

# Financing Infrastructure in the Euro-Med Region and the Role of CDP<sup>1</sup>

by

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Ladies and Gentleman,

I wish to thank our very honorable hosts, the Egyptian Government, Minister Rashid Mohamed Rashid, the French Presidency representative, Mr. Henri Guaino, and all the participants to this important event.

As we know very well, during many centuries, in Egypt, in Greece, in Rome, the Mediterranean region was the core of the civilized world. Today, it is once again the crossroads of world trade and cultural exchanges, between East and West, between North and South.

After centuries of war and peace, a new era of cooperation is needed; a new era of cooperation among all the peoples of what is universally known as one of the most beautiful and culturally advanced region of the world. Together we need to achieve a model of sustainable development for our countries, based on long term vision and on shared values, coming from the wisdom of our great traditions and cultures.

Sustainable growth, economic welfare and social cohesion are the conditions for a peaceful coexistence of a plurality of nations, which share strong similarities, as well as significant differences. A good system of transnational, national and local infrastructures is one of the most powerful instruments for achieving these objectives.

The present crisis announces a fundamental radical change of world economy and of globalization and needs new regulations of social, political, economic and

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financial relations. I think that such a change should be based on five axes: new legal standards and new rules for financial market, recognizing the role of long term investors; an economic system of production based on real and not on virtual economy; new economic basic principles, which promote durable and sustainable growth and new modes of consumption; a new geography based on the solidarity among neighborhood countries, rather than based on a rather obsolete distinction between North and South; international political relations and regional and world governance based on democratic principles and peer to peer cooperation between equals.

Cooperation is based first of all on a long term positive international political process. If international politics is good and successful, it can and must translate into sustainable economic, cultural and technological growth. It represents the best insurance for social welfare, peaceful coexistence and a high quality of life for all.

On the political level a very important and substantial step has been the creation of the Union for the Mediterranean, which we welcome and strongly support.

The Union must be based on a new context which calls for a redefinition of the relationships between European countries and the countries of the Southern and Eastern coasts of the Mediterranean. What is lacking to the Northern coast, the demographic dynamism, the markets, the energy, you can find them some hundred kilometers going South; on the other hand, what is lacking in the South, notably technology, organization, and the context favorable for investments and productivity, you can find in the North.

Further ahead on the way towards new economic relationships, the Mediterranean basin could become a laboratory for a new model of development, giving new values to the diversity of its civilizations, approaching together the dramatic problems of climate change of the region, inventing the energy of the future. The needs which characterize the Southern coasts and even its potentialities become an exceptional occasion for the development of new industries and of new behaviors due to the scarcity of resources and the danger of climate change.

The ongoing changes force us to put up projects that will multiply initiatives in the Mediterranean in the water infrastructures, de pollution, in renewable energy (in particular solar energy), transport, IT technology, health and human resources. The priority has to pass through the creation of an integrated financial space which ensures for the countries of the South and of the East of the Mediterranean the flow of resources and of the investments necessary for a real accelerated economic convergence of the two parts of coast, even more an International Treaty that will secure the investments and the financial transactions, based on a Euro-Mediterranean Court of Justice.

The demand for Infrastructures for the future in the Union of the Mediterranean is going to be indeed a very crucial element of change.

To this process Cassa Depositi e Prestiti is ready to participate – putting all its energy and its know-how..

CDP is an old and glorious financial public institution. It was founded in 1850 in Turin, following the model of the French Caisse des Dépôts et Consignations. In a hundred and half years of life CDP went through a number of major structural changes never abandoning, however, its mission of financing “fixed social capital investments of general interest with long time horizons”. Today we have refreshed its mission as follows: “to foster the development of long term public/private investments in local utilities and large infrastructures of national interest”.

CDP is a typical Long Term investor. One of CDP main business is in the financing of infrastructures, equipments, installations, networks for public services and utilities, but also by investing equity and quasi-equity financial instruments (such as Infrastructure Funds, Urban Development Fund, Real Estate Fund, Social Housing Funds, Public Private Partnerships, Project finance, and other similar instruments). On new infrastructure projects, CDP has played a pioneering role in Italy in financial engineering of Public-Private Partnerships, both in the field of transport (roads, rail track, subways) and in real estate (hospitals, schools, housing).

As an Institutional Long Term Investors, CDP could play – in the framework of Inframed – an active role in supporting sustainable economic growth, and in the long term development of Union for the Mediterranean countries, playing also a positive countercyclical role in the present global financial crisis.

Supporting Long Term Investments, in fact, can certainly be part of the European and the Mediterranean answer to the financial crisis. It is an answer to a progressively more and more unregulated global financial system, dominated by financial institutions with short term horizons, which bear a great responsibility for one of the present crisis.

The idea behind supporting Long Term Investors is that long term savings – such as pension funds, insurance companies, and non speculative investment funds – may find a proper asset allocation in long term infrastructural projects with stable and low risk cash flows sponsored by the public or by public/private sectors.

There is indeed a great need for investments with long term horizons and deferred returns, characterized by strong social and economic externalities to stabilize global financial markets and to contribute to a sustainable, ethical and socially responsible model of capitalistic development.

We hope that this distinctive feature – together with a quite advanced expertise and know-how in innovative instruments to finance infrastructure – may be useful

in the partnerships with CDC and other European and Mediterranean partners in the Region. In this framework, InfraMed could and must be a laboratory for building a new model of development and fostering cooperation and peace between the two sides of the Mediterranean Sea, between Africa, Europe and Asia.