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Investing in rural people

Cofinancing Framework Agreement between IFAD and Cassa Depositi e Prestiti S.p.A

Note to Executive Board representatives

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For: Approval

Recommendation for approval

The Executive Board is invited to approve the recommendation contained in paragraph 10 of this document.

I. Background and purpose of the cofinancing framework agreement

1. Cassa Depositi e Prestiti S.p.A. (CDP) has expressed interest in cofinancing IFAD investments during the Twelfth Replenishment of IFAD's Resources (IFAD12) and beyond, contributing to IFAD's efforts to meet the target for international cofinancing as per IFAD12 commitments.
2. The financing envelope offered by CDP will be used for parallel or joint cofinancing of investments selected from IFAD's pipeline. IFAD and CDP have agreed to meet on a regular basis to discuss IFAD's pipeline, the internal approval processes for the investments to be financed, and regional and thematic priorities, which will guide the selection of projects to be cofinanced by CDP.
3. The CDP cofinancing will be in the form of loans that will have, to the extent possible, the same financing terms and conditions for the borrower as for IFAD. The risk of default on the loans provided by IFAD and CDP to finance an IFAD project will fall on each party – IFAD and CDP – for its own financing, and measures will be taken by each party in line with the provisions agreed in the respective financing agreements signed with the borrower. There will be no automatic cross-default, automatic cross-suspension or automatic cross-acceleration of any loan of the other party with the same borrower.
4. CDP funds will be transferred to the borrower directly, without being channelled through IFAD. As part of the negotiations for this agreement, CDP requested IFAD to provide a set of services relating to the design, supervision and financial administration of the projects to be cofinanced by CDP, for which CDP will pay a service fee of EUR 450,000 per cofinanced project.
5. For each project cofinanced by CDP, IFAD and CDP will sign a separate individual cofinancing agreement to define, on a case-by-case basis, the respective roles and responsibilities of the parties. In addition, for each cofinanced project, CDP will negotiate and sign a financing agreement with the borrower.

II. Cassa Depositi e Prestiti S.p.A.

6. Cassa Depositi e Prestiti S.p.A, established as a joint-stock company incorporated under the laws of the Italian Republic, is the major Italian institution for economic development through long-term investments at the local, regional and national levels.
7. The new general framework for international development cooperation of the Italian Republic, introduced by law no. 125/2014, appointed CDP as the Italian Financial Institution for Development Cooperation with the mission to support initiatives aimed at promoting sustainable and inclusive development.
8. Since 1 January 2016, CDP has been managing public funds, such as the Revolving Fund for Development Cooperation, and financing public and private entities in developing countries. It contributes to the achievement of the 17 Sustainable Development Goals and to the creation of sustainable projects on a global scale, in line with thematic priorities such as youth employment, innovation, environment and climate change, immigration and gender equality.

III. Alignment with IFAD strategies

9. The principles and objective of the proposed cofinancing framework agreement are in line with IFAD's strategic objectives and policies, and the agreement will contribute to IFAD's efforts to meet the target for international cofinancing as per IFAD12 commitments.

IV. Recommendation

10. In accordance with article 8, section 2 of the Agreement Establishing IFAD, the Executive Board is invited to authorize the President of IFAD to finalize and sign the cofinancing framework agreement between IFAD and Cassa Depositi e Prestiti S.p.A. along the lines described in this document.
11. The signed IFAD–CDP cofinancing framework agreement will be submitted to the Board for information at a subsequent session.