies struggling with liquidity issues.

CDP ever-expanding mission was result of a public purpose that was constantly enriched, under different types of pressures. Our second contribution is to shed light on these pressures and the several interests behind CDP activities. The most important drivers were surely the emerging socio-economic challenges Italy was facing at the time. As the historical president Bessanini

puts it “[CDP evolution] is only to a secondary extent the product of decisions of its leaders and its shareholders [and] not even of a “free and arbitrary choice” of governments and parliaments [, but it was an] almost obligatory consequence of an economy and of profoundly changed global finance”²⁹. For instance, CDP mission in 2009 and 2013 was extended by the government to cope with the credit crunch originated by the global financial crisis.

Obviously, Italian politicians of all political orientations had substantial influence on the CDP mission expansion, and they became more and more vocal about their own view on the roles that CDP should assume over time. To exemplify, in 2011 CDP was called by the Italian government to protect state-owned companies of strategic national importance from international acquisitions.

The banking foundation also had agency in CDP, and made sure that CDP did not compromise on its financial viability (and dividends generation). At the same time, these interests allowed for CDP to have a fruitful collaboration with the Italian public banks, which was essential since the Global Financial Crisis.

Lastly, European and global institutions were (and most likely will continue to be) key external forces shaping the CDP evolution. Politicians often were inspired by the French CDC and the German KfW when proposing changes to CDP’s missions and activities. Moreover, CDP operated accordingly to the EC’s vision, and working more and more closely with the EIB since the early 2000s. Over the years, CDP and the EIB have intensified their existing collaboration with the aim of stimulating public and private investments in a variety of sectors³⁰. The CDP recognition by European institutions sublimated in 2015, when the ECB recognized CDP as the “Italian Financial Institution for the Cooperation of Development”. In 2016 CDP mission was

²⁹ [Cdp, Bassanini rimette il mandato - Il Sole 24 ORE](#)

³⁰ In 2023 the two DBs signed an agreement fully to mobilise green investments in the public sector. By leveraging the European Investment Bank’s (EIB) favorable terms for borrowing on the international market, CDP creates a dedicated financial product focused exclusively on green investments. This financial product aims to extend the EIB’s cost advantages to the end recipients - public administrations across Italy - ensuring substantial cost savings.

extended to the financing of sustainable development answering to the United Nations call to address the Sustainable Development Goals in the 2030 Agenda.

Our third contribution is to analyse CDP distinctive corporate governance features, and discuss to which extent they allowed CDP to effectively and efficiently generate social value by tackling market failures in the provision of financial resources to public and private actors. In fact, because of their hybrid nature of private companies with social objectives and (at least partially) public ownership, DBs are notoriously victims of different types of distortions, which could detriment both their economic efficiency (according to the political view) or their public purpose (indulging in a “mission drift” from social to financial goals). Moreover, the expansion in CDP mission expose to the risk of “mission-creep”, i.e., a loss of focus on CDP original public purpose as a DB and more difficult manageability (Erdem Türkelli, 2020).³¹

Important corporate governance elements, aimed at protecting CDP’s adherence to its public purpose, were introduced as soon as the 2003 conversion into a joint stock company. The inclusion of private banking foundations in ownership, and the creation of a board of directors were designed to isolate CDP’s operations from the MEF ownership. Our informal conversation with CDP experts confirmed that this particular corporate governance structure allowed to alleviate concerns of political interferences in the day-to-day operation of CDP. Moreover, CDP organizational form evolved, gradually becoming a “group” in which the CDP holding oversees the activities of more “operative” functions. For instance, CDP Equity oversees all CDP direct and indirect shareholdings in companies “of significant national interest”, including also its venture capital and funds of funds activity. CDP evolution also implied a substantial professionalization of its management team (Bulfone and Di Carlo, 2021).

³¹ While broad mandates allow for flexibility to DBs, they may result in lower focus and effectiveness (De Luna-Martínez and Vicente, 2012). In this sense, DBs with narrower mandates (such as BPIfrance, which is focused on support for entrepreneurship in France) are easier to monitor and evaluate.

We find evidence that CDP is still loyal to its public purpose as a development bank: it tackles market failures by funding projects that are not necessarily attractive to private investors, such as infrastructure projects, SMEs, and start-ups, and projects with high social externalities. CDP effort has picked in the aftermath of the 2009 financial crisis and, again, in response to the 2020 COVID-19 pandemic, confirming the countercyclical role of CDP as the Italian DB. At the same time, we also find evidence that CDP has acquired other functions that are less directly traceable to the role of CDP as DB, such as the holding function or the help to companies facing temporary financial difficulties. Such finding is coherent with the idea that DBs have heterogeneous functions, which answer to the specific needs of the relevant actors to which they report, but at the same time expose CDP to criticism. Specifically, such different functions are not explicitly mentioned in CDP mission. CDP's mandate allows to acquire shareholdings in companies of significant national interest, which CDP did, but it does not explicitly mention an "industrial mission" guiding such activity, and it excludes direct investments in companies facing difficulties. Scholars also debate whether the possibility to acquire shareholdings in companies that face, although temporary, financial troubles should be included in CDP mission, although this would compromise CDP credibility in the face of European institutions as a "private" company (Bassanini, 2015). Nevertheless, an important policy recommendation is to make sure that CDP actions always transparently resonate in its mission.

This paper also leaves open several research questions which call for further academic attention to CDP case. First, future research might more systematically compare CDP with other modern national DBs in Europe, especially in terms of corporate governance choices. With respect to the French CDC and the German KfW, CDP nowadays manages resources which are comparable in size and, therefore, potential impact. Moreover, CDP, CDC and KfW are all considered National Promotional Institutes and are not included in the definition of Public Administration for the purposes of European accounting rules, despite they are 100% public, and benefit from guarantees from the State. They have the same classification as that of CDP for both Eurostat and the ECB. They are all subject to special rules (so they are intermediaries, but not full-fledged banks). In general, the activities carried out are similar, in particular between KfW and CDP. All three companies are at the head of their respective groups that

operate both nationally and internationally (Gatteschi, 2018). At the same time, CDP peculiar corporate governance presents both strengths and weaknesses which deserve further scrutiny. Unlike KfW and CDC, CDP S.p.A. is a joint-stock company with a (minority) private ownership from banking foundations. While private investors kept CDP on check in terms of attention to financial returns and avoidance of political interferences, according to some commentators they also created distortions: acting in the interest of its banking foundations, CDP might prioritize financial returns over what could be considered national interest³². Moreover, the main collection system is different. KfW almost completely covers their collection thorough the issue of long-term bonds sold on the markets. Most of CDP resources are still postal savings, which are more short term and liquid than bonds: savers who purchases them have the right, at any time, to have the entire invested capital reimbursed (plus any accrued returns), simply by showing up at a post office counter. To guarantee timely payments to savers, CDP must therefore always have a substantial liquidity and treasury reserve available, which does not allow it to use a large part of its resources in short-term investments³³.

Second, it is of paramount important to continue to monitor CDP's tension between social and financial performance. On the one hand, CDP might in the future turn towards more risky investment behaviours which might jeopardize financial stability (Gottschalk, Castro and Xu, 2022). On the other, CDP social performance, an expression of its ability to pursue the various public goals assigned to CDP (Bernier, Florio and Bance, 2020), calls for specific evaluation exercises. In this regard, in 2022, CDP published its first annual review of impact, which contains an estimate of CDP economic, social and environmental impact during the year. Specifically, CDP argues to contribute to 1.7% of Italian GDP, to have created 470,000 jobs and to have deployed 2.8 billion Euro to the energy transaction. Measuring the social and environmental impact of CDP is not necessarily the same as measuring the achievement of its public purpose. The public purpose of CDP depends on its stated mission, which as we saw

³² <https://www.ilfattoquotidiano.it/2013/08/20/cassa-depositi-e-prestiti-fondazioni-bancarie-minano-linteresse-pubblico/686369/>

³³ <https://www.businesspeople.it/business/economia/ci-sono-una-tedesca-una-francese-e-una-italiana-43978/>

evolved in time and makes the endeavour quite difficult. Future studies with the ambitious goal of measuring the achievement of CDP public purpose will most likely be based on qualitative considerations, rather than quantitative metrics.

Third, future research on CDP could consider one additional “source of pressure” which might shape CDP mission and even the institutional context in which CDP operates: that of top management team embedded agency (Butzbach *et al.*, 2022). If CDP corporate governance is effective in isolating CDP from political pressures, CDP top managers should not be considered as just agents of the state but might be actively engaged in changing the institutional setting within which CDP operates. Further studies should more systematically analyse some of CDP initiatives, such as the “ex post rationalization” of CDP acquisition portfolio, or its increasing international engagements, which might represent the CDP top managers “institutional work” (Lawrence, Suddaby and Leca, 2011) and go beyond (and potentially against) the Italian political interests.

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