

What About Italy?

This document is based on the OECD/DAC Peer Review of 2009.

Responsibilities for development cooperation

- The main responsibility for development cooperation is primarily divided between the Ministry of Foreign Affairs (MFA) and the Ministry of Economy and Finance (MEF). The MFA however, has policy and management responsibility for the majority (three-quarters) of ODA. The areas of cooperation managed by the Ministry of Foreign Affairs are regulated by a law dating back to 1987 (Law 49/87). Numerous attempts to reform this law have been made, but none have passed yet. This division of responsibility has negatively impacted the Italian cooperation policies during the last few years because of the lack of political dialogue between the two mentioned Ministries.
- Besides the two ministries, the Parliament plays an important role in the annual discussion and voting process of the Budget Law - which allocates resources for the international cooperation- as well as in the process of reforming the cooperation rules and laws.
- In 2008 a specific Parliamentary Committee focusing exclusively on the MDG's was set up. The focus of its work is on advocating the importance of the Goals and the need for resources. The Committee has strengthened the dialogue on development in the Parliament, and thanks to its legislative power, the Committee re-opened the discussion on the reform of the cooperation Law 49/87.
- The previous peer review in 2004 recommended that Italy define a national vision for development cooperation. However, Italy has yet to create one. The DAC peer review in 2009 reiterates this by recommending that Italy prepare an overarching policy vision for development consultation taking into account the shared ideas of government and non-governmental stakeholders. OECD-DAC also suggests backing the policy by a clear performance and results approach.

Italy's Contribution to the Millennium Development Goals (MDG's)

The MDGs have become the framework of reference for all development policies of the Italian Cooperation. This has also influenced the 2009 G8 in L'Aquila that shaped the Summit around the MDGs. During the G8 in L'Aquila, the Italian Presidency presented the "Whole of country approach" adopted by the G8 with the aim to promote policy coherence for development.

- An-in-house monitoring mechanism - i.e. the MDG committee established within the Parliament - has the mandate to monitor the activities currently being performed by the international community and Italian institutions in their achievement towards the MDGs.
- As an outcome of civil society mobilization, the MFA formed a Task Force for Aid Effectiveness in 2009. As one of the early achievements of the Task Force, the MFA approved an Aid Effectiveness plan of action that sets 27 priority actions to reform the MFA Cooperation policies in line with the Accra Agenda for Action (AAA). In particular

the MFA plans to focus on harmonisation. Among other reforms promoted by the Aid Effectiveness plan, the reinforcement of the gender guideline is worth mentioning.

- Italian Civil Society has a strong voice in monitoring the government's commitments towards the MDGs. In strong partnership with the UN Millennium Campaign, Italian civil society partners mobilized over 800,000 people during the 2009 Stand Up mobilization.

Italy's record on aid

Aid quantity

- **The preliminary 2009 DAC data estimates Italian ODA/GNI at 0.16%.** This places Italy last out of all the EU-DAC countries, even lower than Greece. It also implies that Italy is far from the agreed upon target of 0.51% by 2010 and 0.7% by 2015. If Italy is to meet the 2010 target, it would have to increase the 2008 aid volume by 124% (approximately USD 6 billion). DAC estimates indicate that Italy's ODA may reach 0.20% of GNI in 2010. However recent public measures to contain high deficit are worrisome and may lead to further cuts also in development cooperation.
- Over the last few years, growth in ODA has been restrained due to government-wide budget austerity which culminated in a pre-crisis drastic budget cut of 56% of ODA for international cooperation policies in the first economic programmatic law approved by the Government in June 2008.
- Ever since the approval of the 1987 law governing development, Italy has always found itself to be below the European average in terms of volumes allocated to development. **Italy needs to dramatically increase its ODA in order to meet its own targets and, given its economic weight within the EU, to enable the EU to meet its overall ODA target by 2015.**
- Debt relief grants, i.e. grants which relieve the developing countries of its debt, comprised approximately 39% of total ODA in 2007-08.
- **The latest DAC peer review suggests that Italy confirm its intention to meet its aid commitments by outlining the manner and the time by when it will reach its targets.**

Aid quality

- **Currently, Italy's share of multilateral aid exceeds bilateral.** Of Italy's net ODA in 2008, 41% (USD 1.8 billion) was bilateral and 59% (USD 3 billion) was multilateral aid. In 2009, the share of bilateral aid reduced further to 26%. In fact, as reported by the DAC, 2006 was the only year in which bilateral aid outweighed multilateral as a share of total aid.
- **In 2008, 40% of MFA's bilateral budget qualified as multi-bilateral aid** (equivalent to USD 284 million according to data provided by MFA). According to the 2009-2011 Programming Guidelines and Directions, a document building on the general objectives for Italian

Co-operation outlined in 1987 and identifying Italian aid's sector and geographic priorities, Italy uses this channel to achieve goals for which the expertise and knowledge of international organisations are more appropriate, for instance in cases of conflict-affected areas. In 2008, about 47% of Italy's multi-bilateral funds were devoted to multi-donor projects. **DAC review suggests that Italian Co-operation should strive to increase this share.**

- Country Programmable Aid (CPA) is the proportion of aid that developing countries can allocate according to their needs. In 2007 it represented only 21% of Italian gross ODA. **Italy's share of CPA is the lowest among all the priority countries and below the combined figure across all OECD countries (46%).**
- **Italy allocated only about 9% of total ODA to LDC's (least developed countries) in 2007-08**, another 1% to low-income countries, about 21% to lower middle-income countries, and 3% was allocated to upper middle-income countries. The top three recipients of aid were Iraq, Afghanistan, and Ethiopia. By region, Italy devoted one-third of its bilateral ODA (excluding debt cancellation) to sub-Saharan Africa, which is expected to increase as the 2009-2011 guidelines committed Italy to devote 50% of its bilateral ODA to the region. Another two-thirds is allocated to the Middle East and a very limited amount to Latin America. **This is in line with the OECD-DAC recommendation that Italy allocate 50% of its aid to Sub-Saharan Africa, where aid is most needed. The OECD-DAC also recommends that Italy concentrate its bilateral aid in fewer partner countries.**
- In its last Peer Review in 2004, the OECD-DAC recommended Italy to limit dispersion of aid by decreasing the number of partner countries, then numbering 88, as aid was already too thinly spread. The aim was to reach 35-40 countries during the period 2009-2011. **To follow up on the recommendation, Italy's 2009-2011 Programming Guidelines and Directions identifies 35 priority countries for Italian co-operation.** Of these, 21 are Priority 1 and 14 are Priority 2 Countries. Italian officials told the peer review that these criteria include Italy's geopolitical and national interests. However, this selection process is clearly not in line with Paris and Accra commitments. **For transparency purposes, OECD-DAC recommends that Italy outline the basis for the selection of partner countries, the distinctions between the two categories of priority countries, and prepare exit strategies for the 37 non-priority countries.** This will ensure that projects and programmes in these countries are handed over to another donor country in a sustainable manner and in consultation with partner country.
- **The 2009-2011 Programming Guidelines and Directions identifies eight sector priorities and two cross-sectoral priorities.** These sectors are agriculture and food security, environment, health, education, governance and civil society, private sector development, culture and infrastructure. The cross-cutting issues identified are gender and women's empowerment and infrastructure. The MFA has been updating its sectoral guidelines to identify priority sectors. The guidelines related to health, decentralized cooperation and gender have already been reformed.
- Italy ties its aid to Italian services mostly in the health and agriculture sectors. **According to the DAC, Italy tied 20% of its total bilateral aid in 2008.** (Tied aid is assistance given to developing countries, which must be used to purchase goods and services from the donor

country). Italy is still below the DAC average of 79% untied aid. However Italy is steadily untying its bilateral aid, increasing from an average of 30% untied in 1999-2001 to 70% in 2008 (10% of bilateral aid was unreported in 2008). Therefore, the DAC recommends that Italy implement legislation to reflect its Accra commitments to untie remaining tied aid "to the maximum extent".

- Until recently, Italy had not included a defined time frame in the budget for reaching its ODA targets. It therefore seems implicit that there is a lack of political will to reach the levels of commitment. Although the 2008-2011 Economic and Financial Planning document - published by the MEF to lay out the economic plans for Italy for a particular period - proposes a roadmap for reaching the 2010 aid target, it remains a non-binding document. In addition, the Italian Prime Minister and the Foreign Affairs Minister have in various occasions publicly recommitted to reach the 0.7% target until 2015 without following up their commitment with a clear timetable for its implementation.
- In 2009, a year after the Accra Conference and as result of an effective advocacy action, Italy laid out a national plan on how to improve on the various measures of aid effectiveness and only partially considered the issues. However this plan, which came about after consultation with the Civil Society, lacks specific time-bound targets.
- **The latest DAC peer review suggests that Italy confirm its intention to meet its aid commitments by outlining the manner and the time by when it will reach its targets.**

Results of Survey on Monitoring the Paris Declaration

- In 2006 and 2008, The OECD/DAC conducted a Survey on Monitoring the Paris Declaration to gauge the progress of donor nations toward improving aid effectiveness. The 2006 survey included a total of 12 respondent partner countries covering 28% of scheduled global aid in 2005; for consistency, the results presented here for 2007 represent data for the same group of respondent countries. The number of respondent partner countries varies by donor; 12 countries reported on the Italian Cooperation. **Italy's performance is below average on most of the indicators of aid effectiveness, even though Italy has significantly improved its performance in several areas.**
- **The percentage of Italian aid flows accurately recorded in partner country budgets, a measure of transparency and accountability,** experienced significant improvements, though no specific commitments have been made. In fact, the percentage more than doubled from 16% in 2005 and reached 35% in 2007. Italy's 2007 performance was lower than France (58%), Germany (57%), the Netherlands (63%), and the UK (65%), but higher than Spain (25%). Italy's performance also remains well below its target of 85% by 2010.
- **The percentage of Italian technical assistance coordinated with country programmes increased from 34% in 2005 to 72% in 2007.** Italy's 2007 results were better than those of the UK (66%), France (48%), and the Netherlands (60%). Italy's performance was the same as Germany's and above that of Spain (45%). Italy reached and surpassed the 2010 target of 50%.
- **The percentage of Italian aid disbursed and recorded on schedule, a measure of the predictability of aid, improved slightly from 8% in 2005 to 27% in 2007.** On

this measure, Italy performed below France (43%), the Netherlands (57%), the UK (60%) and Germany (54%), and Spain (33%). Italy also remained well below its target of 54% by 2010.

- **The percentage of Italy's total aid that was program-based, a measure of the harmonization of donor procedures, decreased from 39% in 2005 to 26% in 2007.** Italy's 2007 performance was below that of France (32%), the Netherlands (71%), the UK (71%) and Germany (34%), but above that of Spain (13%). Italy remains far below its target of 66% by 2010.
- **The percentage of Italian missions to partner countries conducted jointly with other donors saw a substantial increase from 7% in 2005 to 16% in 2007** even if it remained below the Italian target of 40% by 2010. In 2007, Italy's performance was below France (31%), the Netherlands (55%), the UK (61%), Germany (35%) and Spain (23%).
- **The percentage of country analyses that Italy conducted jointly with other donors increased from 18% in 2005 to 42% in 2007.** In 2007, Italy's performance was below that of France (55%), the Netherlands (50%), the UK (69%) and Germany (78%). Italy's performance was equal to Spain's. Italy remained far below its target of 66% by 2010.

Policy Coherence

- The OECD defines policy coherence for development as "working to ensure that the objectives and results of a government's development policies are not undermined by other policies of that same government which impact on developing countries, and that these other policies support development objectives where feasible".
- Policy coherence is a priority for Italy as set in the Italian guidelines (2009-2011) and from the Italian proposal of the "Whole of countries approach" approved by the 2009 G8 in L' Aquila. However the difficulties in the dialogue between different institutional players, and particularly between the Financial and the Foreign Affairs Ministries, risks jeopardizing all the action to improve PCD in Italy.
- In 2008, Italy signed the OECD Ministerial Declaration on Policy Coherence for Development, which states that reducing poverty successfully requires mutually supportive policies across a wide range of issues spanning economic, social and environmental fields. While this demonstrates Italy's commitment to coherence, it has yet to translate them into a national statement or identify priorities for making its regulations and policies coherent with development objectives.
- **In the 2009 Peer Review, the DAC recommends that Italy prepare a policy statement on coherence for development, by tapping into the expertise and analytical capabilities from within and outside the government. In this regard, DAC recommends that Italy publish prioritized action agendas, which have clear deadlines for achieving policy coherence for development, and which clarify mandates and responsibilities for promoting, arbitrating on and monitoring policy coherence.**

Italy's record on trade

- Coherence of trade policies with development is particularly key to help create livelihoods in poor countries.

- As an EU Member State, Italy implements the Common Agricultural Policy (CAP), providing subsidies and price controls on agricultural commodities. Some subsidies for EU producers lead to overproduction, pushing down world prices, and obliging the EU to 'dump' production abroad in order to keep prices high at home. As a result, poor farmers in developing countries are unable to compete and at the same time find their access to the European market denied.
- Over the years, gradual reforms of the CAP, particularly those adopted by EU Member States in June 2003, have slowly decreased support levels and shifted some support toward less-distorting mechanisms by tying direct payments to good agricultural stewardship. Nonetheless, the CAP continues to cover a wide range of products of critical importance to developing countries, such as cotton, dairy products, rice, fruits and vegetables, etc.
- Agricultural policy is one of the areas in which Italy, together with other EU members, will need to reconsider in order to honour its commitments to development and policy coherence in particular.
- Italian farmers derive some of the highest benefits from the CAP. At the same time, several of Italian priority countries are among those mostly affected by the CAP regime.
- Italian civil society has a strong record on trade and agriculture advocacy action and it is one of the most relevant actors in the international dialogue with the Food and Agriculture Organization (FAO).

Public Opinion

- The Directorate General for Development Cooperation (DGCS) has, as one of its action points, the need to take stronger action in this area. However, it has yet to develop a transparent and effective information policy for development cooperation, including strategic alliances with the media, coordinated outreach at the level of Parliament, expanded public education and enlargement of public dialogue.
- In the last 5 years, Italian NGOs, representing more than 10 million Italian supporters, have been playing a stronger role in organizing advocacy and mobilizing actions. For example, they played a crucial role during the negotiation leading up to the 2009 G8 Summit. This was done by organizing a huge communication campaign and several advocacy actions reaching 20 million Italian citizens and coordinating the actions of several international civil society organizations. They also supported the 2009 Stand Up action mobilizing more than 800,000 Italian citizens.
- **Current Italian public opinion supports development cooperation and the fight against extreme poverty.** A 2009 Eurobarometer survey shows the number of people responsive to the MDGs in Italy has increased from 18% to 32%.
- A poll commissioned by Oxfam International/YouGov in 2009 found that 38% of Italians strongly agree and 71% agree that the Italian Government should uphold its promise to spend 0.7% of gross national income on aid for developing countries.
- **OECD-DAC recommends that Italian NGOs be engaged in preparing the strategy for raising public awareness.**

It also recommends Italy to evaluate the efficacy and appropriateness of communication tools it currently uses to make for more effective media like blogs, seminars, etc.

Commitment to Development Index

- The Centre for Global Development (CGD) ranks 22 of the world's richest countries based on their dedication to policies that benefit poor nations. CGD's Commitment to Development Index (CDI) looks at seven policy areas important to developing countries: aid, trade, investment, migration, environment, security and technology.
- **Italy ranks 19th overall out of 22 countries in 2009.** The Italian government scores below average on every component except for trade, where it has shown a strong commitment to the protection of sea-lanes important to international trade. Italy's contribution to development also comes from low greenhouse gas emissions.
- The 2008 Commitment to Global Index (CDI) noted that Italy's score is brought down by its particularly poor performance in aid quality and volume, and access for unskilled migrants from developing countries. Italy also performs poorly in donor practices (including a high share of "tied" aid), and its lack of support for research and development.
- On the positive side, it performs relatively well on trade as it has low barriers against textiles. However, Italy continues to apply high tariffs on agricultural products and high agricultural subsidies.

UN Millennium Campaign Italy Policy Demands

- To establish national action plans and binding timetables with incremental annual growth rates clearly showing how to reach the agreed 0.7% of GNI as ODA;
- To agree on a new collective interim target of at least 0.63% of GNI as ODA by 2012; To agree on EU accountability mechanisms on ODA commitments by establishing a system of peer reviews;
- To ensure that innovative financing mechanisms and resources to fight climate change are additional to existing ODA commitments;
- To fight aid fragmentation through a better division of labour, thus focusing bilateral assistance on few sectors and fewer partner countries;
- To establish binding timetables and measurable indicators to monitor progress on aid effectiveness;
- Reform the EU Common Agricultural Policy so it no longer prevents poor producers from lifting themselves out of poverty;
- Increase export opportunities of developing countries through a simplified and expanded "Everything But Arms" initiative;
- Lead the process for a successful and pro-poor conclusion of the Doha trade negotiations.

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Principal Sources: DAC Peer Review (2009); 2009 ActionAid report; Eurobarometer (2009); 2008 Survey on Monitoring the Paris Declaration; Centre for Global Development (2009); Commitment to Development Index Country Report Italy, OECD-DAC statistics (April 2010)

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