OECD Development Co-operation Peer Reviews

ITALY

2019

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OECD Development Co-operation Peer Reviews: Italy 2019

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Please cite this publication as:
OECD (2019), *OECD Development Co-operation Peer Reviews: Italy 2019*, OECD Development Co-operation Peer Reviews, OECD Publishing, Paris, *https://doi.org/10.1787/b1874a7a-en*.

ISBN 978-92-64-61095-8 (print)
ISBN 978-92-64-39873-3 (pdf)

OECD Development Co-operation Peer Reviews
ISSN 2309-7124 (print)
ISSN 2309-7132 (online)

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Conducting the peer review

The OECD Development Assistance Committee (DAC) conducts periodic reviews of the individual development co-operation efforts of DAC members. The policies and programmes of each member are critically examined approximately once every five to six years, with five members examined annually. The OECD Development Co-operation Directorate provides analytical support, and develops and maintains, in close consultation with the Committee, the methodology and analytical framework – known as the Reference Guide – within which the peer reviews are undertaken.

The objectives of DAC peer reviews are to improve the quality and effectiveness of development co-operation policies and systems, and to promote good development partnerships for better impact on poverty reduction and sustainable development in developing countries. DAC peer reviews assess the performance of a given member, not just that of its development co-operation agency, and examine both policy and implementation. They take an integrated, system-wide perspective on the development co-operation and humanitarian assistance activities of the member under review.

The peer review is prepared by a team, consisting of representatives of the Secretariat working with officials from two DAC members who are designated as “examiners”. The country under review provides a memorandum setting out the main developments in its policies and programmes. Then the Secretariat and the examiners visit the capital to interview officials, parliamentarians, as well as civil society and non-governmental organisations’ representatives in the donor country to obtain a first-hand insight into current issues surrounding the development co-operation efforts of the member concerned. Field visits assess how members are implementing the major DAC policies, principles and concerns, and review operations in recipient countries, particularly with regard to poverty reduction, sustainability, gender equality and other aspects of participatory development, and local aid co-ordination. During the field visit, the team meets with representatives of the partner country’s administration, parliamentarians, civil society and other development partners.

The Secretariat then prepares a draft report on the member’s development co-operation which is the basis for the DAC review meeting at the OECD. At this meeting, senior officials from the member under review respond to questions formulated by the Committee in association with the examiners.

This review – containing both the main findings and recommendations of the DAC and the analytical report of the Secretariat – was prepared with examiners from New Zealand (Ginny Chapman and Liz Paton) and Spain (Javier Jiménez de Gregorio and Patricia Santa Olalla Peralta) for the peer review of Italy on 14 October 2019. The Secretariat team consisted of Emily Bosch, Santhosh Persaud, and Cyprien Fabre. Mari Laikre and Autumn Lynch provided logistical assistance to the review, and formatted and produced the report. The report was prepared under the supervision of Rahul Malhotra. Among other things, the review looks at how Italy has maintained its commitment to development co-operation during the economic and migration crises, and suggests that, as circumstances improve, Italy might build a new vision and create a focused, whole-of-government approach to development co-operation, and put in place the structures and systems that will enable it to achieve this vision.

Table of contents

Tables

Annex tables

Figures

Annex figures

Boxes

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Abbreviations and acronyms

AICS	Italian Agency for Development Co-operation
CDP	*Cassa Depositi e Presiti S.p.A.*
CICS	Inter-Ministerial Council for Development Co-operation
CNCS	National Council for Development Co-operation
CPA	Country programmable aid
CRS	Creditor Reporting System
CSO	Civil society organisation
DAC	Development Assistance Committee
DFI	Development finance institution
DGCS	Directorate General for Development Co-operation
DGIT	Directorate General for Italian Citizens Abroad and Migration Policies
EU	European Union
IATI	International Aid Transparency Initiative
IFAD	International Fund for Agricultural Development
IFRC	International Federation of Red Cross and Red Crescent Societies
IOM	International Organization for Migration
LRRD	Linking relief, rehabilitation, and development
MDB	Multilateral development bank
MEF	Ministry of Economy and Finance
MFAIC	Ministry of Foreign Affairs and International Co-operation
MSME	Micro, small, and medium enterprises
MTTE	Ministry of Environment
NGO	Non-government organisation
OECD	Organisation for Economic Co-operation and Development
PPPD	Programming and Policy Planning Document
SDGs	Sustainable Development Goals
UNDP	United Nations Development Programme
UNHCR	Office of the United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund

WFP World Food Programme

Signs used:

EUR Euro

USD United States Dollars

( ) Secretariat estimate in whole or part

(Nil)

0.0 Negligible

.. Not available

… Not available separately, but included in total

n.a. Not applicable

p Provisional

Slight discrepancies in totals are due to rounding.

Annual average exchange rate: 1 USD = EUR

2011	2012	2013	2014	2015	2016	2017	2018
0.7192	0.7780	0.7532	0.7537	0.9015	0.9043	0.8871	0.8473

Executive summary

Italy has been a member of the DAC since 1961 and was last reviewed in 2014. This report reviews progress since then, highlights recent successes and challenges, and provides key recommendations for going forward. Italy has partially implemented 65% of the recommendations made in 2014, and fully implemented 15%.

This review – containing both the main findings and recommendations of the DAC and the analytical report of the Secretariat – was prepared with examiners from New Zealand and Spain for the DAC Peer Review meeting of Italy on 14 October 2019. The team consulted key institutions and partners at headquarters in Rome, Italy and at the field level in Dakar, Senegal in March 2019.

Italy actively supports global sustainable development, in particular where it links international engagement with domestic expertise, for example on cultural heritage and agriculture. Yet, there is potential for Italy to do more in other areas. Although mechanisms are in place, Italy does not systematically identify, analyse or monitor the transboundary and long-term impacts of domestic policies, including how they might harm developing countries. Italy's performance on trans-border issues like climate change, environment, security, finance and trade is good overall, but there is incoherence in migration policy. On development awareness, Italy shows good practice in enabling multi-stakeholder efforts and mobilising the migrant diaspora. Government action to implement the strategy for global citizenship education will be important to reach all citizens and build awareness.

The new Italian co-operation law lays a strong foundation for principled and quality development co-operation. The three-year programming and policy planning document (PPPD) and policy guidance reflect the SDGs and help focus on populations at risk of being left behind. However, the PPPD's annual renewal makes medium-term planning a challenge. Italy also lacks guidance on some of its top priorities, including migration and fragility. Furthermore, Italy lacks processes to ensure that programming and allocation decisions match its policy priorities.

Italy's official development assistance (ODA) saw a sharp increase from 2012 to 2017, even when excluding in-donor refugee costs. However, this positive trend is not likely to continue, as ODA decreased in 2018 and projections show a decreasing trend for 2019 as well. Italy is not meeting its commitments to mobilise 0.7% of gross national income (GNI) as total ODA, nor to allocate 0.15% of GNI as ODA to least developed countries. Italy stands out for its high share of core contributions to multilateral organisations. Its international engagement on tax crime and vaccine development financing are commendable, but financing to mobilise domestic resources and private-sector engagement is still limited, and a strategic outlook could further enhance Italy's much-appreciated multilateral engagement.

Law 125/2014 clearly spells out the role and mandates of official development actors, and establishes new structures, notably the Italian Agency for Development Co-operation (AICS). Partnership approaches, transparency, accountability and the operationalisation of development policy are key characteristics of the law. In practice, the full implementation of this important reform is still in progress. Overall, Italy has clear processes and quality assurance checks in place; however, accountability will need to be managed as AICS implements a greater share of delegated co-operation on behalf of the European Union. Italy can further encourage and scale up its innovation efforts. The human resources available to AICS and the Ministry of Foreign Affairs and International Co-operation (MFAIC) are not adequate. Italy will need to act urgently to attract and retain skilled and experienced staff and ensure the satisfactory delivery of Italy's development co-operation programme.

Italy's development co-operation is characterised by strong multi-stakeholder partnerships, including most recently with the Italian private sector and a broader spectrum of civil society. Calls for proposals and a project-based approach define many of these partnerships, which may not always be the most strategic means of engagement. Italy has made good progress on transparency and places a strong emphasis on country ownership. Funding multi-donor, integrated national programmes would help build even stronger and more sustainable partnerships with partner country governments. Medium-term predictability continues to be an important challenge. The development effectiveness marker used for the purpose of project appraisals could assume a more important stocktaking role.

Law 125/2014 calls for a results-based management system, which Italy is in the very early stages of developing. Today, monitoring Italy's interventions and reporting results other than output indicators in a given country, sector or partnership is challenging. The evaluation system for Italian development co-operation was reorganised following the reform: responsibility still lies with MFAIC although the budget line is with AICS. Since 2014, Italy has adopted three-year rolling evaluation plans based on defined criteria; established an evaluation advisory committee; and set up an electronic register of independent evaluators. Italy uses evaluations to inform the design of future programme phases, but less explicitly to learn from successes and failures. It lacks a knowledge management system, or an intranet to connect field offices, Rome, and Florence.

In 2017, Italy was the eleventh largest DAC humanitarian donor, a significant increase since the last peer review. Italy is recognised for its capacity to respond rapidly to natural disasters. In fragile contexts, it has a rich and recognised experience in humanitarian interventions, based notably on a dense network of small to medium-size civil society organisations that have built solid partnerships in their countries of operation. This unique feature is a clear comparative advantage for Italy, giving it the scope to build a specific Italian approach to the humanitarian-development-peace nexus, based on local partnerships. However, this will require Italy to adapt its administrative framework to crisis contexts.

Summary of the DAC's Recommendations to Italy

1. Italy should allocate sufficient resources to implement its updated anticorruption plan and ethics code, including by accelerating the training of its entire workforce and implementing partners.
2. In order to ensure the coherence of its policies with the sustainable development of partner countries, Italy should make full use of the mechanisms outlined in Law 125 and implement its plans to assess, arbitrate, and monitor potential conflicts.
3. Italy's new priority country strategies should be comprehensive and reflect whole-of-government co-operation activities.
4. Italy should move towards programmatic funding fully integrated into national programmes to achieve greater impact and influence.
5. Italy should find ways to capitalise on its strengths by maintaining and strengthening its support to its dense network of NGOs in the field through flexible, direct support, particularly in the most fragile contexts.
6. Italy should reverse its recent decline in ODA and comply with the obligation under Law 125 to meet its national and international commitments, including to least developed countries.
7. In order to mobilise public and political support, Italy should develop and implement the action plan foreseen under its strategy for global citizenship education, backed by adequate resources.
8. In order to ensure a more strategic, whole-of-government approach to implement its policy vision outlined in the law, Italy should:

   a. Identify ways to enhance the medium-term strategic value of the PPPD

   b. Complete its body of policy and operational guidance, in particular on its top priorities, including whole of government policy guidance on migration and development.
9. Italy should ensure that Cassa Depositi e Prestiti S.p.A. (CDP) has the framework, tools, and resources to fulfil its mandate as a development finance institution.
10. Italy should define and consult broadly on a medium-term human resources strategy to attract and retain qualified staff and ensure the well-being, engagement, and professional development for all categories of staff in Italy and in field offices.
11. Italy should prioritise building a system to link projects and programmes with desired impact and long-term outcomes, including the SDGs. The system should also connect officials, partners and other stakeholders working on development co-operation with relevant information and evidence to improve decision-making.

Figure 1. Italy's aid at a glance

Italy's implementation of the 2014 peer review recommendations

ITALY

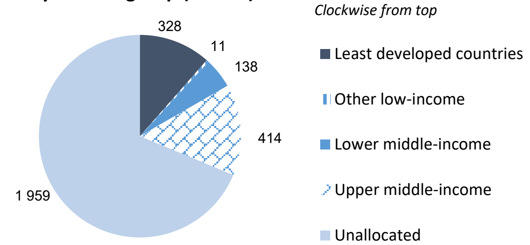
Gross bilateral ODA, 2016-17 average, unless otherwise shown

Net ODA	2016	2017	2018p	Change 2017/18	ODA grant equivalent 2018p
Current (USD m)	5 087	5 858	4 900	-16.4%	5 005
Constant (2017 USD m)	5 219	5 858	4 613	-21.3%	4 712
In Euro (million)	4 601	5 197	4 152	-20.1%	4 241
ODA/GNI	0.27%	0.30%			0.24%
Bilateral share	48%	51%	39%		

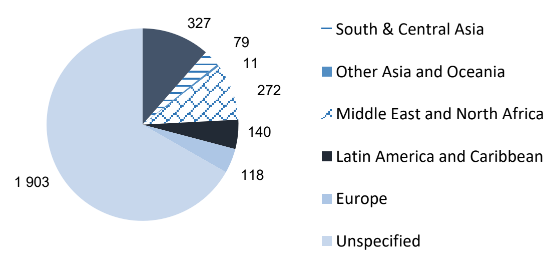
(p) Preliminary data.

Top ten recipients of gross ODA (USD million)	
1 Turkey	92
2 Iraq	75
3 Guinea-Bissau	52
4 Cuba	51
5 Argentina	50
6 Niger	40
7 Tunisia	38
8 Afghanistan	37
9 Ethiopia	36
10 Libya	33
Memo: Share of gross bilateral ODA	
Top 5 recipients	11%
Top 10 recipients	18%
Top 20 recipients	24%

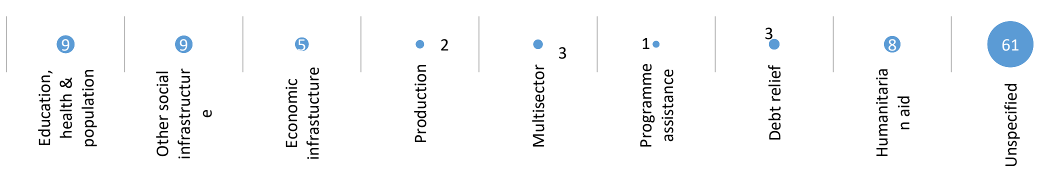
By income group (USD m)



By region (USD m)



By sector



Source: OECD - DAC ; www.oecd.org/dac/stats

Infographic 1. Findings from the 2019 Development Co-operation Peer Review

ITALY

Official development assistance in numbers

ODA VOLUME

USD 5.01 BILLION

8TH LARGEST DONOR IN VOLUME

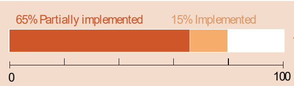
ODA/GNI

0.24%

18TH LARGEST DONOR ODA/GNI

TOP FIVE BENEFICIARIES OF BILATERAL AID

1. TURKEY
2. IRAQ
3. GUINEA-BISSAU
4. CUBA
5. ARGENTINA



Italy has partially or fully implemented 80% of the DAC recommendations from the last review (in 2014).

As a valued development partner, Italy...

...has a programme focus on fragile countries, gender, and disability.

Basic education programme in Senegal targets children out-of-school and with disabilities (PASEB).

...places a strong emphasis on multistakeholder partnerships.

Platform on Energy and Development brings together the AICS expertise, technology transfer, capacity building, and twinning with Italian banks and companies.

...demonstrates leadership on cultural heritage, agriculture and tax crime.

The Carabinieri Command for the Protection of Cultural Heritage combines military, policing and cultural expertise in Kosovo and Iraq.

Italy can improve by...

...reversing recent ODA decreases.

...planning whole-of-government country strategies.

...strengthening human resource management.

Some artwork and icons have been adapted from Noun Project.

The DAC's main findings and recommendations

Italy is a strong development partner

Since 2014, the reform law has put international development co-operation at the centre of Italian foreign policy, improving transparency and accountability

The passing of Law 125 coincided with strong political will to "relaunch development co-operation". Law 125 sets out a clear vision for Italy's development co-operation with three objectives: alleviate poverty and inequalities; defend and uphold human rights; and work to prevent conflicts. The legislation elevates development co-operation to become an "integral and qualifying part of Italian foreign policy". It also requires all public entities to provide detailed information on budget allocations for development co-operation and introduces important organisational changes, including:

- a new position of Deputy Minister for Co-operation in the Ministry of Foreign Affairs and International Co-operation (MFAIC)
- a new Italian Agency for Development Co-operation (*Agenzia italiana per la cooperazione allo sviluppo* – AICS)
- new financial tools assigned to *Cassa depositi e prestiti S.p.A.* (CDP), Italy's development finance institution.

Italy shows leadership on global issues, takes responsibility in international fora and supports the multilateral system

Italy is a leader in areas where it links international engagement with its domestic expertise, such as cultural heritage and agriculture. It has the potential to do more in other fields where its co-operation is strong, for instance as an important contributor to Gavi, the Vaccine Alliance. Italy's international engagement on tax crime to help mobilise domestic resources in partner countries is commendable.

Italy is a key supporter of the multilateral system to which it provides 60% of total official development assistance (ODA). Its contributions are significant in both volume and quality, since Italy gives a much higher share of core support than other Development Assistance Committee (DAC) members. Multilateral development banks, funds, and United Nations organisations, in particular those hosted in Italy, appreciate its constructive and supportive engagement. Owing to special legislation, which is up for possible renewal in 2021, Italy is able to provide reliable long-term support to select organisations. Moreover, Italy focuses on its priority organisations, although it has no dedicated multilateral strategy. Italy's most important multilateral partner is the European Union (EU): in terms of financing and support for joint programming, as well as increasing implementation of EU programmes.

With a strong field presence in fragile countries and an emphasis on gender and disability, Italy puts its focus on leaving no one behind into practice

Italy maintains a solid field presence and has grounded experience in fragile and crises countries. AICS has 20 country offices located in priority countries, mainly in Africa. Italy knows that in fragile contexts, a long-term field presence is essential to build a meaningful partnership.

Italy has a strong focus on gender and disability across the programme cycle, and extensive guidance on disability informs its interventions. For example, partners and other donors appreciated Italy's pilot project on inclusive education for children with disabilities in Senegal that made use of existing community structures. A network of gender focal points accompany and monitor implementation on the ground, tracking both results and spending. Project and programme evaluations are already obliged to assess gender equality and human rights impacts. To strengthen its good performance, Italy plans to apply the new disability policy marker and increase the share of programmes addressing gender equality.

Multi-stakeholder partnerships are at the heart of Italian development co-operation

Italian legislation and development co-operation policies demonstrate the value Italy places on actors such as civil society organisations (CSOs), multilateral organisations, local authorities, universities and the private sector. Strengthening and relying on multi-stakeholder partnerships embodies Italy's commitment to the 2030 Agenda, and specifically sustainable development goal (SDG) 17. For example, the Italian private sector is also now recognised as a formal development co-operation actor, and firms that receive co-financing are obliged to adhere to the UN Global Compact, which is good practice. In 2018, Italy broadened the criteria for its CSO registry to stakeholders other than NGOs, making it more reflective of Italian civil society.

Stakeholders were fully involved in co-ordinating and drafting new guidance on energy and development and on disability, as well as the new strategy for citizenship education. Forthcoming guidelines on the humanitarian, development, and peace nexus were also developed through an inclusive process of co-drafting, building on Italy's expertise and bringing a more structured engagement to crisis contexts. These guidelines will include tools for conflict and risk analysis, which is good practice and in line with the 2019 DAC recommendation. Italy also encourages Italian CSOs to partner with local CSOs, a practice that has become indispensable in some contexts like Syria where remote management through a local partner has become the norm.

Italy can build on its achievements

Law 125 sets out long-awaited reforms to Italian development co-operation, but systems require further strengthening

It has taken some time for the Italian development co-operation system to implement Law 125. Overall, AICS has clear processes and checks in place. This is confirmed by the EU pillar assessment, which determined that the EU could entrust budget implementation tasks to AICS in the context of delegated co-operation. As the Agency increases its implementation of EU delegated co-operation, it will be important to define how it will strengthen its control and internal audit systems for this dual accounting, and ensure coherence, complementarity, and alignment with its own bilateral investments.

Italy works jointly with other development partners to identify risks, verify risk-control mechanisms, put in place mitigation measures, and – if necessary – redirect or repackage programming together with partners in settings with a high risk of corruption. Italy's current anti-corruption plan is not well-known outside Rome; the updated anti-corruption plan will be an opportunity to strengthen risk prevention efforts and the tools available.

Recommendation

1. Italy should allocate sufficient resources to implement its updated anti-corruption plan and ethics code, including by accelerating the training of its entire workforce and implementing partners.

Institutions have a clear policy coherence mandate, but Italy should be able to identify and act on key policies that risk undermining development efforts

Although Law 125 established mechanisms to ensure policy coherence for sustainable development, these are not yet fully functional. Italy does not systematically identify, analyse or monitor the transboundary and long-term impacts of domestic policies, including how they might harm developing countries. Structures such as the National Council for Development Co-operation working group and the Inter-Ministerial Council for Development Co-operation nonetheless have the competence to discuss such potential conflicts. Despite the fact that Italy demonstrates coherence on a number of issues such as finance and investment, challenges persist on migration. For example, while Italy supports the financial inclusion of migrant diaspora in Italy and hosts numerous refugees and asylum seekers, a 2018 law introduced much stricter rules on assistance to migrants at sea. Given that migration has been identified as a test case for policy coherence, more is required for Italy to adopt a coherent whole-of-government approach to migration and development.

Recommendation

2. In order to ensure the coherence of its policies with the sustainable development of partner countries, Italy should make full use of the mechanisms outlined in Law 125 and implement its plans to assess, arbitrate, and monitor potential conflicts.

Defining comprehensive country strategies, ensuring better predictability, and providing more programmatic support would make for more sustainable partnerships

Italy operates on the basis of partner country ownership, and it would do well to elaborate this way of working through country strategies, which exist for only 7 of its 22 priority partner countries. Five priority partner country governments and nine other non-priority partners indicate that they had no medium-term visibility on Italy's bilateral ODA volumes, according to the Global Partnership for Effective Development Co-operation. In Senegal, neither AICS nor the Italian Embassy had a comprehensive overview of the whole-of-Italian-government footprint in the country, including activities supported by the Directorate General for Italian Citizens Abroad and Migration Policies (DGIT), other line ministries, and through multilateral channels.

Cross-government country strategies including indicative forward spending plans could help improve medium-term predictability. The structure of some development co-operation financial envelopes adversely affects predictability. For example, up to 40% of the humanitarian budget is determined after the budget law has passed, as part of the peacekeeping missions budget. This means that many bilateral programmes and projects, including calls for proposals, may only begin implementation later in the calendar year. To compensate, AICS has the flexibility to carry over funds from one year to the next, thus extending project implementation when delays occur. The new 2019-2021 MFAIC-AICS *Convenzione,* or agreement, aims to encourage better alignment of budgetary allocations with annual disbursements.

Italy's bilateral programming consists mainly of project-type interventions. As seen in Senegal, scaling up projects to fund multi-donor, integrated national programmes would help build stronger and more sustainable partnerships with partner country governments. By doing this, Italy could strengthen its current engagement targeting vulnerable populations while at the same time positively influencing other development partners, as well as government – a point highlighted in Senegal. Funding integrated national programmes might also boost the conduct of joint evaluations with partner governments. Regular monitoring and reporting of implementation against Italy's development effectiveness marker could also encourage closer adherence to the principles of alignment, ownership, and mutual accountability.

The Italian Government's partnerships with other actors, namely CSOs, the private sector, and decentralised (local) authorities are primarily defined by calls for proposal. This approach tends to require a disproportionate amount of staff time given the resources awarded. Longer term, more predictable support to non-state actors would strengthen the capacity of these actors in partner countries. Given that Italy increasingly uses multilateral channels to deliver humanitarian assistance, it would be particularly important to see how it can continue to support its substantial and long-standing network of Italian humanitarian NGOs that it has identified as its comparative advantage in crisis and humanitarian contexts.

Recommendations:

3. Italy's new priority country strategies should be comprehensive and reflect whole-of-government co-operation activities.
4. Italy should move towards programmatic funding fully integrated into national programmes to achieve greater impact and influence.
5. Italy should find ways to capitalise on its strengths by maintaining and strengthening its support to its dense network of NGOs in the field through flexible, direct support, particularly in the most fragile contexts.

After five years of steady increases, Italy's ODA decreased in 2018, with further cuts planned

Despite recent progress, Italy is not on track to meet its commitments on ODA as a share of gross national income (GNI). Italy's ODA saw a sharp increase from 2012 to 2017 (reaching 0.30% of GNI compared to the international goal of 0.70%), even when not considering in-donor refugee costs. Law 125 calls for international development co-operation appropriations to gradually adjust in line with European and international commitments. In sharp contrast, ODA dropped in volume and in ODA-to-GNI (to 0.24%) in 2018, and projections show further decreases. Italy does not meet the ODA-to-GNI target to least developed countries – in 2017, it stood at 0.06%, while the target is 0.15%.

Safeguarding and increasing the ODA budget will require political and public support. However, compared to the EU average, fewer Italians consider co-operation very important. At the same time, there is a growing conviction that tackling poverty and providing development co-operation is also in their interest. Implementing Italy's 2018 strategy for global citizenship education is an opportunity to increase public support.

Recommendations

6. Italy should reverse its recent decline in ODA and comply with the obligation under Law 125 to meet its national and international commitments, including to least developed countries.
7. In order to mobilise public and political support, Italy should develop and implement the action plan foreseen under its strategy for global citizenship education, backed by adequate resources.

Italy needs to address some challenges

To translate its policy vision into effective action, Italy needs whole-of-government strategies and guidance on its priorities

Law 125 lays a strong foundation for principled and quality development co-operation, but Italy still needs to improve strategies and guidance to put the law into practice. The three-year programming and policy-planning document (PPPD) reflects the SDGs, and thematic guidelines help focus on populations at risk of being left behind. However, the PPPD's annual renewal is not conducive to longer-term planning since policy priorities might change on an annual basis. The expectation that policies may change from year to year means officials are less likely to adopt a strategic medium-term outlook, which would also strengthen Italy's much-appreciated multilateral engagement. Italy also lacks guidance on some of its top priorities, including migration, climate change and fragility. In developing such guidance, it could draw on the successful multi-stakeholder approach it has used in the past.

To achieve Italy's objectives, co-ordination within and between ministries is essential. Within MFAIC, for example, DGIT manages the Africa Fund (*Fondo Africa*) established in 2017 to combat irregular immigration and stem human trafficking. *Fondo Africa* activities implemented through the Ministries of Defence and Interior or multilateral organisations are steered, monitored and evaluated by DGIT alone, despite the development objective of this fund and its potential role in addressing inequalities in countries of origin.

Aside from the MFAIC and AICS, which manage the bulk of Italy's ODA, the Ministry of Economy and Finance is responsible for 36% of ODA (according to 2017 OECD statistics), including public debt operations and contributions to international financial institutions and multilateral development banks, global funds and debt relief operations. While the PPPD reflects this cross-ministerial collaboration, the Joint Development Co-operation Committee (*Comitato congiunto)* that approves initiatives over EUR 2 million does not discuss or make decisions about debt operations, for example. The Ministry of Environment and the Ministry of Interior manage smaller shares for bilateral and multilateral ODA and in-donor refugee costs, respectively.

CDP was designated as Italy's financial institution for international development co-operation under Law 125. CDP has only slowly started blended finance operations, partnering with other development finance institutions and international financial institutions. This has been challenging due to its low rating and its lack of a partner country presence. As CDP's importance in the development finance portfolio increases, Italy could align to the OECD DAC Blended Finance Principles for Unlocking Commercial Finance for the SDGs.

Recommendations

8. In order to ensure a more strategic, whole-of-government approach to implement its policy vision outlined in Law 125, Italy should:
    a. Identify ways to enhance the medium-term strategic value of the PPPD
    b. Complete its body of policy and operational guidance, in particular on its top priorities, including whole-of-government policy guidance on migration and development.
9. Italy should ensure that Cassa Depositi e Prestiti S.p.A. (CDP) has the framework, tools, and resources to fulfil its mandate as a development finance institution.

The effective delivery of Italy's development programme requires investments in workforce planning

In the Directorate General for Development Co-operation (DGCS), 33 diplomats including the Director-General and 2 Deputy Directors General oversee humanitarian and emergency aid, multilateral allocations, and the evaluation desk. Although this leaves only a few experts with development experience within DGCS, the situation is helped through good collaboration between the ministry and AICS on these issues.

AICS has embarked on a change management process and is seeking an organisational model best adapted to fulfil the many functions bestowed upon it by Law 125. AICS currently has a highly centralised project management model designed in part to mitigate the risk assumed by country offices. However, AICS lacks sufficient technical and administrative capacity in Italy to backstop country offices and react in a timely manner to various requests. Delays in implementation run counter to Italy's emphasis on country ownership and partnerships, and risk undermining the delivery of Italy's development co-operation programme.

AICS faces an important challenge in attracting and retaining experienced personnel familiar with development co-operation to fully operationalise the systems and structure foreseen by Law 125. This is all the more urgent due to the fact that many experts hired under the previous law will soon retire. Law 125 no longer allows for this "expert", better-paid job category. Given the requirement to select among existing civil servants first, AICS currently depends on the secondment of civil servants from outside the field of development co-operation to fill executive position.

In country offices, there is virtually no possibility for career progression or rotation for any staff to other posts within the Italian development co-operation system (except for the country director). In addition, there is little access to professional development or training. These challenges, compounded by mostly short-term contracts, affect staff morale.

Recommendation

10. Italy should define and consult broadly on a medium-term human resources strategy to attract and retain qualified staff and ensure the well-being, engagement, and professional development for all categories of staff in Italy and in field offices.

Italy is in the early stages of building a results-based management system and could do more to document knowledge and innovation

Law 125 commits the Italian Government and all its development co-operation actors to manage for results. Today, neither MFAIC nor AICS have an institutionalised approach in place that builds on results and evidence for learning and analysis, linking back to overall programme management.

Italy's lack of a comprehensive system of linking programmes and projects with desired strategic outcomes including the SDGs raises two main challenges. First, for the partner countries, sectors or organisations it funds, Italy is not able to demonstrate how its specific interventions contribute to broader development outcomes and how these align to partner countries' results frameworks – as seen in Senegal during the field visit. Second, Italy is not able to aggregate or "roll-up" project-specific results to determine impacts or contributions at country, agency, or ministry level. The OECD guiding principles on Managing for Sustainable Development Results could offer a useful compass for Italy to organise its approach.

Recent evaluations commissioned by Rome are available to the public on the AICS website, but dissemination of evaluation findings from decentralised evaluations commissioned directly (or jointly) in partner countries for learning purposes remains ad hoc. The lack of a working online platform to access corporate-level information and standards and to exchange information on projects or country and sector experience is a missed opportunity for learning from good practices and challenges across its 20 country offices and 2 headquarters. Systematically documenting experimentation and adaptation would be very useful to help Italy and partners alike. A new digital management platform connecting AICS Rome, Florence, and field offices is an important first step, but a more fundamental shift in the working culture of AICS and DGCS will also be required.

Recommendation

11. Italy should prioritise building a system to link projects and programmes with desired impact and long-term outcomes, including the SDGs. The system should also connect officials, partners and other stakeholders working on development co-operation with relevant information and evidence to improve decision-making.

Secretariat's report

Context of the peer review of Italy

This section describes the political context of the reviewed member and outlines recent developments in Italy’s governing coalition. The section presents the latest economic growth estimates for Italy, which could impact the outlook of Italy’s development finance commitments. The section also focuses on the changes to the development co-operation system since the last DAC peer review. It notes a number of important structural changes over the past five years focused on new ministerial responsibility, new entities created, and new responsibilities assigned.

Political and economic context

Italy's parliamentary election held in March 2018, resulted in a coalition led by Prime Minister Conte of the Five Star Movement (*Movimento 5 Stelle)* and the Lega party. Leaders of the Five Star Movement (Di Maio) and Lega (Salvini) serve as Deputy Prime Ministers. The Lega party gained ground in the May 2019 European parliamentary elections, and support for the Five Star Movement dropped (Tocci, 2019[1]). In August 2019, Deputy Prime Minister Salvini withdrew from the ruling coalition, calling for early elections. Instead, members of the Five Star Movement and the Democratic Party (*Partito Democratico*) struck a deal to form a new governing coalition. At the time of writing, a new government had just been formed.

Italy faces a double challenge of reviving growth and making it more inclusive. Real gross domestic product (GDP) per capita in Italy has not increased since 2000, and it is well below the pre-crisis peak. Italy has held on to its credit rating of BBB, but its economy is expected to grow by only 0.1% in 2019 according to the European Commission and the IMF (Sanderson, 2019[2]). The new government has stated that it will adopt an expansive budget that does not endanger public finances (Johnson, 2019[3]).

Italy's employment rate is at a record high with labour force unemployment at 10.6% in 2018 (OECD, 2019[4]). However, there are large regional disparities with a 20 percentage point gap between highest and lowest regional unemployment rates (OECD, 2016[5]). The increasing number of older Italians and the country's low fertility rate have widened the intergenerational divide, threatening public spending, including pension schemes. In 2017, for every 165 people over 65 years of age, there were only 100 less than 15 (Segond, 2019[6]). Among the OECD member countries, Italy has the lowest share of young people (under age 35) working for the central government, at just 2% (OECD, 2017[7]).

Immigration has tended to dominate most policy discussions, including international development, not least because of Italy's geographic location.

Development co-operation system

In August 2014, the Italian Parliament approved Law 125/2014, the primary legislation that reforms the Italian development co-operation system. The law set out to broaden partnerships, operationalise Italian development policy, and create greater accountability and transparency. The primary objectives of Italy's co-operation are poverty eradication, reducing inequalities and sustainable development; human rights, including gender equality, democracy and rule of law; and conflict prevention and peacebuilding.

Specifically, the law officially assigns the political responsibility of development co-operation to the Minister of Foreign Affairs and International Co-operation. The Minister delegates the development co-operation portfolio to a Vice Minister. The law also established an Agency for Italian Development Co-operation (AICS) and entrusted *Cassa Depositi e Prestiti S.p.A.* (CDP) with the role of Italian development finance institution. Not since a Minister of International Co-operation and Integration post had been created in November 2011 under the Monti government had Italian development co-operation been given as much institutional prominence.

The reform institutionalised an Inter-Ministerial Council for Development Co-operation (CICS) to facilitate the co-ordination of all public development activities and alignment with the three-year programming plan. A National Council for Development Co-operation (CNCS) with broad multi-stakeholder involvement has a clear mandate for policy coherence for sustainable development.

The reform coincided with an upward trend in Italy's official development assistance (ODA), even when excluding in-donor refugee costs, until 2018, when ODA dropped significantly after six years of steady net ODA increases.

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1. Italy's global efforts for sustainable development

This chapter examines Italy's approach to global sustainable development, including its response to global challenges, action to ensure coherence between domestic policies and global sustainable development objectives, and efforts to raise awareness of global development issues at home.

Italy actively supports global sustainable development, in particular where it links international engagement with domestic expertise, such as on cultural heritage and agriculture. Yet, there is potential to do more in other areas. Mechanisms for policy coherence for sustainable development are not fully effective and coherence issues in migration policy remain unresolved. However, Italy's performance on climate change, environment, security, finance and trade is good overall. On development awareness, Italy shows good practice in enabling multi-stakeholder efforts and mobilising the migrant diaspora. Government action to implement the strategy for global citizenship education will be important for reaching and sensitising all citizens.

Efforts to support global sustainable development

Peer review indicator:

The member plays an active role in contributing to global norms, frameworks and public goods that benefit developing countries

Italy is a reliable contributor to international fora on sustainable development. It is a driving force where it links international engagement with its domestic expertise, such as in cultural heritage and agriculture. This underlines its potential to do more in other fields where its co-operation is strong, such as its leading contributions to Gavi, the Vaccine Alliance.

Italy links convening power with co-operation expertise to lead on issues such as agriculture and cultural heritage

Italy is a global player, actively contributing to the most important frameworks for sustainable development. It has developed a national strategy to implement the 2030 Agenda (Chapter 2), submitted a voluntary national review of SDG progress in 2017, and shared its experience on introducing well-being indicators to guide national budgeting with UN member states. Italy is also contributing to the follow-up of the Paris Agreement on climate change and the Sendai Framework for Disaster Risk Reduction.[1] In addition to its membership of the G7 and the G20, Italy served on the UN Security Council in 2017 (sharing the term with the Netherlands), and it is a member of the UN Human Rights Council. It participates in the governing bodies of numerous multilateral agencies. It also stands at the forefront of the global fight against tax crime and illicit financial flows (Chapter 3).

Italy's international leadership is strongest when it links its domestic and development co-operation priorities, illustrated by its action on cultural heritage, and agriculture and food security. Having successfully led efforts to place the protection of cultural heritage in conflict settings on the international agenda, Italy also offered its expertise to formulate the international response (Box 1.1). On agriculture and food security, Italy combines close collaboration with the Rome-based multilateral agencies with a significant bilateral co-operation portfolio and international diplomacy. Following the 2009 G8 L'Aquila initiative, Italy chose "Feeding the planet, energy for life" as the theme for the Milan Expo 2015. Under its 2017 G7 presidency, Italy placed a particular focus on agricultural risk management, and exploring links between migration and rural development.

Box 1.1. Italy's action for protecting cultural heritage during armed conflict

The international community expressed outrage when the terrorist organisation Islamic State in Iraq and the Levant destroyed cultural heritage sites in Iraq in 2015. The incident highlighted how armed conflict endangers the world's cultural heritage, as did the previous destruction of mausoleums and scripts in Mali. Both episodes also illustrated that parties to conflict target cultural heritage to demoralise the community and illustrate their supremacy. Conversely, preserving and restoring cultural heritage can be a factor in reconciliation and peacebuilding.

Italy was a leading actor in placing the issue on the international agenda, supporting UNESCO's Unite4Heritage Campaign (Foradori, Giusti and Lamonica, 2018[1]). As part of Expo 2015, Ministers of Culture and representatives of 83 countries adopted a declaration condemning the use of violence against cultural heritage. In 2017, as part of its strategy for UN Security Council membership, Italy co-drafted with France the first Security Council resolution dedicated to the issue (United Nations Security Council, 2017[2]). Only one week later, Italy organised the first G7 meeting of ministers of culture on the need to ensure the protection of cultural heritage in crises. Later that year, Italy promoted the adoption of a UNESCO General Conference statement on "Protecting Culture and Promoting Cultural Pluralism: The Key to Lasting Peace".

Italy also helped move from agenda setting to action, drawing on its comparative advantage. The *Comando Carabinieri Tutela Patrimonio Culturale* (Carabinieri Command for the Protection of Cultural Heritage) combines military, policing and cultural expertise and has been deployed in Kosovo and Iraq (Foradori, 2017[3]). Italy provides financial support for protecting cultural heritage as well as creative industries in Iraq, Lebanon, Myanmar, Afghanistan, Cuba and elsewhere, and hosts the International Centre for the Study of the Preservation and Restoration of Cultural Property (ICCROM). After successfully putting forward a UNESCO resolution on a cultural component in peacekeeping missions (UNESCO, 2015[4]), Italy also signed a memorandum of understanding with UNESCO on establishing an Italian Unite4Heritage Task Force, as well as a specialised training centre in Turin.

Italy's efforts, in conjunction with other states, are bearing fruit: the first report to the Security Council illustrates that many states have launched initiatives to protect cultural heritage in conflict situations (United Nations Secretary-General, 2017[5]).

Italy could take the lead on other global goods and risks

Setting priorities that match its national expertise would enable Italy to link its global policy and country programmes, bring Italian learning and expertise to the table and more easily build coalitions across developing and donor countries. However, Italy's international engagement does not always match those areas where its co-operation is strong. For example, while Italy plays leadership roles in fora such as the Global Island Partnership and Mountain Partnership, its own co-operation with island and mountain states is limited. On the other hand, for many years Italy has been a leading international donor to Gavi, the Vaccine Alliance, especially to its innovative financing mechanisms, the "Advance Market Commitments" and the "International Finance Facility for Immunisation". It could draw more on this role in international fora, as it began to do in 2019, taking steps to discuss the question of vaccine pricing at the global level.[2] Italy's intention to focus on the rights of people with disabilities in its membership of the Human Rights Council provides an opportunity to link this with Italy's co-operation experience.

Policy coherence for development

Peer review indicator:

Domestic policies support or do not harm developing countries

Although mechanisms for policy coherence are not fully functional, Italy's performance on climate change, environment, security, finance and trade is good overall. However, it has not resolved coherence conflicts in its priority area of migration.

Institutions have a clear policy coherence for development mandate, but monitoring, analysis and policy feedback are slow to evolve

Although Law 125/2014 established high-level mechanisms to ensure policy coherence for sustainable development (Republic of Italy, 2014[6]), these are not yet fully functional. The Deputy Minister of Development Co-operation has the power to raise any issue of policy coherence in ministerial council meetings, and the Inter-Ministerial Council for Development Co-operation (CICS), bringing together the prime minister and ministers, is mandated to arbitrate such conflicts. In practice, external oversight through parliament, civil society and the media plays an important role, while internal government co-ordination can help address less controversial issues.[3] In future, the Ministry of Foreign Affairs and International Co-operation (MFAIC) intends to consider policy coherence for sustainable development in the annual co-operation report, which could help sensitise line ministries.

On the other hand, Italy's reporting to the European Union (Ministry of Foreign Affairs and International Cooperation, 2018[7]) shows clear awareness of how policies impact developing countries. In January 2018, the first tri-annual National Conference for Development Co-operation requested the multi-stakeholder National Council for Development Co-operation (CNCS) to identify the most critical policy coherence issues. However, their report will only be prepared in time for the next conference, in 2021 (Conferenza Nazionale della Cooperazione allo Sviluppo, 2018[8]). While this analysis will be helpful in dialogue and policy arbitration, there is no information that Italy can use today.

Italy does not systematically identify, analyse and monitor the transboundary and long-term impacts of policies, including how they might negatively affect developing countries. One of the four CNCS working groups covers "Follow up of the 2030 Agenda, policy coherence, effectiveness and evaluation". However, issues of policy coherence for sustainable development have not been brought to the attention of policy makers. A report by a CNCS working group, on migration and development and civil society organisations, did raise issues of coherence.[4] However, the corresponding CICS working group has never convened, and the government has not responded.

Italy performs well overall on a number of policy coherence issues

Italy's policies and actions on climate change, environment; peace and security; and finance, trade, and technology are broadly coherent with the sustainable development of partner countries:

- **Climate change and the environment**: European institutions report that Italy is on track to achieve 2020 EU targets for greenhouse gas emissions, renewable energy and energy efficiency[5] (European Commission, 2019[9]), (European Environment Agency, 2018[10]). However, Italy risks missing EU targets set for 2030 (though to a lesser extent than most other EU Member States). It is therefore currently preparing a new Italian National Energy and Climate Plan to meet these targets. Italy has also launched the Circular Economy Stakeholder Platform for discussing and exchanging good practice to implement its strategy for a circular economy (Ministry of the Environment, Land and Sea Protection, 2017[11]).

- **Peace and security**: Italy is the largest European contributor to peacekeeping interventions and currently has more than 1 000 troops deployed in Lebanon (United Nations, 2019[12]). Although Italy is the world's ninth largest arms exporter (Wezeman, 2019[13]), it exports less arms to sensitive regions (Center for Global Development, 2018[14]). Nevertheless, despite existing safeguards,[6] parliament and media highlighted the possible impacts of Italian arms exports on the Yemen crisis. In response, Prime Minister Conte announced that the government was suspending these exports. A proposal to revise underlying legislation was put to the Senate, but has not yet been adopted (Reuters, 2018[15]) (Senato della Repubblica, 2019[16]) (Save the Children Italy, 2019[17]).
- **Finance, trade and technology**: The Centre for Global Development applauds Italy's performance on financial transparency and commitment to investment frameworks, but criticises its low investment in research as well as restrictive provisions for intellectual property rights (Center for Global Development, 2018[14]). Italy was the largest "green field" investor in Africa in 2017[7] (and sixth largest for its foreign direct investment stock) (United Nations Conference on Trade and Development, 2018[18]). As investments in developing countries relate mostly to the energy sector, Italy's 2018 multi-stakeholder guidelines for energy and development could help ensure these investments have a development focus. The OECD peer review of the National Contact Point for Multinational Enterprises confirmed that Italy respects the core criteria of visibility, transparency, accessibility and impartiality (OECD, 2017[19]). Italy has also made progress in implementing the Anti-bribery Convention by extending the statute of limitations (OECD, 2017[20]).

Italy could strengthen coherence in migration policy

Italy recognises the link between migration and development at the highest policy level. In fact, the co-operation law commits Italy to "[contribute] to developing shared migration policies with Partner Countries, inspired by the safeguard of human rights and compliance with European and international legislation" (Republic of Italy, 2014[6]). Furthermore, the Three-Year Programming and Policy Planning Document 2017-2019 (PPPD 2017-19) underlines the development opportunities of well-managed migration (Government of Italy, 2017[21]).

In practice, ensuring coherence between migration and development policy objectives presents challenges for Italy:

- At home, Italy fosters engagement with the migrant diaspora and supports their financial inclusion in Italy (see Box 1.2 and Chapter 1). It also hosts numerous refugees and asylum seekers.[8] As a main arrival territory, is in dialogue with EU member states to improve European migration management. At the same time, a 2018 law criminalises assistance to migrants at sea (Senato della Repubblica, 2018[22]), and the European Union Agency for Fundamental Rights (FRA) expressed concern about obstacles to disembarkation in Italy and the tightening of reception conditions (FRA, 2018[23]).[9]
- Internationally, Italy organised high-level conferences to foster international dialogue and co-operation between African and European states in 2017 and 2018. Nevertheless, unlike most DAC members, Italy abstained from the vote on the Global Compact for Migration, a major framework for global migration governance.
- Italy made migration a development co-operation priority and increased development spending for migration, including through instruments such as the Africa Fund [*Fondo Africa*], managed by a different division in MFAIC, plus separate funding by the Ministry of Interior. This requires close co-ordination to ensure that Italian development co-operation expertise is drawn upon at each stage of the programme cycle (Chapter 4). Quality assurance is made challenging by the fact that Italy does not yet have guidelines on migration and development (Chapter 2).

- Through its development co-operation, Italy focuses on assisting vulnerable migrants and creating jobs in areas of origin. In Libya, Italy provides humanitarian and development assistance to UN organisations and Italian CSOs to improve access to basic services and protection. It also co-operates with security and border management institutions, including with ODA. In this very challenging context, international bodies have stressed the paramount importance of safeguards for Italy's co-operation with Libya, to ensure the protection of migrants' human rights.[10]

In order to help address policy coherence for development challenges, Italy is considering the development of a strategy for migration and development, like other DAC members.[11] Translating the objectives of law 125/2014, these guidelines could analyse intervention approaches and objectives, and clarify roles of all actors, including within the Italian co-operation system. They could also guide Italy's engagement in European and international fora. As both government and civil society recognise this as a priority issue, Italy could emulate the multi-stakeholder approach it used to develop its energy guidelines.

Global awareness

Peer review indicator:

The member promotes whole-of-society contributions to sustainable development

Italy shows very good practice in enabling multi-stakeholder efforts and mobilising the diaspora to support sustainable development. Government action under the new citizenship education strategy will be important for reaching all citizens.

Whole-of-society involvement is a strong and growing feature of Italian co-operation

Law 125/2014 sets the government on a path to mobilise all parts of society for sustainable development, creating various mechanisms for multi-stakeholder consultation. A tri-annual national conference on development co-operation, organised for the first time in January 2018, allows for broad exchange on the overall direction of Italian co-operation.[12] The conference made recommendations for Italian co-operation, and the next PPPD might include follow-up to these recommendations. The CNCS and its working groups provide a space for stakeholder exchange on political and operational aspects, for instance on the new programming document.

The government also invests in reaching out to actors who have been less involved in development co-operation to date. Specific initiatives to engage the private sector include a roadshow in 2018, the exhibition ExCo 2019 (organised by other stakeholders) and the calls for proposals for initiatives in developing countries (Chapter 5). Two national summits and technical support to diaspora organisations deserve particular mention (Box 1.2). Active collaboration, not just consultation, is an important feature in the development of new guidance on energy and development, on disabilities, and the strategy for citizenship education. On all of these, civil society and other stakeholders were fully involved in co-ordinating or drafting committees.

Box 1.2. Enabling migrants in Italy to contribute to development

Italy recognises that the migrant diaspora from developing countries and their organisations can make an important contribution to development co-operation: they can promote links between countries and populations, foster mutual understanding, make the case for development co-operation, or raise awareness of particular challenges. In many instances, their remittances constitute an important source of income and investment in the country of origin. Furthermore, they can share their experiences and transfer knowledge acquired.

Capitalising on this potential often means creating an enabling environment in host and home countries, as well as building capacities. Italy has taken action to mobilise the contribution of migrants in Italy to development co-operation (Centro Studi di Politica Internazionale, 2017[24]):

- Law 125/2014, the new co-operation law, explicitly recognises the role, of diaspora as part of civil society and in "developing shared migration policies". A diaspora representative participates in the CNCS and chairs the working group on migration and development.
- More than 2 100 diaspora organisations are registered in Italy. Since 2011, Italy has been supporting International Organization for Migration (IOM) training courses for the Empowerment of Migrant Associations for Co-development (A.MI.CO) to build their capacities and help establish networks (International Organization for Migration, n.d.[25]).
- In 2017 and 2018, local and national diaspora summits enabled exchange of migrants associations to enhance their role in the Italian development co-operation system and promote a positive narrative on migration (AICS, 2017[26]). A more structured Italian Diaspora Forum co-ordinates and serve as the main interlocutor with the government.
- Under the G20 remittances agenda, Italy helped lower the cost of sending remittances and promoted the financial inclusion of migrants in Italy. Two new projects that involve CDP aim to facilitate the transfer of savings between Italy and Tunisia and promote investment of the diaspora in Italy in African micro, small, and medium enterprises (MSMEs).
- Italy actively includes the diaspora in co-operation programmes in Albania, Egypt, Senegal and Tunisia to support investments and employment generation in those countries. A Senegal diaspora network has grown to include Senegalese diaspora in other European countries.

Discussions in Senegal showed there might be further potential in making the case for aid and linking the diaspora with private sector mobilisation through more substantial, long-term and investment-oriented support or start-up financing. The participation of diaspora organisations in the November 2019 Italy-Africa Business Week is an opportunity for this.

Implementing the citizen education strategy could boost Italians' support for development

Civil society plays an important role in informing all citizens about the Sustainable Development Goals (SDGs) and their contribution to sustainable development. Since its creation in 2016, the civil society network ASviS has organised an annual 17-day Sustainable Development Festival across Italy, reaching a broad audience. It also co-operates with universities and contributes to citizenship education, collaborating with the Ministry of Education's plan on education for sustainability. The European Commission recognised these efforts as a policy highlight under SDG 17 (European Commission, 2019[27]).

Nevertheless, development awareness requires attention. While Italians across political lines are supportive of development co-operation, fewer Italians than the EU average consider it very important (23%; EU average: 42%) or get personally involved (32%; EU average: 42%) (European Commission, 2018[28]). The European Union Agency for Fundamental Rights (EU FRA) also notes a rising number of racially motivated attacks (FRA, 2018[23]) and Italians show a more negative attitude towards immigrants than other Europeans do (European Commission, 2018[29]). Reflecting the challenges of public opinion, notably linked to migration, the 2018 National Conference for Development Co-operation stressed the need for more effective communication and global citizenship education, dedicating the first three recommendations of its final manifesto to the issue (Conferenza Nazionale della Cooperazione allo Sviluppo, 2018[8]).

Implementing Italy's 2018 strategy for global citizenship education (Surian et al., 2018[30])is an opportunity to push for greater development awareness. This would be an important complement to high-level events, such as Italy's creative action on World Food Day (Bencini, 2019[31]), which often only reach a limited group of people. AICS already organises specific calls for CSOs to raise awareness of international co-operation and sustainable development. The government is working on, but has not yet finalised, an action plan under this strategy to address the challenges it has identified: low awareness of the SDGs, the perception of aid as charity rather than also being in Italy's interest, intense competition with other topics, interest focused on migration,[13] and need for co-ordination. This could build on Italian's growing conviction that tackling poverty and development co-operation are also in their interest (European Commission, 2018[28]). Furthermore, despite recent increases, Italy's per capita spending on development awareness is much lower than that of many other DAC members.[14] As Italy continues stepping up its efforts, it could continue to draw on exchanges with members of the OECD Development Communication Network, including on monitoring and evaluating the results of public engagement.

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Notes

[1] For instance, Italy hosted the 2018 European Forum for Disaster Risk Reduction.

[2] Italy recently proposed a World Health Assembly resolution on "Improving the transparency of markets for drugs, vaccines and other health-related technologies" (Ministry of Health, 2019[32]).

[3] As an example, the Ministry of Economy and Finance highlighted how it adjusted a proposed measure when experts noted it could impede remittance flows.

[4] Such as those surrounding Italian engagement in Libya (AOI, 2018[33]) and overall migration policies (Link 2007, 2017[34]).

[5] For instance, Italy has a higher share of tax revenue from environmentally related taxes than most DAC members (OECD, n.d.[35]) and has also introduced tax penalties and incentives for cars linked to their emissions (Borgomeo, 2019[36])

[6] Since 2014, Italy has been party to the Arms Trade Treaty.

[7] According to announcements (which can differ significantly from actual investments). "Greenfield investment" refers to creating a company or new production capacities rather than acquiring or merging with existing companies.

[8] On 30 June 2018, Italy was hosting 180 829 refugees and 131 937 asylum seekers (UNHCR, 2019[37]). In other words 5.2 in every 1 000 people in Italy was a refugee or an asylum seeker (authors' calculations based on 2017 population data, (The World Bank, 2019[38]). By comparison, France hosted 355 222 refugees and 67 350 asylum-seekers, i.e. 6.3 in 1 000 people; and Greece hosted 55 565 refugees, 15 461 people in refugee-like situations and 56 652 asylum seekers, i.e. 11.9 in 1 000 people.

[9] This led the Danish Immigration Council to stop transfers of asylum seekers to Italy (FRA, 2018[23]).

[10] Regarding a 2017 Memorandum of Understanding between the Italian and Libyan governments, the United Nations Committee against Torture under the Convention against Torture warned that "[…] the agreement […] does not contain any particular provision that may render cooperation and support conditional on the respect of human rights, including the absolute prohibition of torture. Furthermore, the Committee is deeply concerned at the lack of assurances that cooperation for the purpose of enhancing the operational capabilities of the Libyan Coast Guard or other Libyan security actors would be reviewed in light of possible serious human rights violations." (Committee against Torture, 2017[39]). The Council of Europe Commissioner for Human Rights had similarly requested Italy to clarify which safeguards it has put in place (Council of Europe Commissioner for Human Rights, 2017[40]). UNSMIL and OHCHR report that the memorandum was declared void by the Libyan Supreme Court (UNSMIL and OHCHR, 2018[41]). This would raise questions as to ownership and alignment of the Italian engagement.

[11] In 2018, France adopted an action plan on migration and development after consulting with local authorities and civil society (Government of France, 2018[42]); Germany adopted a strategy on migration and development in 2016 (Government of Germany, 2016[43]).

[12] The conference brought together more than 3 000 participants: co-operation practitioners as well as students. Five working groups discussed issues such as youth and migration, and communication. Conference documents are available at https://www.conferenzacoopera.it/category/gruppi-di-lavoro/.

[13] Italians are more convinced than other Europeans are that co-operation is an effective way to address irregular migration (75% compared to the EU average of 69%) (European Commission, 2018[28]).

[14] Italy's spending on development awareness increased from USD 1.1 million in 2016 to USD 3.8 million in 2017.

2. Italy's policy vision and framework

This chapter assesses the extent to which clear political directives, policies and strategies shape Italy's development co-operation and are in line with international commitments, including the 2030 Agenda for Sustainable Development.

The new Italian co-operation law lays a strong foundation for principled and quality development co-operation. The three-year programming and policy planning document (PPPD) and policy guidance reflect the SDGs and help focus on populations at risk of being left behind. However, the PPPD's annual renewal makes medium-term planning a challenge. Italy also lacks guidance on some of its top priorities, including migration and fragility. Furthermore, Italy lacks processes to ensure that programming and allocation decisions match its policy priorities. A more strategic outlook could further enhance Italy's much-appreciated multilateral engagement.

Framework

Peer review indicator:

Clear policy vision aligned with the 2030 Agenda based on member's strengths

The co-operation law and the sustainable development strategy put principled and quality development co-operation at the centre of Italian foreign policy. Medium-term planning is a challenge.

Law 125/2014 provides a compass to guide Italian co-operation

The new co-operation law sets out a clear vision for Italy's development co-operation. The rationale for co-operation is "to foster peace and justice" and to "promot[e] mutually supportive and egalitarian relationships between peoples based on principles of interdependence and partnership" (Republic of Italy, 2014[1]). Its primary objectives are:

- poverty eradication, reducing inequalities and sustainable development
- human rights, including gender equality, democracy and the rule of law
- conflict prevention and peacebuilding.

In an important improvement on the 1987 legislation, the law commits Italy to principled, effective and high-quality co-operation. Key tenets include policy coherence for development; the principles of development effectiveness, including ownership, alignment and results-orientation; humanitarian principles; transparency; co-ordination; and local sourcing.

Finally, the law places Italian co-operation firmly in the context of international partnership. It refers to the Charter of the United Nations and the Charter of Fundamental Rights of the European Union, and obliges the government to indicate how Italy can meet its ODA commitments. Multilateral co-operation is the first mode of co-operation referred to by the law, underlining collaboration with the European Union (EU).

The law thus represents important progress, serving as a reference point for all co-operation stakeholders to drive change and strengthen accountability.

Italy's National Strategy for Sustainable Development highlights co-operation

Development co-operation is an integral part of Italy's National Strategy for Sustainable Development (Ministry for the Environment and the Protection of Land and Sea, 2018[2]). In 2017, the government adopted the strategy at the highest political level, after a broad consultation process. Development co-operation features prominently as one of five main chapters (Partnership), translating the 2030 Agenda's ambition of shared prosperity and progress of all countries. The strategy elevates the status of development co-operation in domestic policy and ties it to national follow-up to the 2030 Agenda. The National Statistical Institute (ISTAT) publishes an extensive annual report on Italy's SDG performance against all SDG indicators that integrate well-being indicators for each region in Italy (ISTAT, 2019[3]). The Ministry of Foreign Affairs and International Co-operation (MFAIC) reports annually on development co-operation and, as good practice, also includes information on the contributions of actors other than the central government (MFAIC, 2018[4]). Reporting on Italy's progress towards implementing the SDGs could be an opportunity to highlight links between domestic action and development co-operation, in order to reveal common challenges and policy coherence for development issues, and to share experiences (Chapter 1).

The programming and policy planning document has clear priorities, but does not facilitate medium-term planning

Priorities in the Three-Year Programming and Policy Planning Document (PPPD) are rather loose. Although the PPPD 2016-18 identifies 22 priority countries and territories (Government of Italy, 2017[5]) (Table 2.2), it highlights many cases for co-operation outside priority countries: co-operation funded by the Ministry of Environment; migration initiatives, including the *Fondo Africa* (Chapter 4); energy sector investments; stabilisation initiatives; and offering loans (Government of Italy, 2017[5]). Thematic priorities vary from sub-sectoral (cultural heritage, juvenile justice) to multi-sectoral (agriculture and water, environment and energy), and only few sectors are not considered a priority.[1]

The legal requirement to submit a new PPPD every year undermines its strategic value as a medium-term framework. For stakeholders it is not clear to what extent the direction given for any three-year-period is reliable. While the 2017-19 PPPD confirmed and extended the previous PPPD (Government of Italy, 2018[6]), there was no 2018-20 PPPD and the 2019-21 PPPD will again be a full revision. The first two PPPDs were adopted more than one year into the planning cycle, limiting their direction to less than two years. The limited strategic value does not do justice to the labour-intensive and consultative process involved in developing the PPPDs.

The government is aware of these challenges and in response is preparing adjustments. The PPPD 2019-21 is expected to be clearer on objectives, more prescriptive on funding allocations and priority sectors, and ensure that reporting links to objectives. However, all stakeholders of the Italian co-operation system could reflect on how they can enhance the medium-term strategic value of the PPPD.

Principles and guidance

Peer review indicator:

Policy guidance sets out a clear and comprehensive approach, including to poverty and fragility

Italy's policy guidance is particularly detailed on empowering populations at risk of being left behind, notably people with disabilities. However, Italy still lacks guidance on some of its top priorities, notably migration, climate change and fragility.

The picture on cross-cutting issues and leaving no one behind is mixed

Reducing poverty and empowering vulnerable populations are central themes in Italian co-operation policies.[2] The PPPD focuses on some of these themes, such as inclusive education, universal health care, rural populations, as well as gender equality and youth. In addition to 2011 guidelines on the fight against poverty, Italy has detailed guidance on disabilities and on minors, and is in the process of updating its guidance on gender equality and minors (AICS, n.d.[7]).

Aiming to pursue a twin-track approach of targeted action and mainstreaming, the Italian Agency for Development Co-operation (AICS) has a growing number of gender focal points in its field offices, including Senegal. This enables Italy to ensure follow-up beyond the design stage of interventions, including project budget allocations[3] and monitoring of results. The peer review mission to Senegal illustrated how Italy's co-operation adds value with its focus on the inclusion of women, girls and children with disabilities (Annex C). Programming instructions are clear on the need to mainstream gender equality and youth, and evaluations must assess effects on gender equality, the environment and human rights.

In contrast, Italy lacks guidance on a number of its other priority issues (Table 2.1). This is particularly noteworthy for migration, where policy guidance for all stakeholders could also help improve policy coherence (Chapter 1). In 2017, AICS and the University of Tor Vergata produced a study "Towards sustainable migration: interventions in countries of origin", but this has not evolved into actual guidance (Italian Centre for International Development and Italian Agency for Development, 2017[8]). Other important guidance gaps for cross-cutting issues are the rights-based approach and climate change, which is not addressed in the guidelines on the environment. As Italy focuses its co-operation on a number of middle-income countries and territories, it could also be helpful to assess to what extent existing guidance on the principle of leaving no one behind is clarified in these contexts.

Table 2.1. Italy lacks guidance for a number of its priorities

Available guidance against priorities set out in the PPPD 2016-2018 and 2017-2019

Priority with guidance available	Priority which lacks guidance
Citizenship education (2018)	Migration and development**
Energy (2018)	Fragility, humanitarian-development-peace nexus*
Disabilities (2018)	Human rights
Humanitarian aid (2012 and 2016)	Governance, incl. juvenile justice
Water (2015)	Climate change
Health (2014)**	Private sector
Cultural heritage (2013)	
Agriculture (2012)**	
Minors (2012)*	
Environment (2011)	
Fight against poverty (2011)	
Gender (2010)*	

Note: * New guidance is currently being developed. ** The PPPD 2019-21 outlines plans for new guidelines
Source: AICS website.

Operational guidelines for engaging in fragile and conflict-affected states are needed

Italy has a long tradition of engaging in fragile and crisis countries, and all of Italy's priority countries and countries of operation are among the top 40 fragile countries and territories in the OECD fragility framework (OECD, 2018[9]). Because many of the most violent current conflicts in the world occur around the Mediterranean region and because it is partially linked with the migration agenda, crises, fragility and inequality have become central to Italy's development co-operation (MFAIC, 2017[10]). Italy designed a comprehensive strategy document for the Mediterranean region in 2017 (MFAIC, 2017[11]) that links the various elements and drivers of fragility, including cultural heritage preservation – a niche sector in which very few other members operate (Chapter 1). A second edition of the Mediterranean strategy is under elaboration and will be published in 2019. Guidance on operationalising this strategy could be useful to Italy's programming staff. . Italy is drafting guidelines on the nexus between humanitarian aid, development co-operation and peace (Chapter 7), in line with the DAC Recommendation on the Humanitarian-Development-Peace Nexus (OECD, 2019[12]). Setting out in those upcoming guidelines some standard procedures, such as risk or conflict analysis, would help to improve the coherence of Italy's engagement in some of the world's most fragile contexts.

Basis for decision making

Peer review indicator:

Policy provides sufficient guidance for decisions on channels and engagements

Processes to ensure that decisions match priorities are insufficient. A stronger strategic outlook could further enhance Italy's much-appreciated multilateral engagement.

Strategies and guidance to steer country allocations and engagement are needed

Italy's process for steering, comparing and arbitrating on allocations among priority countries could be made more explicit. Although Italy prepares an annual country plan for allocations (*Programmazione annuale*) approved by the Joint Committee (*Comitato congiunto*), this plan does not set out how criteria set out in the PPPD are considered in determining country allocations, and in particular how allocations would contribute to reaching Italy's objectives (expected impact, risks, effectiveness). In a few cases, country strategies guide Italy's engagement (Table 2.2). In Senegal, Italy decided to maintain the previous level of funding when the country strategy expired, and did so again in subsequent EU joint programming. More generally, the MFAIC's 2019 planning instructions for embassies recommend using the previous year's budget as the default to plan forward. For some fragile countries, Italy's pledges at international conferences guide allocations (e.g. Syria, Iraq and Somalia). Within countries, the PPPD and programming instructions are clear on the need to concentrate on three sectors.

Table 2.2. Italy has only few country/territory strategies in place

Overview of co-operation strategies for priority countries or territories and countries included in programming instructions

EU joint programming and Italy country strategy	Italy country strategy only	EU joint programming only	No country strategy and no EU joint programming
Burkina Faso	Cuba**	Bolivia	Afghanistan
Ethiopia	El Salvador	Egypt	Albania
Tunisia	Jordan	Kenya	Bosnia and Herzegovina
	Mozambique***	Senegal	Colombia*
	Niger**	West Bank and Gaza Strip	Eritrea*†
			Iraq*
			Lebanon
			Libya*
			Myanmar
			Pakistan
			Somalia
			South Sudan
			Sudan
			Syria

Note: * Not priority countries in 2018. ** Under preparation. *** Previous country strategy extended. † In light of recent political events, Italy started strengthening bilateral relations with Eritrea in October 2018.
Source: Internal overview provided by AICS.

Italy does not have a pronounced regional approach. A regional strategy exists for the Mediterranean, which – as good practice – encompasses all fields of foreign policy. There are also regional strategies for West and East Africa. However, while Italy identifies regional challenges, its responses are generally country-by-country rather than regional. Outside Europe, Italy does not co-operate with regional organisations other than regional development banks and the Caribbean Community Secretariat. At the global level, Italy engages via its strong support to multilateral agencies (see below).

Guidance to select local implementing channels could be improved

Building on Law 125/2014, the PPPD 2017-2019 clearly recognises the different roles of Italian actors, and provides some guidance for choosing between them in implementing development co-operation. The Italian Government has established specific funding lines for Italian actors, namely civil society organisations, the private sector, as well as decentralised co-operation; however, it does not explicitly provide guidance on selecting these partners based on Italy's intended objective (OECD, 2016[13]); (OECD, 2012[14]). It does not facilitate collaboration among these actors either, and thus fails to capitalise on its multi-stakeholder mechanisms (Chapter 5). While Italy's programming instructions provide some guidance on selecting multilateral organisations (with a focus on effectiveness and those based in Italy), there is no guidance on selecting local partners in the field (however, the mission to Senegal clearly found that Italy works closely with the partner government, local NGOs and research institutions; see Annex C).[4]

Italy believes strongly in multilateralism and agencies praise its reliable and constructive engagement

Italy identifies clear priorities for its multilateral engagement. First and foremost, Italy focuses on strategic engagement with the EU, and is a significant contributor to, and growing implementer of, EU programmes (Chapter 4). It thus aims to enhance the weight and visibility of its own co-operation, while increasing efficiency, in line with its support to joint programming. Italy also ensures – through MEF – a significant presence in most multilateral development banks (MDBs), including the Asian Infrastructure Investment Bank. The international organisations hosted in Italy,[5] in particular in its hubs in Rome and Turin, are another clear priority. For the remaining organisations, the PPPD thematic chapters identify which organisations are particularly relevant for achieving Italy's contribution to the SDGs.

Italy advocates for effective multilateral co-operation. It actively promotes co-ordination of the MDBs as well as the Rome-based agencies, and joined the Multilateral Organisation Performance Assessment Network (MOPAN) in 2017. Agencies provide very positive feedback on Italy, describing it as a constructive and supportive partner. However, the institutional reform of 2014 has created uncertainty for some multilateral partners as to responsibilities across the MFAIC and AICS (Chapter 4). Regular dialogue with priority multilateral partners might help clarify roles and engagement. Furthermore, a variety of ministries have funding lines for multilateral co-operation, translating into diverse board representation that requires inter-ministerial co-ordination (Zupi, 2018[15]). Special legislation underpins MEF's multilateral funding from 2013 to 2022, and allows for multi-year funding to some entities, which is a positive development.[6] Renewing this legislation would enable Italy to continue its reliable multilateral funding.

A stronger strategic outlook could enhance Italy's multilateral engagement still further. Italy does not have a separate multilateral strategy, either global[7] or organisation-specific. The recent framework agreement with IFAD on behalf of a variety of Italian ministries and agencies is an exception, and one that Italy can build on. The PPPD 2016-2018 had indicated the need for clear planning guidelines, but these have not yet been developed. A strategic orientation or strategy for priority organisations could guide Italy's allocation decisions, engagement on governing bodies, and in-country co-operation.

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Notes

[1] Notably transport. However, a large ODA allocation for a transport project in Libya is foreseen in the 2021 budget of the Ministry of Infrastructure and Transport.

[2] In the absence of more detailed guidance, the 2017-19 PPPD explains that leaving no-one behind: "means targeting the most vulnerable groups of the population, focusing on the least developed countries, as well as fragile States and conflict countries, without forgetting the poor, excluded and marginalised in middle-income countries that, despite the progress made in terms of economic growth, still face significant challenges like inequality and vulnerability at both an individual level and collectively." (Government of Italy, 2018[6]).

[3] In Ethiopia, the co-operation framework requires 5% of the budget to be specifically reserved to ensure gender-sensitivity.

[4] There is also no guidance for triangular co-operation. Italy has some limited trilateral co-operation, for instance with Brazil in Ecuador and Bolivia.

[5] Italy hosts international organisations or sub-entities in particular in Rome and Turin, but also Bari, Brindisi, Florence, Perugia, Trieste and Venice. Rome hosts the headquarters of the United Nations Food

and Agriculture Organization, the World Food Programme, the International Fund for Agricultural Development and the International Development Law Organization.

[6] The Budget Law 228/2012 (article 1, paragraphs 170 and 171) provides for an annual envelope of EUR 295 million from 2013 to 2022 for multilateral spending, notably multilateral development banks, International Fund for Agricultural Development (IFAD) and the Global Environment Facility (Republic of Italy, 2012[16]). Law 266/2005 authorised a total contribution of EUR 504 million to the International Finance Facility for Immunisation, and defined annual tranches for 20 years until 2025 (Republic of Italy, 2005[17]).

[7] Though the MFAIC's Directorate General for Development Co-operation (DGCS) did have guidelines covering its own multilateral engagement over 2013-2015.

3. Italy's financing for development

This chapter considers how international and national commitments drive the volume and allocations of Italy's official development assistance (ODA). It also explores Italy's other financing efforts in support of the 2030 Agenda.

Italy's ODA saw a sharp increase from 2012 to 2017, even when excluding in-donor refugee costs. However, this positive trend is not likely to continue, as ODA decreased in 2018, and Italy is not meeting its commitments for mobilising 0.7% of gross national income (GNI) as total ODA and allocating 0.15% of GNI as ODA to least developed countries. Geographic, thematic and multilateral allocations mostly match Italy's priorities, but some mismatches warrant further reflection. Italy stands out for its high share of core contributions to multilateral organisations. Its international engagement on tax crime and vaccine development financing are commendable, but financing to mobilise domestic resources and private-sector engagement is still limited.

Overall ODA volume

Peer review indicator:

The member makes every effort to meet ODA domestic and international targets

Although it has still not met its domestic or international ODA-to-GNI commitments, Italy's ODA saw a sharp increase from 2012 to 2017, even when not considering in-donor refugee costs. This positive trend is not likely to continue, however, as ODA decreased in 2018 and is projected to decrease further in the near future.

Law and policy are clear – Italy's ambition must be moving towards respecting its international commitments

Law 125/2014 commits Italy to increasing ODA in line with its international commitments. The Programming and Policy Planning Document 2017-2019 set the target of allocating 0.30% of gross national income (GNI) as ODA by 2020 (Government of Italy, 2018[1]). While this was revised upwards in the September 2018 update of the Economy and Finance Document: from 0.30% in 2020 to 0.36% in 2020 and 0.40% in 2021, (Ministry of Economy and Finance, 2018[2]) it was not referred to again in the April 2019 Economy and Finance Document (Ministry of Economy and Finance, 2019[3]).

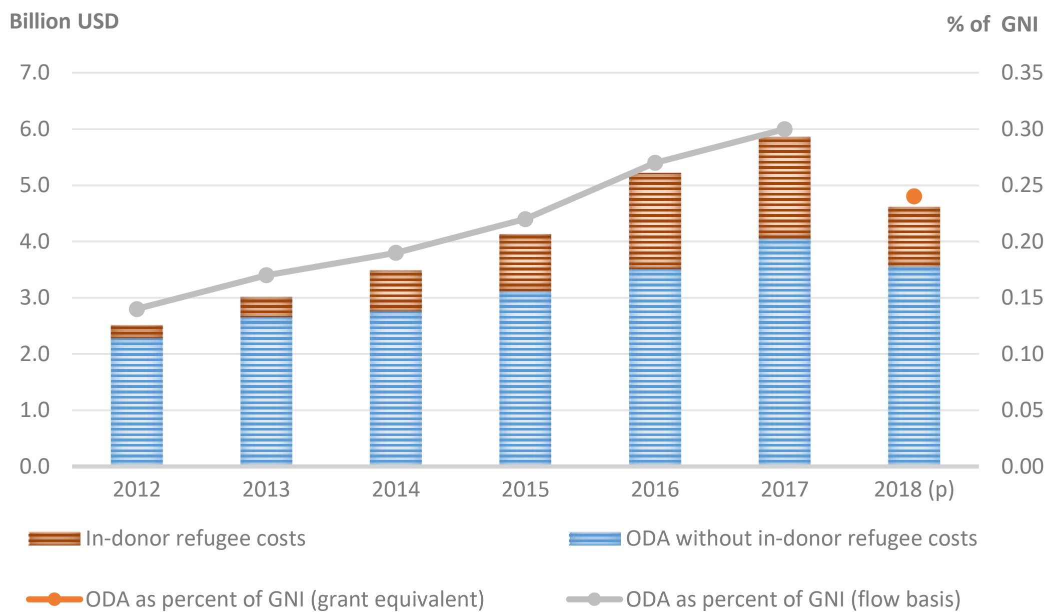
After significant increases, Italy reduced its ODA in 2018 with further decreases planned until 2021

Italy increased its ODA substantially since 2012, even when not considering in-donor refugee costs (Figure 3.1). In 2012, the ODA to GNI ratio fell to 0.14%, the lowest share since 2000 (see Table B.1 in Annex B). Since then, Italy has managed a large increase, more than doubling its ODA to USD 5.9 billion in 2017, bringing it to 0.30% of GNI. Roughly half of the increase expanded the budget for development co-operation, while the other half resulted from higher in-donor refugee costs allocated by the Ministry of Interior. In 2017, in-donor refugee costs constituted USD 1.8 billion, or 30.8% of all ODA.

ODA growth began to stall in 2018. According to the new "grant-equivalent" methodology[1] (OECD, 2019[4]), ODA totalled USD 5.0 billion in 2018 or 0.24% of GNI. To compare with ODA in 2017, it is necessary to use the previous methodology on a "cash-flow basis". It shows that ODA dropped significantly, from USD 5.9 billion in 2017 to USD 4.6 billion in 2018 (constant 2017 prices). This is in large part due to fewer refugees and asylum seekers in Italy, lowering the associated costs (accounting for USD 1.1 billion or 23.0% of total net ODA). However, when in-donor refugee costs are excluded, ODA in 2018 still shrank by 12.3%, explained by Italy's reduced spending on upper middle-income countries. The projections included in the December 2018 budget law foresee a decrease of EUR 375 million (7.4%) from 2019 to 2021, of which EUR 250 million (4.9%) are due to lower in-donor refugee costs (Ministry of Economy and Finance, 2018[5]).[2] These reductions might curb Italy's very positive ODA trajectory despite the ambition set out in Law 125/2014.

Figure 3.1 Italy's ODA increased every year until 2017

Italy's ODA evolution in net flows and as a percentage of GNI, in billion USD, 2017 constant prices



Note: GNI: gross national income; (p) = data for 2018 is provisional.
Source: (OECD, 2019[6]) "International Development Statistics" (database), http://www.oecd.org/dac/stats/idsonline.htm (accessed 30 April 2019)

StatLink https://doi.org/10.1787/888934013985

Italy complies with DAC recommendations on aid, but reporting could improve

While Italy provides loans through the Revolving Fund, including to least developed countries (LDCs), these are highly concessional. The grant element of total ODA commitments stood at 98.8% in 2017 (Table B.6). Loans constitute a small though growing part of gross ODA (5.7% from 2014-2017). Iraq, Argentina[3] and one priority country, Tunisia, were the main beneficiaries of loans from 2014 to 2017[4]. Italy's share of untied aid is also high. However, in 2017 it dropped to 90.9%, from 95.0% in 2016 (Table B.6)[5]. In 2017, for the first time since 2004, Italy reported ex-ante notifications of untied aid, which is a welcome development (OECD, 2018[7]).Law 125/2014 also improved transparency on ODA[6], but the quality of data reporting to the DAC needs to improve[7] (OECD, 2019[8])

Bilateral ODA allocations

Peer review indicator:

Aid is allocated according to the statement of intent and international commitments

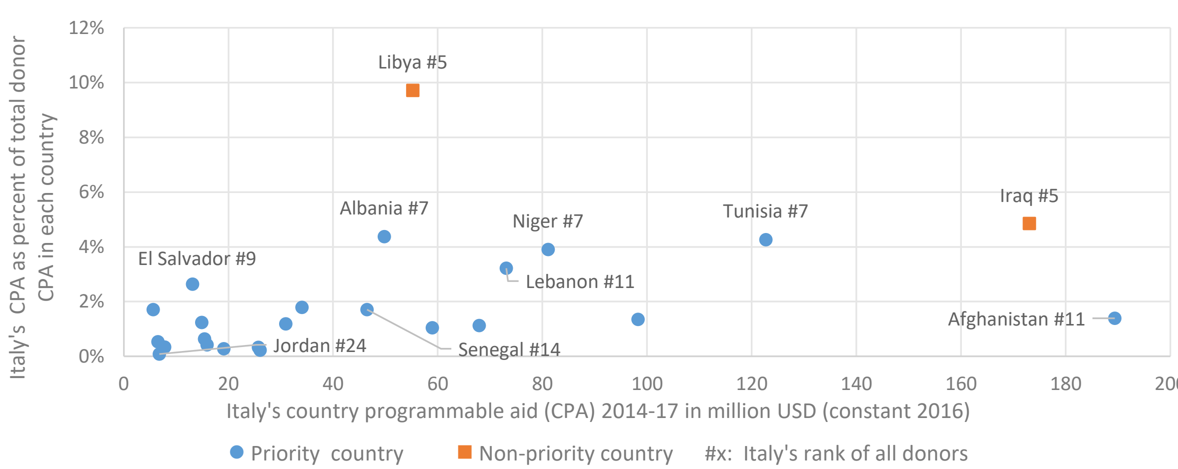
Italy's bilateral allocations are less well matched to its geographic priorities than to its thematic priorities.

Priority countries do not always receive the highest allocations

Although Italy's bilateral aid is concentrated, it is not necessarily concentrated on its priority countries. As a positive sign of concentration, the share allocated to Italy's top 20 recipients of country allocable aid has increased, from 69% in 2012-13 to 77% in 2016-17, and most of these are priority countries (Table B.4).[8] However, four out of the top five recipients in 2016-17 were not priority countries: Turkey, Iraq, Guinea-Bissau and Argentina. While this relates mainly to humanitarian assistance and debt operations, even when considering country programmable aid (CPA) from 2014 to 2017 (which amongst other items does not include these types of aid), the same discrepancy between priority and non-priority countries persists. Libya and Iraq[9] are two non-priority countries, yet Italy's share of CPA is higher in these two countries than in any priority country. In effect, in 17 of its 22 priority countries, Italy provides less than 2% of overall CPA (Figure 3.2). Italy does not meet the ODA to GNI target (0.15-0.20%) to least developed countries (LDCs) – in 2017, it stood at 0.06%, up from 0.05% in 2016 (Table B.7). However, Italy's share of its country allocable aid to LDCs is similar to the DAC average (Table B.3).[10]

Figure 3.2. Programmable aid does not match Italy's country priorities

Italy's volume of country programmable aid (CPA) 2014-17, as well as its share of all donors' combined CPA and donor rank in each country



Source: (OECD, 2019[6]) "International Development Statistics" (database), http://www.oecd.org/dac/stats/idsonline.htm (accessed 30 April 2019)

StatLink https://doi.org/10.1787/888934014004

Bilateral disbursements match Italy's main thematic priorities and cross-cutting issues

Italy's ODA spending on emergency response, support to government and civil society, debt operations, education, health and agriculture all reflect the fact that these are its priorities (Table B.5). As a strong multilateral donor and in line with the PPPD,[11] Italy's bilateral sectoral engagement should be viewed in conjunction with its multilateral funding, which is well matched to Italy's priorities (Chapter 3). Italy has also made progress in addressing gender equality in a higher share of its programmes, from 38% in 2016 to 57% in 2017[12] (Chapter 2). However, high fluctuations and even better performance in previous years indicate the need for greater consistency in screening and advice for gender equality in design and implementation. Italy has significantly increased the share of projects that target or mainstream the environment, from 34% in 2016, to 43% in 2017. [13] Allocations addressing climate change increased from 12% in 2016 to 20% in 2017, but are still below the DAC average of 25%.

While AICS is successfully increasing the average project size,[14] sectoral fragmentation is still high. Despite its commitment to concentration and the PPPD commitment to limit interventions to three sectors, Italy still engages in five or more sectors in 15 out of 24 countries.[15] Less fragmentation could help Italy use its limited resources more efficiently.

Italy consistently allocates a high share of aid for civil society organisations (CSOs) as core support and CSOs are an important implementing channel for bilateral aid. Italy's allocations *to* CSOs are larger than *through* CSOs, indicating its appreciation of CSOs as independent actors of development co-operation rather than solely project implementers (Wood and Fällman, 2019[9]). This sets Italy apart from most DAC members. However, total allocations for CSOs have not kept pace with bilateral ODA growth (OECD, 2019[10]). If in-donor refugee costs are excluded from the ODA total, the share of CSOs as an implementing channel for bilateral ODA was 16% in 2017, which is a decrease from 23% in 2016.

Similarly, while an OECD report noted the relevance of decentralised co-operation (between 1 and 3% of bilateral co-operation until 2015) and highlighted good practices by the Tuscany region (OECD, 2018[11]), aid channelled through local authorities dropped by more than half from 2016 to 2017 to its lowest value in more than ten years.[16]

Multilateral ODA allocations

Peer review indicator:

The member uses the multilateral aid channel effectively

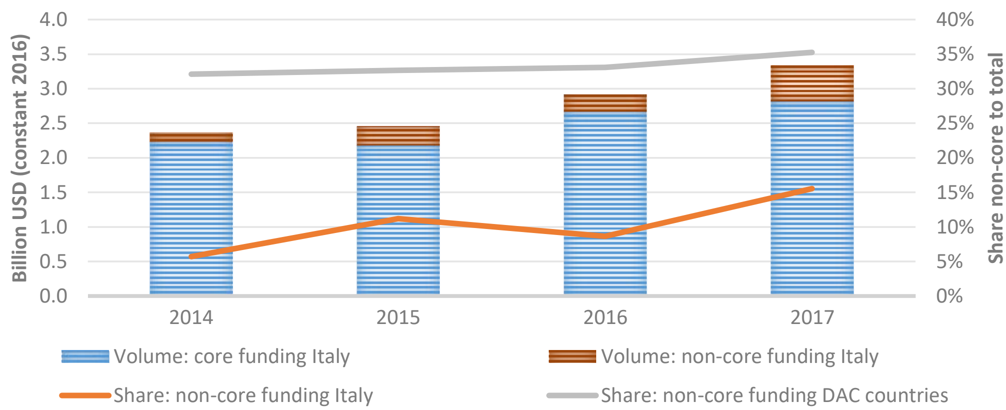
Italy stands out for its high share of core contributions, which enable multilaterals to do their job. Aid allocations match priorities well, but Italy could reassess its strategies where it is a small donor in a priority organisation or a large donor in a non-priority organisation.

Working with the multilateral system is central to Italian co-operation

Italy allocates substantial resources to the multilateral system, mostly as core support (Figure 3.3). More than half of Italy's ODA consistently goes to multilaterals. In 2018, this amounted to USD 3.0 billion, around 60% of total ODA. From 2011 to 2017, Italy's engagement represented around 5% of all DAC country commitments to/through the multilateral system. Italy gives a much higher share of core support than other DAC donors. In peer review exchanges, Italy expressed its commitment to core funding in order to give the multilateral system the flexibility that it needs to fulfil its mandate. While Italy's share of non-core funding has increased over recent years,[17] at 15.6% of its total use of the multilateral system, it is still well below the DAC average of 35.2% in 2017.

Figure 3.3. Italy provides significant core resources to the multilateral system

Italy's gross disbursements to and through multilateral institutions



Source: (OECD, 2019[6]), "Creditor Reporting System" (database), https://stats.oecd.org/Index.aspx?DataSetCode=crs1 (accessed 30 April 2019)

StatLink https://doi.org/10.1787/88893404023

Multilateral support matches priorities, although levels of support vary significantly

With few exceptions, Italy's multilateral support matches its priorities. By far the largest recipient of multilateral support is the European Union (roughly 60%), followed by the World Bank and regional development banks. Almost 80% of Italy's multilateral spending in 2014-17 went to these organisations. In a number of priority organisations, Italy is a leading DAC donor, accounting for at least 9% (and sometimes more than 35%) of the organisation's core and non-core contributions received by DAC countries (Table 3.1, top left quadrant). In many other priority organisations, Italy is still a sizeable donor with at least 2.5% (top right quadrant).

In some cases, Italy might want to review whether it should better match its strategies with its allocations. On the one hand, this relates to a few of its priority organisations where it is currently a small donor (bottom left quadrant). Prominent examples include organisations with very substantial budgets, where increasing Italy's weight would require funding akin to its contributions to the MDBs, notably WFP, UNHCR, UNDP and the Global Fund. On the other hand, there are also a few organisations where Italy makes a large contribution even though the organisations do not feature in its co-operation strategy (bottom right quadrant).

Table 3.1. In most priority organisations, Italy is a sizeable or even key donor

Italy's contributions to and through select multilateral organisations, 2014-17

☑ Priority organisations where Italy is a key donor		☑ Priority organisations where Italy is a sizeable donor	
Italy's share of all DAC countries	Organisation	Italy's share of all DAC countries	Organisation
> 35%	AMC (GAVI), CIHEAM	> 5%	Montreal Protocol Fund, UNEP
> 13%	IDLO, WTO-ITC	> 4%	AfDF, AsDF, FAO, GEF, IADB Investment Fund, UNESCO
> 9%	AIIB, EU, IFFIm (GAVI), IFAD, ILO RBSA, UNIDO	> 2.5%	Adaptation Fund, GCF, UN Mine Action Service, World Bank Group
! Priority organisations where Italy is a small donor		? Other organisations where Italy is a key donor	
Italy's share of all DAC countries	Organisation	Italy's share of all DAC countries	Organisation
< 1.5%	Global Fund, UNDP, UN Women, UNRWA, WHO core voluntary contributions	> 25%	Council of Europe Development Bank, EBRD technical co-operation and special funds, UN System Staff College in Turin
< 1.0 %	CERF, CGIAR Fund, UN OCHA, UNHCR, WFP	> 6%	Caribbean Community Secretariat, Council of Europe, OSCE, World Tourism Organization

Note: AIIB = Asian Infrastructure Investment Bank; AfDF = African Development Fund; AMC (GAVI) = Advance Market Commitments; AsDF = Asian Development Fund; CERF = Central Emergency Response Fund; CIHEAM = International Centre for Advanced Mediterranean Agronomic Studies; EBRD technical co-operation and special funds = European Bank for Reconstruction and Development – technical co-operation and special funds (ODA-eligible countries only); EU = European Union Institutions; FAO = Food and Agricultural Organisation; GCF = Green Climate Fund; GEF = Global Environment Facility Trust Fund; Global Fund = Global Fund to Fight AIDS, Tuberculosis and Malaria; IADB Investment Fund = Inter-American Development Bank, Inter-American Investment Corporation and Multilateral Investment Fund; IDLO = International Development Law Organisation; IFAD = International Fund for Agricultural Development; IFFIm (GAVI) = International Finance Facility for Immunisation; ILO RBSA = International Labour Organisation - Regular Budget Supplementary Account; Montreal Protocol Fund = Multilateral Fund for the Implementation of the Montreal Protocol; OCHA = United Nations Office of Co-ordination of Humanitarian Affairs; OSCE = Organization for Security and Co-operation in Europe; UN = United Nations; UNDP = United Nations Development Programme; UNESCO = UNEP = United Nations Environment Programme; United Nations Educational, Scientific and Cultural Organisation; UNHCR = United Nations Office of the United Nations High Commissioner for Refugees; UNIDO = United Nations Industrial Development Organisation; UNRWA = United Nations Relief and Works Agency for Palestine Refugees in the Near East; UN Women = United Nations Entity for Gender Equality and the Empowerment of Women; WFP = World Food Programme; WHO = World Health Organization; WTO-ITC = World Trade Organisation - International Trade Centre.

Source: OECD (2019), "Creditor Reporting System" (database), https://stats.oecd.org/Index.aspx?DataSetCode=crs1.

Financing for development

Peer review indicator:

The member promotes and catalyses development finance additional to ODA

Italy's international engagement on tax crime and vaccine development financing are commendable, but its support for mobilising domestic resources and private-sector engagement is still limited

On domestic resource mobilisation, Italy provides expertise on tax crime and debt management but little financing

Italy shows leadership in debt management and the fight against tax crime, and is the sole financial supporter of the Public Debt Management Network initiative fostered by the OECD, the Italian Treasury, and the World Bank. Italy facilitated the G7 Bari Declaration on Fighting Tax Crimes and other Illicit

Financial Flows, hosts the OECD International Academy for Tax Crime Investigation, and supports, with other donors, the Africa Academy Programme for Tax and Financial Crime Investigations.

Although it is a member of the Addis Tax Initiative, its limited support to domestic resource mobilisation as reported by Italy to the Creditor Reporting System was lower in 2017 than in the baseline year 2015. At 0.02% of bilateral allocable ODA (USD 274 000), Italy now ranks 18th among DAC members. According to data reported directly to the Addis Tax Initiative by Italy shows a significant increase in its support to domestic resource mobilisation over the same period, which highlights a lack of coherent reporting by Italy in this area. Unlike some other donors and organisations, Italy has not moved away from requesting tax exemptions for its co-operation in partner countries.

The cost of sending remittances from Italy is lower than the global and G8 average (The World Bank, 2019[12]), but Italy has not clearly outlined how to achieve further reductions in line with the SDG target of less than 3%. According to its 2017 G20/Global Partnership for Financial Inclusion action plan, average remittance costs are 4.7%, and 7.9% for a number of corridors (Government of Italy, 2017[13]). The plan outlines financial education and inclusion activities for migrants in Italy, and Italy's significant efforts to mobilise the diaspora for sustainable development in their countries of origin can be seen in this context (Chapter 1). However, the plan does not indicate specific activities that would help drive down the cost of remittances, which could be included in future plans.

Beyond its substantial support for private sector vaccine development, Italy's private sector mobilisation is still small scale

Italy was instrumental in encouraging private sector research and production of a pneumococcal vaccine through a long-term and substantial contribution by the MEF. Italy is the largest donor for the Gavi (the Vaccine Alliance) Advance Market Commitment mechanism, financing more than 42% of a total of USD 1.5 billion in contributions. Also, as the third largest donor for the International Finance Facility for Immunisation (IFFIm), Italy's commitments over 20 years have been particularly valuable in supporting Gavi's negotiations with pharmaceutical companies. At a much smaller scale but with a similar logic of rewarding success, Italy is one of the donors to support the International Committee of the Red Cross and Red Crescent's (ICRC) innovative Program for Humanitarian Impact Investment. The programme enables the ICRC to mobilise private social investment for its activities, with the risk of underperformance borne by investors and the ICRC (Chapter 7).

Although hampered by its rating[18] in its capacity to take risks and mobilise capital, Italy's new development finance institution *Cassa Depositi e Prestiti S.p.A.* (CDP) is increasingly building the capacity to fulfil its role as Italy's financial institution for international development co-operation. At present, it focuses on partnering with MDBs and development finance institutions (DFIs)[19] to identify opportunities for blending, including in the framework of the European External Investment Plan (Cassa Depositi e Presiti, 2019[14]) (see also Chapter 4). The CDP subsidiary, *Società Italiana per le Imprese all'Estero* (SIMEST) supports Italian companies' engagement abroad with non-ODA financing. This includes a small amount of other official flows (USD 38.2 million in 2017) in common equity and interest subsidies in middle-income countries, notably People's Republic of China and Brazil. Italy is setting up an internal system to track private finance mobilised by activities of SIMEST and other official agencies, and aims to start reporting to the OECD on 2018 flows. Italy is also publishing a pilot study on private finance mobilised for climate action in developing countries to track progress under the UN Framework Convention for Climate Change (UNFCCC).[20]

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Notes

1 The grant-equivalent method for calculating ODA replaces the flow method, whereby grants and loans were valued in the same way. This did not reflect actual efforts by donor countries, since grants represent a bigger effort than a loan. The new grant-equivalent of loans provides a more realistic comparison of loans and grants, and provides a higher grant equivalent for highly concessional loans with a very low interest rate and a long repayment period.

2 The projections do not include ODA mobilised outside the Budget law through special decrees under law 145/2016, linked to Italy's participation in international peace and stabilisation missions.

3 In Argentina, this does not relate to a new loan but the capitalised part of a debt operation, which had been agreed in the framework of the Paris Club.

4 In Argentina, loans related to debt rescheduling, in Iraq to projects on energy and agriculture, and in Tunisia mainly to projects on waste management and small and medium-sized enterprise development.

5 This is due to two large and partially tied operations in Argentina and Tunisia.

6 Law 125/2014 obliges the government to "[indicate] the mode to gradually adjust annual international development cooperation appropriations in such a way as to enable Italy to be in line with [international] commitments" (article 30).

7 Italy's data submissions were timely, but it could improve the quality of reporting on short descriptions, purpose codes, channel codes, and tying status.

8 These ratios relate to gross disbursements of bilateral ODA that are allocated to a specific recipient country and do not reflect the significant share of unallocated ODA, notably costs for refugees in the donor country.

9 The new PPPD (2019-21) adds Iraq to the list of priority countries.

[10] From 2014-16, between 41% and 49% of gross disbursements of Italian country allocable aid went to LDCs, with a drop in 2017 to only 30%. For the period 2014-17, the averages for both Italy and the DAC countries were 39%.

[11] Thematic chapters of the Three-Year Programming and Policy Planning Document 2016-2018 indicate “Reference International Bodies”, i.e. those multilateral organisations with which Italy aims to co-operate in addition to its bilateral co-operation to achieve its objectives.

[12] The DAC average for 2016 was 38%, for 39% for 2017.

[13] In 2017, the DAC member average share of total bilateral allocable ODA supporting the environment stood at 33%.

[14] Based on 2016-17 Creditor Reporting System (CRS) data, commitments for project-type interventions managed by AICS increased from an average of USD 0.8 million to USD 1.6 million.

[15] Based on 2016-17 CRS data in 22 priority countries as well as Libya and Iraq, using the sub-sectoral breakdown of CRS data without humanitarian assistance, debt-related action and administrative or in-donor refugee costs.

[16] From USD 16.8 million in 2016 to just USD 6.4 million in 2017. The next call for proposals launched in 2017 selected 22 development projects for a total co-financing of EUR 12.5 million to be channelled to Italian Regions and local governments.

[17] The largest recipients of Italy’s non-core funding are the United Nations agencies, funds and programmes, notably the United Nations Development Programme (UNDP), United Nations Children's Fund (UNICEF), World Food Programme (WFP), Office of the United Nations High Commissioner for Refugees (UNHCR) and now also the International Organization for Migration (IOM), as a Related Organisation of the UN. The large increase is in particular due to significantly higher contributions through the European Union.

[18] As an example, Standard & Poor’s long-term rating (set on 30 October 2018) for CDP is BBB (one grade above non-investment grade) with a negative outlook (CDP, 2019[15]). Ratings by Moody’s and Fitch are similar.

[19] CDP’s legal framework provides for mandatory co-financing with European, international and multilateral financial institutions of development co-operation initiatives in support of private recipients or targeted at *Least Developed Countries* or *Other Low Income Countries*.

[20] Italy receives support from the OECD Research Collaborative on Tracking Finance for Climate Action and will also report related data to the DAC.

4. Italy's structure and systems

This chapter reviews Italy's organisational structures and management systems for its development co-operation, examining the extent to which they are fit for purpose and have the capacity to deliver Italy's development objectives.

Law 125/2014 clearly spells out the role and mandates of official development actors, and establishes new structures, notably the Italian Agency for Development Co-operation (AICS). Partnership approaches, transparency, accountability and the operationalisation of development policy are key characteristics of the law. In practice, the full implementation of this important reform is still in progress. Overall, Italy has clear processes and quality assurance checks in place; however, accountability will have to be managed as AICS implements a greater share of EU delegated co-operation in its overall portfolio. Italy can also do more to encourage and scale up its innovation efforts. The human resources available to AICS and the Ministry of Foreign Affairs and International Co-operation (MFAIC) are not adequate. A human resources plan is urgently needed to attract and retain skilled staff and ensure the satisfactory delivery of Italy's development co-operation programme.

Authority, mandate and co-ordination

Peer review indicator:

Responsibility for development co-operation is clearly defined, with the capacity to make a positive contribution to sustainable development outcomes

Law 125/2014 clearly spells out the role and mandates of all official development actors, including the Ministry of Foreign Affairs and International Co-operation (MFAIC) and the Agency for Development Co-operation (AICS). Multi-stakeholder approaches, transparency, accountability and operationalising development policy are key characteristics of the law. In practice, the reform has not been fully implemented and there are few incentives for greater co-ordination.

The new law sets out long-awaited reforms

Italy's development co-operation system is clearly spelled out in the law. In August 2014, the Italian Parliament approved Law 125/2014, the primary legislation that reforms the Italian development co-operation system. The passing of Law 125/2014 coincided with strong political will to "relaunch development co-operation" (MFAIC, 2016[1]) after less successful attempts to fully reform Law 49/1987, which had defined Italy's co-operation with developing countries over the previous 27 years.

The law set out to broaden partnerships, operationalise Italian development policy, and create more accountability and transparency. Put into action, these are all plausible and concrete ways to address the recommendations from the 2014 Peer Review (Annex A).

Law 125/2014 introduces important organisational changes (see the organisation charts in Annex D):

- A governance system that elevates development co-operation by establishing the position of a Deputy Minister for Co-operation.
- A new Italian Agency for Development Co-operation (*Agenzia italiana per la cooperazione allo sviluppo* – AICS) that builds on the previous Central Technical Unit of the Directorate General for Development Co-operation (DGCS) in the Foreign Ministry, and takes over legal and administrative responsibilities previously assigned to the Foreign Ministry and embassies in the field.
- New financial tools assigned to *Cassa depositi e prestiti S.p.A.* (CDP), Italy's development finance institute, which is also responsible by law for managing the Revolving Fund *(fondo rotativo)*; co-financing with private, public or international entities; and financing private actors (Chapter 5).
- An inter-ministerial development co-operation committee (*Comitato interministeriale per la Cooperazione allo sviluppo* – CICS) to co-ordinate all public development activities and align them with the three-year programming plan.
- A National Development Co-operation Council *(Consiglio Nazionale per la Cooperazione allo Sviluppo* – CNCS) with broad multi-stakeholder involvement to ensure policy coherence for sustainable development (Chapter 1).
- A Joint Development Co-operation Committee (*Comitato congiunto)* to approve all bilateral and multilateral initiatives above EUR 2 million and concessional loans. The Foreign Minister approves humanitarian aid programmes, which are not submitted to the joint committee for approval.

Intra- and inter-ministerial co-ordination could be stronger

Law 125/2014 clearly states the rationale for the creation of the AICS, which "is established as a legal entity…subjected to the power of orientation and supervision of the Minister of Foreign Affairs and International Co-operation (MFAIC), for the purpose of implementing development co-operation policies…" (Republic of Italy, 2014[2]). AICS has the mandate to perform technical and operational activities related to formulation, appraisal, financing, implementation, monitoring and evaluation of programmes and projects and operates at the country-level through its field offices.

The Directorate General for Development Co-operation (DGCS) of the MFAIC maintains oversight of multilateral official development assistance (ODA), humanitarian assistance, concessional loans and credit, and monitoring and evaluation, the latter through a reallocation of AICS's resources back to DGCS. The clear division of labour under the law requires good collaboration between MFAIC and AICS. This does occur, given that most development experts dealing with these issues left the MFAIC to join AICS, leaving only diplomats responsible for these portfolios in the MFAIC (Chapter 4).

Within the ministry, the management of the ODA budget extends beyond the DGCS to the Directorate General for Italian Citizens Abroad and Migration Policies (DGIT), which manages the Africa Fund (*Fondo Africa)* established in 2017 with the objective to combat irregular immigration and stem human trafficking. The fund is the primary vehicle for Italy's contributions to the EU Emergency Trust Fund for Africa to address the root causes of irregular migration. The direct involvement of DGCS of MFAIC is limited to *Fondo Africa's* activities that are implemented by AICS (EUR 26.8 million in 2017-18, or 14.9% of the Fund's total resources) and to a lesser extent via contributions to the EU Trust Fund (EUR 93 million, or 51.7%), where DGCS represents Italy on the board and for which AICS implements activities through delegated co-operation (Chapter 6). The remainder of *Fondo Africa* activities implemented through the ministries of defence and interior or multilateral organisations are overseen by DGIT alone, despite the development nature and impact of these activities.

Aside from the MFAIC and AICS, who manage the bulk of Italy's ODA, the Ministry of Economy and Finance is responsible for 36% of ODA (according to 2017 OECD statistics), including public debt operations and contributions to international financial institutions and multilateral development banks, global funds and debt relief operations. While the PPPD reflects this cross-ministerial collaboration, the joint committee does not discuss or make decisions about debt operations, for example. The Ministry of Environment and the Ministry of Interior manage smaller shares for bilateral and multilateral[1] ODA and in-donor refugee costs, respectively. AICS-Ministry Conventions, or tripartite conventions between ministries and the agency, define roles and mandates, are renewed every three years.

In Rome, inter-ministerial co-ordination at the technical level (with the Ministries of Foreign Affairs, Environment, Interior, Economy and Finance, and ISTAT) appears to work well. On issues related to *policy* co-ordination, however, interministerial co-ordination can be more challenging. All ministries that have a stake in Italy's ODA budget would benefit from closer co-ordination – both in Rome, at permanent representations, and at the country level (Chapter 1). In Senegal, for example, where there is no overarching country strategy, it was clear that neither AICS nor the Italian Embassy had a comprehensive overview of the whole-of-Italian-government footprint in the country, including the multilateral channels (Annex C.3). In the few partner countries where Italy has developed country strategies, partners are identified, such as the Italian Institutes for Statistics and Health and decentralised authorities (Chapter 2).

Systems

Peer review indicator:

The member has clear and relevant processes and mechanisms in place

Given the long-term change management process involved in setting up new systems, the short-term focus has been on delivering Italy's development co-operation rather than consolidating the reform. Overall, Italy has clear processes and checks in place and the agency has been "pillar assessed" by the EU. It can continue to strengthen the quality of some of its aid management and audit systems, which will also be necessary as it becomes a more important implementer of EU delegated co-operation. In the future, Italy could do more to encourage and scale up its innovation efforts.

Adapting to the reform has taken time

Formally established in January 2016, AICS embarked on a change management process, and invested in finding a fit-for-purpose organisational model best adapted to the multiple functions bestowed upon it by the law. In the meantime, it has adopted a pragmatic approach to delivering its programmes despite the administrative, human resources, and financial constraints defined by legislation and accompanying rules. This is confirmed by the recent EU pillar assessment, which determined that the EU could entrust budget implementation tasks to AICS (Moore Stephens LLP, 2018[3]) in the context of EU delegated co-operation.

On the whole, it has taken some time for the Italian development co-operation system to carry out these challenging reforms, not helped by some uncertainty around the political will to uphold the reform (Openpolis and Oxfam Italia, 2019[4]). The naming of a new director of AICS in April 2019 after a one-year vacancy offers an opportunity to consolidate the significant reform measures outlined in Law 125/2014.

Managing EU delegated co-operation is a fine balancing act

Italy aims to increase the delegated co-operation it implements on behalf of the EU from around 10% today to about 50% of AICS's operations. Italy is currently the third largest member state implementing activities for the EU Emergency Trust Fund for Africa through delegated co-operation. At present, EU delegated co-operation affords the agency the flexibility to operate outside Italian law and financial rules. For example, it can directly contract non-Italian CSOs and hire staff on more flexible contracts, and it is not bound by the strict ratio of programme and administrative costs. While this flexibility and the additional resources present an opportunity for AICS, its systems will likely need to be reinforced. AICS will have to work to ensure coherence, complementarity and alignment (or explain discrepancies) with its own bilateral investments, and develop robust administrative and backstopping functions to effectively and efficiently manage this dual-tracked accountability.

Table 4.1 outlines and assesses the relevant systems in place to implement Italian development co-operation, make it more innovative and adapt to change.

Table 4.1. Assessment of Italy's development co-operation systems

	Yes	No	Comments
Clear and transparent processes and procedures in place to make decisions on:			
• programming	•		▲ DGCS (strategic) and AICS programming instructions go hand-in-hand ▼ Aid management IT system is not yet in place
• policies (Chapter 2)	•		
• partnerships (Chapters 2 and 5)		•	▲ Law 125/2014 recognises multiple stakeholders for development co-operation ▼ No clear strategy or process to determine partnership decisions
Systems are in place to assure the quality of development co-operation, including:			
• audit	•		▲ External audit, anti-terrorism, anti-mafia checks in place ▼ No internal audit function
• mainstreaming cross-cutting issues (Chapter 3)	•		▲ Programming instructions and country strategies provide clear instructions and criteria to mainstream gender and disability. ▼ No clear instructions on mainstreaming environment / climate change, although old guidance on environment exists.
Fair systems for:			
• procurement	•		▲ Procurement rules and thresholds annexed to each programme document
• contracting	•		▲ Strengthened *ex ante* controls before a contract is awarded to verify compliance with public procurement and fair competition.
Systems in place to assess and adapt to risks, including:			
• strategic • reputational • programming • security	• • •	 •	▲ Project documents identify ecological, social, institutional, economic, and security risks ▲ Robust risk management procedures are in place with Rome having final say. ▲ Conditions associated with the identified risks are agreed by the project steering committees..
• sexual exploitation and abuse (SEA)		•	▲ MFAIC and AICS code of conduct refers to discrimination and sexual harassment ▼ MFAIC and AICS code of conduct does not refer to SEA
• corruption (see text)	•		
Innovation and adaptation introduced, incentivised, measured, and potentially scaled.		•	▲ Last call for proposals for private sector prioritises new ideas and start-up firms, bringing innovative partnerships to the forefront ▼ Leadership and internal system does not provide incentives to innovate and adapt to changes in the development landscape

Note: Green triangles refer to good practice and red triangles refer to areas where progress is needed.
Source: OECD secretariat following the structure of the DAC Peer Review Reference Guide, based on documentation provided by the Ministry of Foreign Affairs and International Co-operation (MFAIC) and Italian Agency for Development Co-operation (AICS).

Italy's anti-corruption plan is not well-known outside Rome

The AICS's 2017-19 anti-corruption plan identifies four types of risk: compliance, financial, operational and strategic (AICS, 2017[5]).[2] Allocating sufficient resources to implement the plan and to manage corruption risks will be crucial to its success. Italy has past experience in managing corruption domestically, which it is has been able to transfer to its international programming. In high-risk corruption settings, Italy works jointly with other development partners to identify risks, verify risk-control mechanisms, put in place mitigation measures, and – if necessary – redirect or repackage programming together with partners. This co-operation is good practice and in line with the OECD Council Recommendation for Development Co-operation Actors on Managing the Risk of Corruption (OECD, 2016[6]).

Italy can use its experience in these contexts to increase its use of pooled mechanisms and link audit and evaluation recommendations to programme design. As it revises its anti-corruption plan and ethics code, it should accelerate training for its entire workforce and implementing partners in the field[3] including on protecting whistle-blowers. The revised plan and practices could assist Italy to strengthen corruption risk prevention, internal control and audit procedures, and assessment tools.

Capabilities throughout the system

Peer review indicator:

The member has appropriate skills and knowledge to manage and deliver its development co-operation, and ensures these are located in the right places

Backstopping from headquarters is not adequate considering the centralised procedures that require headquarters to sign off at multiple points of the programming cycle. A human resources plan is urgently required for Italy to deliver a quality programme.

Highly centralised procedures require more support in headquarters

The "backstopping" function provided by headquarters is essential to Italy's ability to deliver a high-quality development co-operation programme. Italy's highly centralised *modus operandi* is a way to manage risk and ensure quality programming, but depends on back-up from a reactive and skilled workforce in Rome.

To illustrate, thematic desks at AICS headquarters in Rome must approve any project modifications; the legal desk advises on tendering processes; and geographic desks advise on technical assistance (Annex D). Currently, AICS headquarters do not have the technical and administrative capacity to react to these requests for approval or advice in a timely manner, which frustrates partners, and in turn delays and compromises the effective delivery and responsiveness of Italy's development co-operation programme (Chapter 5, Annex C).

MEF oversees the utilisation of the Revolving Fund *(fondo rotativo)* that extends concessional loans. Italy's development finance institution, CDP, is responsible for the administrative management of the Revolving Fund, while AICS is responsible for the day-to-day management at the country level. CDP has only recently started to provide blended finance by combining its own resources either with those of the Revolving Fund or with those of other international financial institutions, primarily due to a lack of country presence and insufficient expertise in both CDP and AICS. However, this is improving (Chapter 3).

Delivery of Italy's development programme requires a strong and skilled workforce in Rome

The successful delivery of Italy's development co-operation programme hinges on a skilled and adequately resourced workforce. Staff in Rome and partner countries in AICS and DGCS are very committed to their work and its purpose, but suboptimal staffing levels mean that the system is overstretched.

Law 125/2014 states the maximum staffing level of AICS to be 200 (18 managers and 182 employees). To date, 158 agency staff are employed in Rome and Florence, and 80 out of the 100 allocated positions for locally-engaged staff in Italy's 20 field offices are filled. A December 2018 amendment to the law allows for an increase of 40 staff in Italy, of which 20 could be upgrades from temporary to permanent contracts, and 20 could be new hires. This leaves 80 vacancies to fill, meaning that, at best AICS has had 25% fewer staff than the maximum capacity defined by law. Furthermore, in the year leading up to early April 2018 the agency was operating without a director and only one of two deputy directors. These human resource gaps have had a negative impact on staff morale.

In the Directorate General for Development Co-operation (DGCS), 33 diplomats including the Director-General and two Deputy Directors General oversee humanitarian and emergency aid, multilateral allocations, and the evaluation desk. Although this leaves little development expertise within DGCS, the situation is helped through good collaboration between the Ministry and AICS on these issues.

Italy faces an important challenge in attracting and retaining experienced officials familiar with development co-operation to help drive the cultural shift required to fully implement the law. This is all the more urgent due to the fact that 39 of the 50 experts hired under the previous law[4] will soon retire. The current law no longer allows for this "expert", better-paid job category. Given the requirement to select among existing civil servants first, AICS has largely depended on the secondment of civil servants from outside the field of development co-operation to fill these executive positions. In addition, hiring people with development co-operation expertise could help instil a culture of experimentation and staff initiative, injecting best practice from across the field of international development (Chapter 6).

Partners and government actors speak highly of the technical expertise and commitment of AICS colleagues in the field. Here, staff operate under a variety of short or fixed-term contracts, with the exception of the country director, who has a permanent contract (Annex C.4). The reform law shifted administrative responsibility in the field from the embassy to AICS field offices, which has added considerably to the country director's administrative burden, leaving less time for more strategic engagement. The requirement to have working knowledge of the Italian language in addition to the official language of the host country means that in some contexts it can be challenging to find qualified staff among a small pool of candidates.

Aside from the country director, there is virtually no possibility for career progression or rotation for any staff to other posts within the Italian development co-operation system. In addition, there is little access to professional development or training, and the team heard that there was no way to register anonymous grievances about problems in the workplace, whether personal or programme-related. In spite of staff members' personal commitment, these issues, compounded with mostly short-term contracts, impact staff morale. Recently, the implementation of EU delegated co-operation has given AICS more flexibility to employ non-Italian speaking experts and issue longer-term employment contracts.

The 2014 Peer Review had already called for Italy to create a human resources plan for its development co-operation (OECD, 2014[7]), and this was reiterated by the recent EU pillar assessment (Moore Stephens LLP, 2018[3]). Developing a medium-term human resources strategy should be a priority for Italy, and it would need to outline how it will strengthen staff retention, well-being, engagement, professional development and training for staff in Italy and in field offices.

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Notes

[1] The Ministry of Environment (MTTE) manages ODA to multilateral entities as well as a significant share of bilateral ODA dedicated to combating climate change. In particular, MTTE has the mandate to engage with global climate funds, public-private partnerships, and innovative financing, to name a few. In early 2018, the UNDP Africa Centre for Climate and Sustainable Development was inaugurated in Rome, based on a Memorandum of Understanding signed between MTTE and UNDP.

[2] In 2018, Italy started reporting against its observance of the anticorruption plan.

[3] The current corporate performance plan (2019-2021) aims for 65% of employees to have attended training on anti-corruption and the ethics code by 2021. This would leave 35% untrained, which is a significant development risk. It would be important to secure resources to reach 100% as soon as possible.

[4] Under Article 12 of Law 49/1987, up to 120 experts could be hired under a more competitive salary scheme outside of the public sector structure for a period of four years (renewable). Article 32 of Law 125/2014 says the agency can avail itself of 50 such experts from DGCS. These experts can compete for the so-called "executive" positions in the agency through competitive tests, although in practice these positions have been filled by civil servants seconded from other departments (*commandati*).

5. Italy's delivery modalities and partnerships

This chapter reviews Italy's approach to delivering in partner countries and through partnerships to determine whether its approach is in line with the principles of effective development co-operation.

Italy's development co-operation is characterised by strong multi-stakeholder partnerships, including most recently with the Italian private sector and a broader spectrum of civil society. Calls for proposals and a project-based approach define many of these partnerships, which may not always be the most strategic means of engagement. Italy has made good progress on transparency and places a strong emphasis on country ownership, even if its choice of modalities could be even more supportive. Medium-term predictability continues to be an important challenge. The development effectiveness marker used for the purpose of project appraisals could assume a more important stocktaking role.

Partnering

Peer review indicator:

The member's approach to partnerships for development co-operation with a range of actors (national and local government, UN agencies, development banks, CSOs, foundations, knowledge institutions, media, private sector) is consistent with development effectiveness principles

Strong multi-stakeholder partnerships are anchored in Italian development co-operation legislation. Italy has made adjustments to include more diverse development co-operation actors, including the Italian private sector. Calls for proposals define many of these partnerships, and these could be more flexible and streamlined. Medium-term predictability is a challenge, mostly due to implementation delays, but Italy has stepped up efforts to make its aid more transparent and accountable to the Italian taxpayer. Italy is a strong proponent of EU joint programming.

Multi-stakeholder partnerships are strong and EU joint programming is the default

Italian legislation and development co-operation illustrate the value Italy places on actors such as civil society organisations (CSOs), multilateral organisations, local authorities, universities and the private sector. This is a good example of putting the 2030 Agenda and, more specifically, sustainable development goal (SDG) 17 to strengthen global partnerships at the heart of Italy's development co-operation. In this way, Italy's national strategy for sustainable development and the monitoring of the strategy are opportunities to create a common vision across organisations, regions, institutions and enterprises in Italy to contribute to the realisation of the SDGs.

A good example of multi-stakeholder partnerships is the National Multi-stakeholder Platform on Energy and Development, created in 2016. The platform brings together institutional, public and private stakeholders to promote innovative projects, using the skills available in AICS offices combined with technology transfer, capacity building to plan and adapt regulatory frameworks, and twinning with Italian banks and companies, such as Eni, the Italian energy multinational.

Italy is committed to EU joint programming, giving precedence to the joint exercise before developing its own bilateral country strategy or framework, as seen in Senegal (Annex C). Italy is pragmatic in partnering with other EU member states, recognising that it usually has a small bilateral presence relative to other donors, as set out in Chapter 3.

A broader representation of civil society delivers mainly in priority countries

The participation of CSOs and other non-profit organisations in development co-operation draws on their complementary role in relation to partner country governments. In 2018, Italy broadened its CSO registry criteria to include actors other than non-governmental organisations (NGOs), making it more reflective of Italian civil society. The registry was approved by the Joint Committee and now includes 77 non-profit organisations of social utility, 41 foundations, and 2 co-operatives, in addition to 91 NGOs.[1]

The private sector is now a formal actor in Italian development co-operation

While Italy has long recognised civil and local authorities as independent actors in development co-operation, it was only through Law 125/2014 that the Italian private sector is now recognised for its "contribution of companies and banking institutions to development processes in partner countries"

(Republic of Italy, 2014[1]). How the Italian private sector operates in this context is still to be clearly determined, although firms are obliged to adhere to the UN Global Compact, which is good practice (Ceccarelli, 2018[2]). Memoranda of Understanding between the Ministry of Environment (MTTE) and partner countries funding environment and climate-related activities also include clauses on involving and partnering with the private sector.

To date, Italy's support to private-sector engagement is through blending *Cassa Depositi e Prestiti S.p.A.* (CDP) resources with development banks and financial institutions to crowd-in private investment and extend loans and guarantees, including via the EU External Investment Plan (Chapter 3). According to the agreement signed between AICS-MFAIC-CDP in 2016, all development projects must be approved by the Joint Committee at the project design phase.

The first call for proposals open to the for-profit sector in support of partnerships between the private sector, CSOs, and other actors to co-finance innovative entrepreneurial initiatives and business start-ups in partner countries was launched in 2017. Firms submit proposals and guarantee 50% co-financing as a prerequisite to funding. Twenty-five firms submitted proposals, 13 of which were ultimately funded, including some start-ups, for which the co-financing requirement was waived (De Muro et al., 2019[3]). Following the low uptake of the first call for proposals,[2] AICS went on a roadshow throughout Italy to raise awareness on the value of businesses and development co-operation actors working together, and to dispel ideas that this was about an "internationalisation" of Italian business. The second call for proposals was launched at the end of 2018 and had 60% more submissions from across Italy thanks to this awareness-building effort.[3] In the future, Italy will also work to promote joint ventures in partner countries.

Italian local authorities are still active in development co-operation, but less so than before

Law 125/2014 refers to regions, autonomous provinces (Trento and Bolzano) and local administrations as development co-operation actors in their own right. Italy's local authorities are a relatively small but important cornerstone of development co-operation that bring local know-how and investments to communities of a similar geographic scale in partner countries, including via universities and through peer-to-peer exchanges and projects (OECD, 2018[4]). By law, local authorities may reserve up to 0.8% of their budgets for development co-operation projects, although recent budget constraints have squeezed their international development co-operation activities (Chapter 3).

Partnerships would benefit from more strategic, flexible funding modalities

Partnerships with local authorities, civil society and the private sector are largely defined by calls for proposals, which tend to require a disproportionate amount of staff time given the funding available. Work includes ensuring compliance with administrative decrees that follow public contracts law and are not necessarily adapted to non-public sector entities like civil society and the private sector.

For example, CSO project funding is in line with Italy's priorities[4] during annual calls for proposals that are sometimes thematic. However, sustainable partnerships with civil society and strengthening CSO capacity in partner countries often require longer-term capacity building and more predictable funding than currently offered.[5] Unlike calls for proposals for emergencies, development CSOs are obliged to have an operational office in Italy to be eligible for funding. Partnering with CSOs for implementing EU delegated co-operation offers more flexibility to collaborate directly with partner country NGOs, including for non-humanitarian assistance.

Calls for proposals, including for emergency and humanitarian action (Chapter 7), may not be the most strategic or efficient partnership approach going forward, a point also raised in the 2014 Peer Review (Annex A). Instead, Italy might explore more programme-based support with various partners and stakeholders.

Medium-term predictability and delayed implementation is a challenge for Italy

Medium-term predictability (from the perspective of partner countries) has declined considerably. On average in the next three years only 26% of disbursements to partner countries are covered by indicative forward spending plans provided by Italy, compared to 61% in 2015. In fact, five priority partner country governments and nine other non-priority partners indicated that they had no visibility on bilateral ODA from Italy expected in 2019, 2020 or 2021 (OECD/UNDP, 2019[5]).

Poor medium-term predictability could in part be explained by the way some financial envelopes are structured. For example, up to 40% of the humanitarian budget is linked to a budget line for peacekeeping missions and determined only later in the calendar year (Chapter 7), affecting the timing of calls for proposals at the country level.[6] In addition, under Italian law, taxpayers contribute an obligatory 0.8% of their annual taxable income to a non-profit organisation, or back to the state. Some of what returns to the state becomes ODA, but the full amount is only known later in the year.[7] Finally, budget cuts tend to be decided towards the middle or end of the year, thus affecting the amount that can actually be disbursed in the same calendar year.

Bilateral programmes, including projects funded through calls for proposals, and to a certain extent, multilateral partnerships (Chapter 3) operate on a three-year programming cycle, even if budgets are decided annually. AICS has the flexibility to carry over funds from one year to the next, which provides a built-in buffer when project implementation is delayed, but does not necessarily make the forecast of funds that will be available from one year to the next any clearer. Long delays in implementation run the risk of undermining key partnerships and the delivery of Italy's development co-operation programme in partner countries (Chapter 4).

Programming or planning beyond the three-year horizon is not possible; however, many projects stretch beyond the initial three years[8] either because of delayed implementation, and/or because the programme continues to be relevant beyond the initial three years. A long pipeline of overlapping Italian investments from previous years means that the sum of Italy's activities may no longer align to the partner country's priorities; it also makes reporting results at the country-level much more difficult (Chapter 6).

Italy has improved aid transparency and accountability

Italy's very first Freedom of Information Act was passed in 2016 and grants every citizen the right to access all documents held by public bodies (Longo, 2016[6]). Detailed information on public officials is published on government ministries' public websites by default. In addition, Law 125/2014 requires all public entities to provide detailed information on budget allocations for development co-operation,[9] parliamentarians have remarked that this is a great improvement. These two landmark initiatives, together with the regular update of the Open Aid Italia platform,[10] confirm Italy's commitment to transparency and accountability in public development assistance. This is also mentioned in Italy's third national open government action plan (Ministry for Public Administration, 2016[7]).[11] Italy joined the International Aid Transparency Initiative (IATI) in 2017, and its global aid transparency score rose to "fair" in 2018 (Publish What You Fund, 2018[8]), in large part due to the fact that it now publishes quarterly, real-time information.

Country-level engagement

Peer review indicator:

The member's engagement in partner countries is consistent with its domestic and international commitments, including those specific to fragile states

Italy applies the principles of ownership and mutual accountability in all its work in partner countries. It could use country-led arrangements even more to further align its programmes with national systems and programmes. The use of the development effectiveness marker at the project appraisal stage is good practice, but its use throughout the project cycle is not yet monitored.

Country ownership is at the heart of Italy's country programming

In Senegal, the government used to convene an annual bilateral dialogue with Italy on implementing its country strategy. This took the form of a portfolio review of the sectors and regions where Italy was investing in Senegal's development, and the dialogue concluded with a list of recommendations for Italy. Although this exercise has now been superseded by the EU joint programming exercise, it is clear that this level of dialogue and mutual accountability was valuable and Italy continues to operate on the basis of partner country ownership (Annex C).

Italy has stand-alone country strategies for 7 of its 22 priority partner countries (Chapter 2). In an additional 5 priority countries and territories, including Senegal, its EU joint programming strategy is the blueprint for its activities. This leaves 10 priority partner countries with no concrete strategy or obvious way of determining whether Italy's overall country programme is in line with the partner country's own strategy.

Programme proposals originate in any of the 20 country offices, and are in line with the partner country's national strategy. In the latest Global Partnership monitoring round, unlike previous rounds and almost all other development partners, Italy has a higher percentage of funding recorded in partner countries' national budgets and channelled through partner countries' systems, whether it be audit, financial reporting, procurement, or national budget execution (Table 5.1). This is a positive trend and it would be good to sustain and consolidate it in future country programming.

Table 5.1. Italy's results from the 2018 Global Monitoring Round

	Alignment and ownership by partner country (%)				Predictability (%)		Transparency		
Italy	SDG 17.15 Use of country-led results frameworks	Funding recorded in countries' national budgets	Funding through countries' systems	Untied ODA	Annual predictability	Medium-term predictability	Retrospective statistics (OECD CRS)	Information for forecasting (OECD FSS)	Publishing to IATI
2017	**68.5%**	**79.2%**	**93.6%**	**90.9%**	**58.4%**	**25.6%**	**Needs improvement**	**Good**	**Needs improvement**
Baseline	60.4%	52.9%	50.8%	95.2%	57.8%	60.6%	Fair	Good	
Trend	⇑	⇑	⇑	⇓	⇑	⇓	⇓		

Source: (OECD/UNDP, 2019[5]), *2018 Monitoring of the Global Partnership for Effective Development Co-operation*, https://effectivecooperation.org/wp-content/uploads/2019/06/Part-I-of-the-Global-Partnership-2019-Progress-Report.pdf

Greater sector-based approaches would boost Italy's programme-based aid

Italy uses country-led co-ordination arrangements to deliver more harmonised and aligned aid. It has made some effort to concentrate its bilateral ODA and increase the size of its programmes, but project-type interventions are by far the main modality of choice for Italy's bilateral programming.[12] As seen in Senegal (Annex C), scaling up projects and providing more programme-based or sector support would help build stronger partnerships with partner country governments. In some cases, the project approach might be a good opportunity to pilot innovations in providing broader sector support (e.g. adapting school construction for people with disabilities), although this is not Italy's stated intent.

A longer-term outlook and strategy for engagement might help existing (pilot) projects and programmes evolve with a view to scaling up though broader sector-wide approaches, as recommended in the 2014 Peer Review. In this way, Italy could maintain its current engagement while at the same time positively influencing other development partners – a point highlighted by government partners in Senegal (Annex C).

The development effectiveness marker is used for project design, but not implementation

The *ex-ante* development effectiveness marker, cited in the last peer review (OECD, 2014, p. 63[9]) – and see Annex A – is used by Italy to score project proposals against ten dimensions (for a maximum of 100 points). Nonetheless, the implementation of programmes or projects against these indicators is not monitored (see Chapter 4 and Box 5.1) and the use of the marker has not yet been the subject of any corporate monitoring on its uptake, as planned at the time of the 2014 Peer Review.

The 2018 progress report on Italy's development co-operation activities consolidates information provided by the various ministries and local authorities. For the first time, the implementation of development co-operation – whether it be loans, multilateral funding, or bilateral projects – is monitored against five aid effectiveness indicators (ownership, alignment, transparency, predictability, and private-sector engagement). The use of this information is a step in the right direction, but reporting against them by the various ministries, local authorities and country offices could be more systematic (MFAIC, 2018[10]).

An advisory committee for development effectiveness is now in place and a draft development effectiveness action plan for 2019-21 sets out indicators, baselines, and targets for country ownership, results-based management, inclusive development, and transparency and accountability that will be monitored on an annual basis.

Box 5.1. Italy's development effectiveness marker

Adopted in 2013, the development effectiveness marker includes 10 components compared to the initial 12 (Table 5.2). Project proposals are scored against each component and the AICS "verification team" uses the process to appraise projects. An aid management system that allows for regular monitoring against these indicators would make them more influential. Italy is now considering how it might adopt a marker for humanitarian aid.

Table 5.2. Italy's development effectiveness scoring system

Ownership - *12 pts*	Inclusive partnerships - *6 pts*
Harmonisation - *8 pts*	Poverty reduction - *10 pts*
Managing for development results - *10 pts*	Gender equality - *8 pts*
Alignment - *14 pts*	Environmental sustainability - *10 pts*
Mutual accountability - *10 pts*	Untying - *10 pts* **TOTAL = 100 pts**

Source: MFAIC and AICS project documents.

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Notes

[1] In addition, current work between MFAIC and the Ministry of Labour is creating linkages between the AICS register (defined by Law 125/2014) and the Third Sector entities register, which is regulated by Law 106/2016.

[2] The main challenges were building good partnerships with both Italian and local organisations, and designing inclusive projects that are economically sustainable and innovative.

[3] This time, 40 firms participated, and 22 proposals were funded.

[4] Fifty percent of funding through civil society goes to African priority countries, 30% to priority countries outside of Africa, and 20% to non-priority countries, of which 10% are in Africa.

[5] In 2018, over 300 CSO proposals were submitted for three-year funding.

[6] This uncertainty was also compounded by the fact that until recently the call for proposals was done on a regional basis and the amount allocated to fund CSOs in each country was not determined in advance.

[7] The majority of the "*otto per mille*" goes to recognised religious organisations and primarily the Italian Roman Catholic church.

[8] In Senegal, some projects had been running for the past 10 years.

[9] The Ministry of Economy and Finance provides a three-year outlook in an annex to the budget law adopted at the end of each year. This outlook presents ODA projections by ministry and budget line (and thus not all off-budget resources). For example, this does not include the revolving fund for development co-operation, the financial, administrative and accounting management of which is entrusted to CDP. On the other hand, the law does include an estimate of the portion of the European Union budget contribution that will be allocated for public development based on the European Union's EuropAid ODA forecast.

[10] See http://www.openaid.esteri.it.

[11] The Independent Reporting Mechanism refers to the involvement of civil society in monitoring its commitments in the national action plan of Open Government (Segato, Capello and Gamper, 2018[11]).

[12] Core contributions to multilaterals and in-donor refugee costs are the two types of aid that are the biggest by volume for Italy.

6. Italy's results, evaluation and learning

This chapter considers how Italy plans and manages for results that are in line with the Sustainable Development Goals, builds evidence of what works, and uses this to learn and adapt.

Law 125/2014 calls for a results-based management system, which Italy is in the very early stages of developing. Today, monitoring Italy's interventions and reporting results other than output indicators in a given country, sector or partnership is challenging. The evaluation system for Italian development co-operation was reorganised following the reform: responsibility still lies with MFAIC although the budget line is with AICS. Since 2014, Italy has adopted three-year rolling evaluation plans based on defined criteria; established an evaluation advisory committee; and set up an electronic register of independent evaluators. Italy uses evaluations to inform the design of future programme phases, but less explicitly to learn from successes and failures. It lacks a knowledge management system, or an intranet to connect field offices with Rome/Florence.

Management for development results

Peer review indicator:

A results-based management system is being applied

Law 125/2014 calls for a results-based management system, and the government has to report against some corporate targets on an annual basis. Italy is in the very early stages of developing a results-based management system, first working to adapt procedures and guidance. Monitoring Italy's interventions and reporting results other than output indicators in a given country, sector or partnership is challenging. More staff with relevant skillsets could help Italy develop an effective results-based management and information system. Using the sustainable development goals (SDGs) as an organising framework for such a system, as it has started to do in El Salvador, is one approach it can take.

The reform law commits Italy to creating a results-based management system

Law 125/2014 binds the Italian government and all its development co-operation actors to results-based management (Republic of Italy, 2014[1]). The introduction of a results-based management system is one of the key tenets of Italy's forthcoming three-year Action Plan for effective co-operation, and its implementation will require the government's full backing (MFAIC/DGCS-AICS, 2019[2]).

Italy is required to report progress against each of its instruments and partnerships on an annual basis. The latest progress report on Italy's development co-operation lists the programmes and projects funded by the different ministries and local authorities, for the first time providing a status on the compliance of each project with five aid effectiveness indicators (Chapter 5) (MFAIC, 2018[3]). In addition, a 2019-21 corporate performance system (different from a results-based aid management system) is embedded in the Ministry-AICS *convenzione* and holds the institutions to account for technical and operational activities and targets. Performance management systems are a good foundation, but a clear purpose statement of what Italy aims to achieve, and by what means, including how it will stimulate leadership and encourage staff initiative and learning, is needed to transition to a more results-oriented management approach (Vähämäki and Verger, 2019[4]).

Italy is in the early stages of building a results-based management system

Italy acknowledges that it still has some way to go to build a results-based management system from the strategic level all the way down to the operational level, including knowledge management. This will require an overhaul of its existing system and culture, which are singularly project-focused, and largely delinked from a pathway for strategic results. Its lack of an overarching results framework raises two main challenges for Italy. First, in the partner countries, sectors or organisations it funds, Italy is not able to demonstrate how its specific interventions contribute to overall development outcomes – a point echoed by Senegalese authorities during the field visit (Annex C.3). Second, Italy is not able to aggregate or "roll-up" project-specific results to outcomes and impacts at agency, or ministry, level. The lack of tools and skills to analyse results information limit the building of such a system (Chapter 4).

Italy mainly uses output and performance information at project and programme level, where possible using partner countries' data to communicate and account for what has been achieved as a direct result of its interventions. This overlooks the link to the broader development outcomes to which Italy's interventions are contributing, a finding confirmed in the field visit to Senegal (Annex C.5).

A clear articulation of the totality of Italy's contribution to development results is largely absent. As a first step, outlined in the Action Plan for effective co-operation, Italy plans to design a system to manage for results, identifying any links between objectives, activities, results and budget. To build its results-based system, Italy will have to introduce proper incentives, establish robust *ex-ante* quality assurance for programme design, and ensure that data and information are collected and used at all levels. AICS is already working hard to adapt some of the procedures and manuals related to the call for proposals process for all of its partners (e.g. agreement templates, logframes) to a results-based management system. It is also developing training courses to help staff mainstream the results-based management approach throughout all programmes. The guiding principles on Managing for Sustainable Development Results could be a useful compass for Italy in organising its approach.

Using the SDGs as an organising framework offers a good way forward

More than half of Italy's priority countries lack country strategies, which is a missed opportunity to set out the rationale for Italy's engagement and bring together its investments and intended results (Chapter 2). Recent country strategies have called for a focus on outcomes and impact,[1] even though Italy primarily uses output, or reach, indicators in its project logframes. Where they exist, country strategies do not specify what contribution Italy aims to make to sustainable development in the country.

Notwithstanding challenges in linking progress realised at the project-level with results achieved in the country or at the portfolio level, Italy has made progress in linking output indicators to the sustainable development goals (SDGs) in El Salvador. Here, AICS's project-level indicators are mapped to SDG targets and the objectives and priorities identified in the government's five-year national development plan (*Plan Quinquenal de Desarrollo)*. Identifying and using the SDGs as the organising framework to harmonise with other partners and align to partner country frameworks is good practice (OECD, 2018[5]) that could be extended to the next generation of country strategies.

Italy is to a large extent (68.5%) aligned with partner countries' own results frameworks and monitoring systems (OECD/UNDP, 2019[6]), likely due to the fact that it mostly adopts projects or programmes in line with government priorities and programmes. This alignment was evident in the agriculture and education sectors in Senegal, where Italy did not require separate data collection or parallel reporting, which was appreciated by the partner government. To start, Italy could continue to build on partner countries' results frameworks to arrive at a few strategic results to which its country programme contributes.

Evaluation system

Peer review indicator:

The evaluation system is in line with the DAC evaluation principles

Law 125/2014 reorganised Italy's development co-operation evaluation system; while responsibility still lies with MFAIC, the budget line is with AICS. Since 2014, Italy has adopted three-year rolling evaluation plans based on defined criteria, established an evaluation advisory committee, and set up an electronic register of independent evaluators.

Law 125/2014 defines evaluation functions and responsibilities in MFAIC and AICS

Under the new law, the responsibility for evaluation lies in the Ministry of Foreign Affairs and International Co-operation, yet evaluation expertise lies primarily in AICS. In 2017, the Evaluation Unit in the ministry was reorganised to align to Law 125/2014, which also requires it to use independent, external evaluators.[2]

Annual agreements, or *convenzione*, between the MFAIC and AICS spell out the legal arrangements regarding the evaluation function, and the new evaluation strategy guidelines set out the division of labour between the MFAIC and AICS in terms of purpose, methodology, and dissemination of learning from evaluations. The agreement includes a dedicated budget line for evaluation which is entrusted to AICS. The budget was EUR 500 000 for 2019, which includes the annual contribution to the Multilateral Organisation Performance Assessment Network (MOPAN) (Chapter 2). The operational guidelines state that the objective of evaluations is learning in order to inform future programming decisions, improve existing interventions and assess the value of investments for accountability purposes. Although this may seem ambitious for Italy, as the sixth largest DAC donor, it is important for it to use evaluations in this way and for this purpose.

The creation of the AICS resulted in most evaluation experts moving out of the ministry and into AICS, leaving only one part-time expert, one administrative official and one junior diplomat to assist the head of Office III in charge of evaluation (Annex D.2) that works across two units in MFAIC (Government of Italy, 2018[7]).

In practice, experts in AICS and MFAIC work closely together, but the restructuring has meant that the number of centralised evaluations conducted per annum slowed down starting in 2014, and have only started to pick up recently. Evaluation reports are publicly available on the MFAIC website. The evaluability of projects is determined at the project proposal stage, and the AICS Verification Team certifies a project or programme's monitoring and evaluation plan, which is good practice.

An evaluation plan and operational guidelines ensure quality evaluations are used as management tools

The 2014 Peer Review recommended that Italy establish a medium-term evaluation plan based on clear criteria, and a management response system (OECD, 2014[8]).

The Joint Committee approved the first rolling three-year (2018-2020) evaluation plan in December 2017, which was updated one year later to the current 2019-2021 plan (MFAIC, 2018[9]). At the end of 2018, an Evaluation Advisory Committee composed of independent members representing academia, civil society and the Italian Evaluation Association was formally set up to provide quality assurance and strategic advice to the Evaluation Unit. It advises on ways to improve the quality of evaluations and on how management should respond, and promotes the dissemination of evaluation results.

The current three-year evaluation plan includes 13 bilateral project evaluations, of which: one strategic evaluation (CSO partnerships), one country programme evaluation, one sector programme evaluation, four multi-country evaluations, and six project/programme-specific evaluations. The five criteria for inclusion in the plan are:

1. Strategic priority in relation to the partner country or area of intervention
2. Continuity in a specific area of intervention in a partner country
3. Initiatives in emergency or fragile contexts
4. High volume of financial contribution
5. Innovative initiatives

These criteria serve to prioritise scarce resources and forge stronger links to the 2017-19 Policy Programming Document that advocates for "criteria and methodologies for evaluation using a results-based approach" (MFAIC, 2017[10]). However, the plan does not aim to cover those ODA programmes overseen by the Directorate General for Italian Citizens Abroad and Migration Policies (DGIT), the Ministry of Interior, or other government ministries. This means that direct evaluation oversight and accountability for bilateral programming is not conducted through a development lens for a significant portion of Italy's recorded ODA (Chapter 4).

Recently approved generic terms of reference for evaluations also require an assessment of cross-cutting themes (gender, environment, and human rights), which is good practice (Chapter 3).

Joint evaluations are conducted, but could be further prioritised

Italy conducts joint evaluations with other development partners whenever possible, including a recent one with the UK Department for International Development (DFID) on agriculture and livestock support for the Syrian people (CIHEAM, 2017[11]). Italy also supports partner countries' evaluation function for many of its programmes, and encourages joint evaluations from the onset during the programme formulation stage, also participating in mutual accountability reviews (Chapter 5). The 2017 Global Monitoring Round found that fewer evaluations were conducted jointly with partner governments in 2017 compared to 2015, which Italy is seeking to improve (Chapter 5).

The Italian National Statistics Institute (ISTAT) works to strengthen the statistical capacity of partner countries. It recently sent short-term experts to two priority partner countries to support existing projects on the population census (Ethiopia) and modernising the statistical system through a twinning effort (Tunisia) (MFAIC, 2018[3]). Another example is Italy's support to monitor SDG progress via the Central Bureau of Statistics of the Palestinian Authority database of SDG indicators. Two components of the *ex-ante* aid effectiveness marker allow for a programme to score higher points: if indicators and data are partner countries' own, or if the intervention works to strengthen statistical systems (Box 5.1).

Institutional learning

Peer review indicator:

Evaluations and appropriate knowledge management systems are used as management tools

Italy uses evaluations to inform the design of future programme phases, but less explicitly to learn from successes and failures. It does not have a knowledge management system, or an intranet that connects field offices with Rome/Florence. A regularly-updated blog is used to communicate positive stories from across programmes.

There is no knowledge management system in place to allow practitioners to exchange

Neither MFAIC nor AICS have an institutionalised approach in place that builds on results and evidence for learning and analysis, linking back to overall programme management. Recent evaluations commissioned by Rome are available to the public on the website, but dissemination of evaluation findings from decentralised evaluations commissioned directly (or jointly) in partner countries for learning purposes is ad hoc. In fact, AICS has not set up a formal structure, platform or intranet for knowledge management, despite its wealth of knowledge from development co-operation evaluations and results.

AICS has no system-wide platform in place to exchange good practices and learn from mistakes for the future, or even an intranet for staff to access information. The lack of a working platform to access corporate-level information and standards, as well as to exchange information on projects or country and sector experience is a missed opportunity for learning from both failure and success, rendered more challenging by the limited possibilities for staff rotation (Chapter 4). While a new digital management platform connecting AICS Rome, Florence, and field offices is under development, a more fundamental shift in the working culture of AICS and DGCS will be required.

AICS does maintain a list of publications by sector and country on its website. The AICS website also links directly to the *Journal of Agriculture and Environment for International Development*,[3] which illustrates the importance Italy places on linking scientific evidence and keeping its technical support in partner countries up to date (Annex C.3). It also publishes a monthly magazine *"La Cooperazione Italiana Informa"* and maintains a blog, "*Oltremare*",[4] containing articles and notes from the field by staff, such as on the response to Cyclone Idai in Mozambique. The focus of these stories tends to be on the positive effects of Italian development co-operation, however, and less on what was learned and how that can be useful for future decision-making.

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Notes

[1] For example, the Ethio-Italian Cooperation Framework 2017-2019 says it "will promote a monitoring and evaluation system…that will focus more on outcomes and impact rather than outputs (results-based management)."

[2] In 2018, Italy created an open online digital evaluation roster. The list of independent evaluators draws from academia and the private sector, and is in line with the DAC evaluation criteria.

[3] See https://www.jaeid.it/index.php/JAEID.

[4] See https://www.aics.gov.it/oltremare/.

7. Italy's humanitarian assistance

This chapter looks at how Italy minimises the impact of shocks and crises, and works to save lives, alleviate suffering and maintain human dignity during crises and disasters.

In 2017, Italy was the 11th largest DAC humanitarian donor, a significant increase since the last peer review. Italy is recognised for its capacity to respond rapidly to natural disasters. In fragile contexts, it has a rich and recognised experience in humanitarian interventions, based notably on a dense network of small to medium-size CSOs that have built solid partnerships in their countries of operation. This unique feature is a clear comparative advantage for Italy, giving it the scope to build a specific Italian approach to the humanitarian-development-peace nexus, based on local partnerships. However, this will require Italy to adapt its rigid administrative framework to crisis contexts.

Strategic framework

Peer review indicator:

Clear political directives and strategies for resilience, response and recovery

Humanitarian assistance is a priority in Italy's policy framework. However, policy documents still reflect a linear approach to crises and a sequential approach to humanitarian response, rather than a more holistic approach. The upcoming guidelines on the nexus between humanitarian assistance and development co-operation should help Italy strengthen its analysis and programming in crises, building on its comparative advantage. Italy's humanitarian budget increase highlights the priority given to humanitarian action, but is primarily explained by Italy's focus on migration and crises in the Middle East, with little predictability over its budget trajectory in the long run.

Italy takes a sequential, rather than holistic, approach to crises

Humanitarian assistance is integrated in Law 125/2014 (Republic of Italy, 2014[1]) and is a priority in the three-year programming and policy planning document (Government of Italy, 2017[2]). Both documents define humanitarian assistance as an initial step towards development after a shock. This linear approach to humanitarian assistance can be relevant following natural disasters, yet Italy's humanitarian aid is primarily mobilised as a response to man-made crises (OpenAID Italy, 2019[3]) where humanitarian needs originate from a complex interaction of social, economic, environmental, political and security crises drivers that do not develop in a linear way. While funding procedures are similar, AICS's guidelines for bilateral humanitarian aid further compartmentalise humanitarian contexts into three different phases: primary emergency, emergency, and linking relief, rehabilitation, and development (LRRD) (AICS, 2016[4]). This compartmentalisation does not encourage coherent aid in complex crises.

New guidelines on the humanitarian-development-peace nexus are being drafted

Italy is aware that in fragile contexts not all problems have a clear and distinct humanitarian or development solution. Italy has started to develop guidelines, together with civil society and academia, on the nexus between humanitarian aid, development co-operation and peace. This positive initiative will align Italy's development co-operation with international policies, including the DAC Recommendation on the Humanitarian-Development-Peace Nexus, to help build a more comprehensive approach to crises and review how humanitarian assistance can be deployed coherently with its other aid instruments (OECD, 2019[5]). The wide dissemination of Italy's guidelines, including the conflict and risk analysis tools that are being elaborated alongside them, will allow Italy and its partners to better analyse and select programmes in fragile or crisis contexts.

Italy has identified some of its comparative advantages

As recommended in the 2014 DAC peer review (Annex A), Italy has identified two clear comparative advantages in the humanitarian sector:

- A strong engagement in disaster risk preparedness, including towards countries particularly vulnerable to the effects of climate change through support to different partner activities. This ranges from in-kind prepositioning at the United Nations Humanitarian Response Depot in Brindisi (ONUItalia, 2019[6]) to forecast-based finance with the International Federation of Red Cross and Red Crescent Societies (IFRC, 2019[7]), in addition to a strong civil protection mechanism.

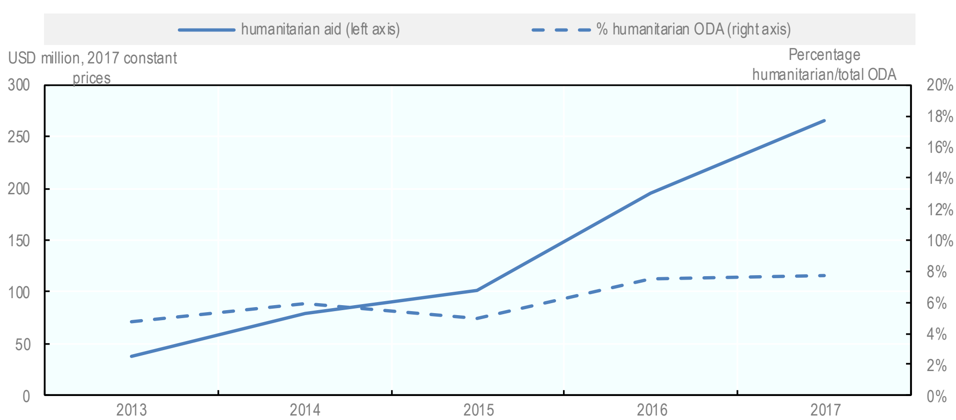
- A substantial and long-standing network of Italian CSOs and humanitarian NGOs. Most of these CSOs are small to medium in size but are organised into a variety of networks[1] to increase their influence. Many of them are funded through their own resources and through decentralised co-operation, although at much lower levels since the 2008 financial crisis. These CSO partners often stay during crises to provide humanitarian aid, reflecting a model of co-operation based on field knowledge and local partnership, if not scalability.

There is now scope for Italy to hold a formal dialogue with its field and programming staff as well as its partners to determine how it will build on these comparative advantages.

Italy has become the 11th largest humanitarian DAC donor

Italy's humanitarian budget has more than tripled since 2014 to reach USD 266.3 million in 2017 (Figure 7.1.), making Italy the 11th largest DAC humanitarian donor and meeting Italy's commitments made at the 2016 World Humanitarian Summit. The response to crises in the Middle East, Africa, and to migration flows to Europe, for which Italy remains a primary point of entry (Chapter 1) accounts for a large share of the increase: as is the case for several DAC members, Italy's contribution to the European Union Facility for Refugees in Turkey represented the main humanitarian budget item in 2016 and 2017.

Figure 7.1. Italy's humanitarian assistance budget has grown significantly

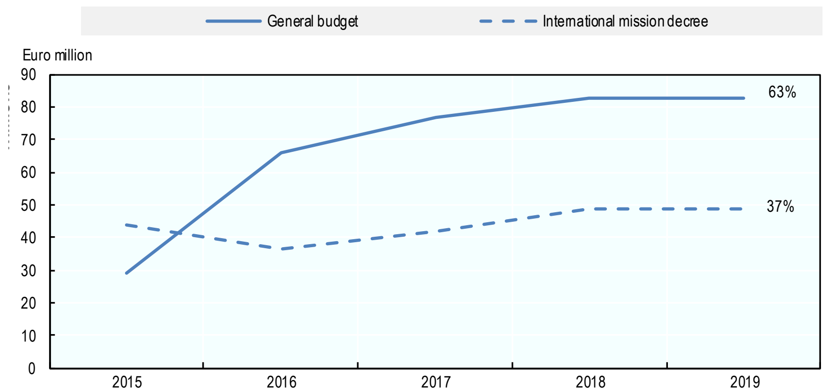


Source: OECD Creditor Reporting System, 2019. https://stats.oecd.org/ , accessed 26th June 2019

StatLink https://doi.org/10.1787/888934014042

A special feature of the Italian humanitarian budget is that the allocation from the general budget is complemented every year by an allocation from the peacekeeping mission budget. This budget is rooted in the "international missions' decree", approved every year by parliament. This budget is dedicated to countries undergoing a military peacekeeping operation and their immediate neighbours. The geographic scope of the budget line includes EU missions, making it an important source of humanitarian funding for those crisis contexts that are a priority for Italy (Figure 7.2).

Figure 7.2. Italy’s humanitarian budget is supplemented by the international missions decree



Note: Data provided by Ministry of Foreign Affairs and International Co-operation (MFAIC) in euros
Source: MFAIC

StatLink https://doi.org/10.1787/888934014061

Although it tops-up the regular humanitarian budget, the supplementary budget is not predictable. Funds allocated through this budget line vary from year to year because the “international missions’ decree” has to be approved annually by parliament. Moreover, the actual budget for international missions is not announced until the middle of the calendar year, well after the rest of the ODA budget. As this budget line covers up to one-third of humanitarian aid, such unpredictability hampers partnerships and prevents Italy from implementing some of its Grand Bargain commitments.

Effective programme design

Peer review indicator:

Programmes target the highest risk to life and livelihoods

Italy has started to use of its field network more systematically in determining humanitarian needs and in selecting partners. This is a welcome step to ensure Italy’s humanitarian assistance is locally appropriate and coherent with development. As Italy supports innovation in the humanitarian sector, it is well placed to use the long-standing partnerships built between some of its NGOs and local CSOs to start direct support to those local responders it knows well.

Programming is becoming more structured and closer to the field

Like most DAC members, Italy relies primarily on its humanitarian partners’ evaluations and financial appeals to decide where to engage and who to support. European civil protection and humanitarian needs assessment mechanisms also provide additional material for decision making. However, Italy has started to modernise the way it allocates its humanitarian funding, building more on its field presence to determine its allocation decisions. The MFAIC and the AICS now involve Italian embassies and field networks more consistently in assessing humanitarian needs and partners’ ability to meet them. This process, started in 2018, is part of Italy’s endeavour to improve its humanitarian effectiveness. These efforts are also included in the upcoming guidelines on the nexus, and should be encouraged as they allow Italy to make good use of its available expertise and bring a more structured engagement in crisis contexts.

Opportunities in localising aid

In order to meet its commitment on localising aid, Italy increased its support to country-based pooled funds, which are more accessible to domestic humanitarian responders.[2] It also encourages Italian NGOs to partner with local CSOs, a practice that has become indispensable in some contexts like Syria where remote management through a local partner has become the norm. Italy's legislative framework is complex and although calls for proposals for emergency and humanitarian funding take place at the country-level and are now formally open to non-Italian NGOs, red tape prevents localisation of aid in practice.[3] As Italian NGOs and CSOs have built long-term partnerships with local partners in some crises contexts, Italy could now go one step further in its risk taking and pilot some direct funding with those long-standing local partners it knows well.

Effective delivery, partnerships and instruments

Peer review indicator:

Delivery modalities and partnerships help deliver quality assistance

Italy can rely on a well-tested set of rapid response tools, including efficient civil-military co-ordination. In protracted and complex crises, Italy increasingly relies on the multilateral system. While this reflects Italy's support to multilateralism, it is not making the most of its long experience in crises contexts or its field presence. However, if it wants to build on its dense network of NGOs as its comparative advantage, it will have to modernise the administrative management of its partnership.

A solid set of rapid response tools and mechanisms are in place

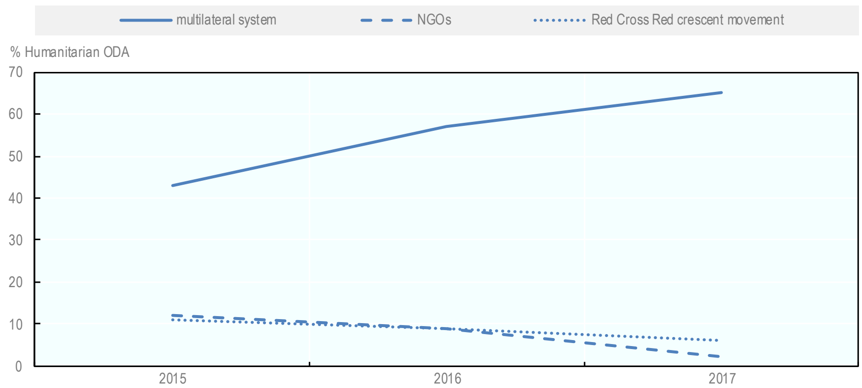
Italy has a well-tested emergency response capacity. Notably, its civil protection is part of the European civil protection mechanism (European Commission, 2019[8]) and allows Italy to deploy immediate support abroad.[4] Italy also provides in-kind donations through the logistical depot in Brindisi and its associated humanitarian response depot network throughout the world.

As Italy has limited capacity to raise additional funds for its partners during the year, it supports mechanisms that allow the greatest possible flexibility for its partners. For example, Italy's contribution to the Central Emergency Response Fund (CERF) increased by 153% between 2014 and 2018 (CERF, 2019[9]), exceeding its World Humanitarian Summit commitments (Agenda for Humanity, 2016[10]). More broadly, humanitarian allocations, including those above the EUR 2 million (USD 2.4 million) threshold, do not have to go through the Joint Committee in order to allow rapid disbursement. This exception to the regulatory procedure is a good way to speed up delivery and meet humanitarian needs in emergencies.

The multilateral system is increasingly preferred for humanitarian aid

While Italy intends to strengthen its overall bilateral aid, the share of humanitarian assistance channelled through the multilateral system continues to increase (Figure 7.3). Italy believes in multilateralism, and supports an array of agencies as well as UN-led humanitarian and transition pooled funds (United Nations, 2019[11]).

Figure 7.3. The growing importance of the multilateral system in Italy's humanitarian aid



Note: The multilateral system grouping is composed of the UN agencies, the World Bank IDA replenishment and the European Institutions.
Source: OECD Creditor Reporting System, https://stats.oecd.org/index.aspx?DataSetCode=CRS1 accessed 26th June 2019.

StatLink https://doi.org/10.1787/888934014080

The recent increase in the use of multilateral channels is also due to the very high share of Italy's humanitarian budget dedicated to its contribution to the EU facility for refugees in Turkey. The facility took up to 42% of Italy's humanitarian budget in 2017, reflecting Italy's prioritisation of crises in the Middle East and focus on migration. Supporting multilateralism is convenient given AICS's limited human resources and the burdensome call for proposal mechanism for NGOs. Notwithstanding this support, it would be important for Italy to see how its dense network of CSOs on the ground, specifically in the most fragile contexts, can also still benefit from Italy's direct support.

Organisation fit for purpose

Peer review indicator:

Systems, structures, processes and people work together effectively and efficiently

Italy's expertise and empowered field presence allow it to understand the context and mobilise a humanitarian response that is coherent with development. However, Italy remains constrained by an outdated set of procedures for its NGO partners. These procedures, as well as its linear perception of crises, prevent Italy from making the most of its comparative advantages.

Field presence is one of Italy's main assets

AICS has 20 country offices, mainly in Africa, and all in priority countries. Italy knows that in fragile contexts, a long-term field presence is essential to build a meaningful partnership. For example, as soon as the situation allowed in 2018, Italy deployed its expert for Eritrea from Khartoum to Asmara. Such a field-oriented approach allows better contextual knowledge and risk analysis. Twenty-eight humanitarian focal points are based in AICS field offices, supported by an additional 28 external experts deployed on a short-term basis from Rome to AICS country offices. As seen in Senegal, Italy's field expertise makes a valuable contribution to the donor community, notably as part of the EU joint programming exercise (Annex C).

In the MFAIC, six officials, including three diplomats, work in Office VI, which is in charge of humanitarian affairs (Annex D.2). This team interacts with the ten AICS officials working on humanitarian issues in Rome in the emergency and fragility department. The already heavy workload is compounded by the high administrative costs of project management in the Italian system, however.

Decentralisation requires clear rules and procedures

Since humanitarian assistance is increasingly decentralised to the country offices, it opens opportunities for solid dialogue with partner country governments and development or humanitarian partners. AICS country offices have a thorough knowledge of the humanitarian context. However, some partners have reported that such a decentralisation can also lead to a different interpretation of the selection and programming procedure from one country to another. The strengthened programming process that has started, and the upcoming guidelines on the nexus, are opportunities to ensure a more streamlined selection procedure across different contexts.

Procedures for NGOs are to be updated

Italy has not yet adopted a modern set of procedures for its support to NGOs as recommended in the 2014 DAC peer review (OECD, 2014[12]). Italy's NGO partners have noted some progress, however; for example, Italy has extended the duration of projects funded through its humanitarian calls for proposals from 12 to 36 months. Although consultation and policy dialogue are common practices, heavy bureaucracy and rigid programme and financial management remain major constraints for Italian NGOs (CINI, AOI and Link 2007, 2018[13]). This outdated set of procedures prevents Italy from making the most of its significant expertise in crisis contexts and from building upon the presence of NGO partners that are willing to deliver in even the most challenging contexts (Chapter 7).

Organising calls for proposals for three different funding phases of humanitarian responses (primary emergency, emergency and LRRD) (AICS, 2016[4]) is a time-consuming way to respond to urgent humanitarian needs, particularly in sudden onset crises. Many other DAC members have found ways to streamline procedures for NGO partners to access humanitarian aid, notably through framework partnership agreements or accreditation systems that relieve red tape. In addition, Italian NGO workers are subject to Italian embassies' security clearance in countries of operation, which has consequences for the ability of Italian NGOs to operate directly in the most challenging geographic areas. The ongoing comprehensive review of AICS's procedures for CSOs and other stakeholders should help Italy to better adapt its partnership modalities.

Results, learning and accountability

Peer review indicator:

Results are measured and communicated, and lessons learnt

Despite its monitoring capacity and contextual knowledge in many crisis contexts, knowledge management is a weak point of Italy's humanitarian system. This is a missed opportunity given Italy's experience. Regular public events make Italy's general public aware of Italy's role as a provider of humanitarian aid.

Knowledge management needs to be built in AICS

Italy does not have a mechanism in place to institutionalise its broad experience in crisis contexts. This is a missed opportunity to use CSO partners' vast field monitoring data for institutional learning. Building a knowledge management system that integrates AICS's network of CSOs could help strengthen the agency's programming in crisis contexts (Chapter 6).

The Italian public is made aware of Italy's role in providing humanitarian assistance and engagement in crisis contexts through widely publicised forums and events such as the Mediterranean dialogues (MFAIC and ISPI, 2019[14]), the International Co-operation exposition (EXCO, 2019[15]), and joint UN-Italy events such as on innovation (FAO, 2018[16]).

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Notes

[1] Five main networks group up to 178 CSOs: Coordinamento Italiano NGO Internazionali (CINI), *Federazione degli Organismi Cristiani Servizio Internazionale Volontario (FOCSIV)*, *Coordinamento delle Organizzazioni non governative per la Cooperazione Internazionale allo Sviluppo (COCIS)*, *Coordinamento di Iniziative Popolari di Solidarietà Internazionale (CIPSI)* and LINK2007.

[2] Italy increased its contribution to country-based pooled funds (CBPFs) to EUR 2.5 million donated in 2018 (Turkey, Jordan, West Bank and Gaza Strip) and up to EUR 6.5 million in 2019 to support the activities of 5 CBPF (Syria, Lebanon, Jordan, Ethiopia, Sudan, and Iraq). In 2018, 25% of UN country-based pooled funds were allocated to national NGOs (OCHA, 2019[16]).

[3] If the NGO does not have an operational headquarters in Italy, it must provide proof of a prior agreement (affiliation, association, or partnership) with one of the organisations that feature on the registry and it must also comply with the legislation in force in the country of origin.

[4] As in March 2019 in response to Cyclone Idai in Mozambique, where it used both civilian and military assets in a well-co-ordinated manner (Defence, 2019[17])

Annex A. Progress since the 2014 DAC peer review recommendations

Global efforts for sustainable development

Recommendations 2014	Progress in implementation
In order to be more effective in voicing its concerns and support for global solutions, Italy is encouraged to consistently address a limited number of risks at international level and in its dialogue with its partner countries.	Partially implemented
Italy still needs to identify key policy areas to focus efforts, designate a mechanism with a clear mandate on PCD, and build systems for monitoring, analysis and policy feedback.	Partially implemented
Developing whole-of-government strategies at partner country level would facilitate a co-ordinated approach to Italian development co-operation and contribute to synergies between the different levers of Italian engagement.	Not implemented

Policy vision and framework

Recommendations 2014	Progress in implementation
A formal medium-term, results-oriented and widely owned strategic vision for development co-operation would provide clarity for Italy's stakeholders and partners in priority countries.	Partially implemented
Italy should maintain its geographic focus, and develop guidance on how to concentrate the aid programme in the sectors which coincide with its comparative advantages and partner countries' development priorities.	Partially implemented
Gender equality and the environment should become explicit components of development activities, with improved guidance and targeted training for staff at headquarters and in partner countries on how to mainstream these themes.	Partially implemented

Financing for development

Recommendations 2014	Progress in implementation
To comply with its international commitments, Italy needs to implement the path it has set for increasing steadily its ODA/GNI ratio.	Partially implemented
Italy needs to carefully manage the exit from non-priority countries in order to keep its bilateral development co-operation programme focused on a few countries, and plan how it will maintain its level of engagement in Africa.	Partially implemented
Concentrating on fewer strategic multilateral partners would enable Italy to engage with these partners over a longer term with predictable funding, and enhance synergies with the bilateral aid programme.	Implemented

Structure and systems

Recommendations 2014	Progress in implementation
In contemplating different institutional arrangements for its development co-operation, Italy should maintain the balance between policy and operational aspects, ensure that expertise is close to programming, keep transaction costs low, and avoid institutional fragmentation.	Partially implemented
Italy needs to elaborate a human resources plan for its development co-operation to match staffing needs and competence with DGCS's general objectives, clarify the roles and division of labour between institutions and staff, and elaborate a human resource policy for local staff with appropriate training.	Partially implemented

Delivery modalities and partnerships

Recommendations 2014	Progress in implementation
Italy is encouraged to strengthen STREAM documents with appropriate analysis and estimates of future aid flows, and expand them to include all official interventions	Not implemented
There is ample room for Italy to promote sector-wide and programme approaches in its partner countries, and untie further its aid in line with international commitments.	Not implemented
The aid effectiveness marker has the potential to increase staff awareness of aid effectiveness and stimulate corrective action, provided it is carefully monitored with its results acted upon	Partially implemented

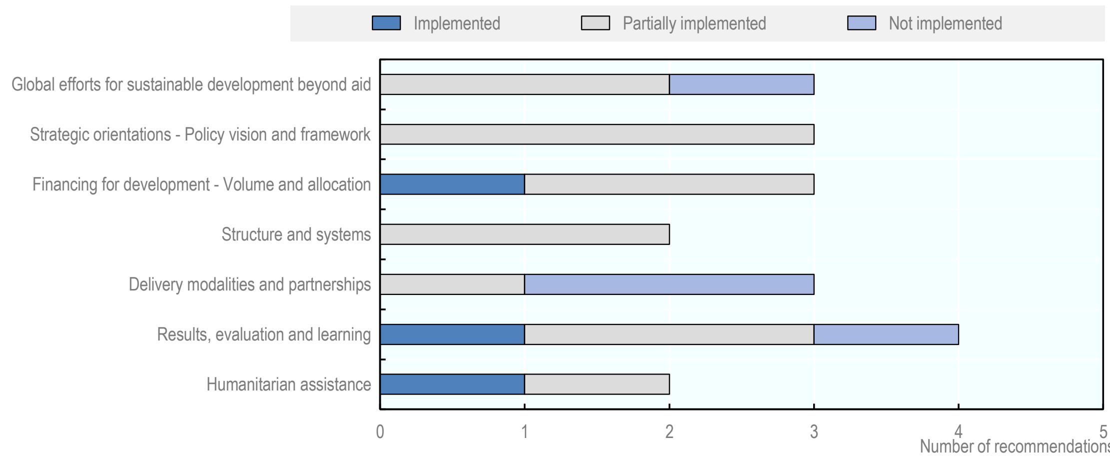
Results, evaluation and learning

Recommendations 2014	Progress in implementation
Italy should pursue efforts to build expected results into programming and budgeting processes, using partner countries' data to the maximum extent.	Partially implemented
Establishing a medium-term evaluation plan based on clear criteria, as well as a management response system, would help DGCS use evaluations as a management tool.	Implemented
Setting up a knowledge management system to capitalise on experience would help inform decision-making and strengthen staff capacities.	Not implemented
DGCS should pursue efforts to communicate results and raise awareness on development issues. This would contribute to increasing the public and parliamentary support needed to sustain ODA increases	Partially implemented

Humanitarian assistance

Recommendations 2014	Progress in implementation
Italy should determine its comparative advantage in humanitarian assistance; this should be used to help set clear, strategic and principled criteria to guide its future funding allocations.	Implemented
Italy should improve the quality of its funding to partners, especially by improving the predictability, flexibility and timeliness of funding for NGOs	Partially implemented

Figure A.1. Italy's implementation of 2014 peer review recommendations



Annex B. **OECD/DAC standard suite of tables**

Table B.1. Total financial flows

USD million at current prices and exchange rates.

Net disbursements

Italy	2003-07	2008-12	2013	2014	2015	2016	2017
Total official flows	**4 084**	**3 935**	**3 591**	**4 105**	**4 046**	**5 138**	**5 969**
Official development assistance	**3 519**	**3 644**	**3 430**	**4 009**	**4 003**	**5 087**	**5 858**
Bilateral	1 461	1 160	867	1 372	1 829	2 420	2 977
Grants	1 515	1 187	855	1 385	1 784	2 403	2 897
Non-grants	- 54	- 27	12	- 13	46	17	80
Multilateral	2 058	2 484	2 563	2 637	2 174	2 667	2 881
Other official flows	**564**	**292**	**161**	**96**	**43**	**51**	**110**
Bilateral: *of which*	564	292	161	96	43	51	110
Investment-related transactions	6	40	71	- 0	-	2	31
Multilateral	-	-	-	-	-	-	-
Officially guaranteed export credits	**1 056**	**403**	**2 031**	**584**	**1 414**	**802**	**1 368**
Net Private Grants	**71**	**124**	**58**	**121**	**128**	**83**	**64**
Private flows at market terms	**- 912**	**4 309**	**11 024**	**3 896**	**10 033**	**13 286**	**7 390**
Bilateral: *of which*	- 912	4 309	11 024	3 896	10 033	13 286	7 390
Direct investment	954	4 317	8 643	3 369	9 715	8 046	2
Multilateral	-	-	-	-	-	-	-
Total flows	**4 299**	**8 771**	**16 703**	**8 706**	**15 621**	**19 309**	**14 791**
for reference:							
ODA (at constant 2016 USD million)	*3 617*	*3 124*	*2 932*	*3 396*	*4 022*	*5 087*	*5 726*
ODA (as a % of GNI)	*0.20*	*0.17*	*0.17*	*0.19*	*0.22*	*0.27*	*0.30*
ODA grant equivalent	-	-	-	-	*3 868*	*5 132*	*5 865*
Total flows (as a % of GNI) (a)	*0.24*	*0.42*	*0.81*	*0.41*	*0.86*	*1.04*	*0.76*
ODA to and channelled through NGOs							
- In USD million	87	89	262	185	201	193	219
ODA to and channelled through multilaterals							
- In USD million	*2 098*	*2 616*	*2 670*	*2 796*	*2 448*	*2 920*	*3 412*

a. To countries eligible for ODA.

ODA net disbursements
At constant 2016 prices and exchange rates and as a share of GNI

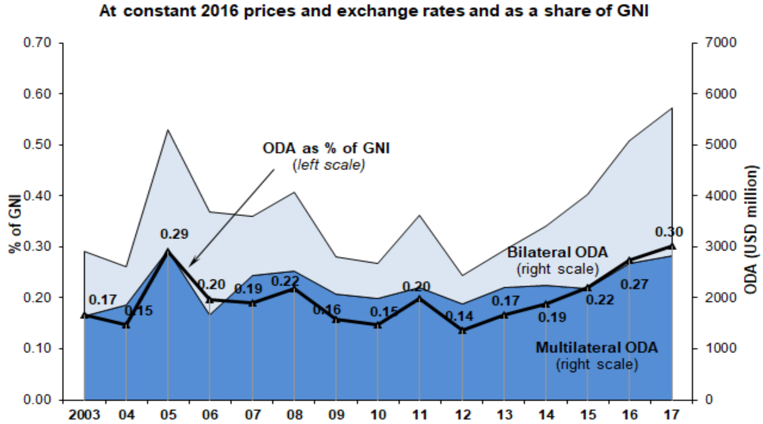


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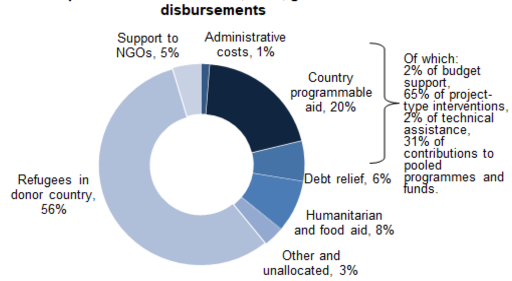
Table B.2. ODA by main categories

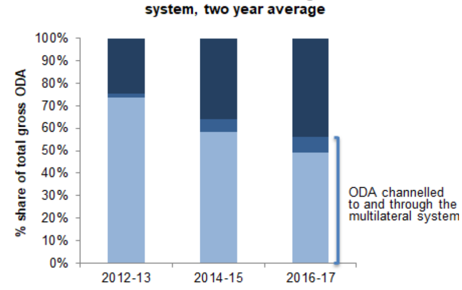
Disbursements

Italy	Constant 2016 USD million					Per cent share of gross disbursements					Total DAC
	2013	2014	2015	2016	2017	2013	2014	2015	2016	2017	2017 %
Gross Bilateral ODA	**810**	**1 236**	**1 891**	**2 492**	**3 136**	**27**	**36**	**46**	**48**	**53**	**74**
Budget support	6	8	15	7	12	0	0	0	0	0	2
of which: General budget support	6	6	6	1	0	0	0	0	0	0	1
Core contributions & pooled prog.& funds	163	212	435	421	572	5	6	11	8	10	13
of which: Core support to national NGOs	85	79	119	137	36	3	2	3	3	1	1
Core support to international NGOs	4	6	8	14	92	0	0	0	0	2	0
Core support to PPPs	0	2	-	-	1	0	0	-	-	0	0
Project-type interventions	247	235	317	215	521	8	7	8	4	9	39
of which: Investment projects	75	52	49	23	10	3	1	1	0	0	13
Experts and other technical assistance	6	5	9	11	16	0	0	0	0	0	3
Scholarships and student costs in donor countries	6	4	8	6	9	0	0	0	0	0	2
of which: Imputed student costs	1	0	1	1	4	0	0	0	0	0	1
Debt relief grants	1	24	81	145	104	0	1	2	3	2	0
Administrative costs	31	34	36	21	38	1	1	1	0	1	5
Other in-donor expenditures	347	714	990	1 666	1 767	12	21	24	32	30	9
of which: refugees in donor countries	345	712	988	1 665	1 763	11	21	24	32	30	9
Gross Multilateral ODA	**2 190**	**2 234**	**2 184**	**2 667**	**2 816**	**73**	**64**	**54**	**52**	**47**	**26**
UN agencies	186	169	162	155	265	6	5	4	3	4	4
EU institutions	1 372	1 408	1 431	1 773	1 721	46	41	35	34	29	9
World Bank group	349	383	269	279	272	12	11	7	5	5	5
Regional development banks	196	151	135	286	284	7	4	3	6	5	3
Other multilateral	88	123	188	174	275	3	4	5	3	5	6
Total gross ODA	**3 000**	**3 470**	**4 075**	**5 159**	**5 952**	**100**	**100**	**100**	**100**	**100**	**100**
of which: Gross ODA loans	78	40	99	72	290	3	1	2	1	5	14
Bilateral	78	40	99	72	290	3	1	2	1	5	12
Multilateral	-	-	-	-	-	-	-	-	-	-	2
Repayments and debt cancellation	**- 68**	**- 74**	**- 53**	**- 71**	**- 226**						
Total net ODA	**2 932**	**3 396**	**4 022**	**5 087**	**5 726**						
For reference:											
Country programmable aid	*248*	*259*	*406*	*247*	*627*						
Free standing technical co-operation	*34*	*91*	*121*	*52*	*57*						
Net debt relief	*3*	*1*	*81*	*128*	*187*						

Composition of bilateral ODA, 2017, gross bilateral disbursements



Share of ODA channelled to and through the multilateral system, two year average



ODA flows to multilateral agencies, 2017

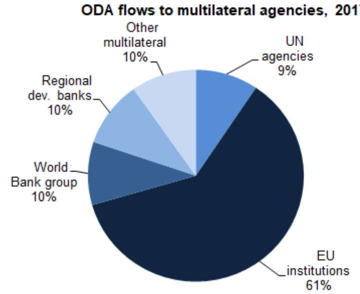


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Table B.3. Bilateral ODA allocable by region and income group

Gross disbursements

Italy	Constant 2016 USD million					% share					Total DAC
	2013	2014	2015	2016	2017	2013	2014	2015	2016	2017	2017%
Africa	153	200	314	379	489	42	48	43	54	41	**40**
Sub-Saharan Africa	123	154	223	313	334	33	37	31	44	28	**34**
North Africa	26	42	74	56	138	7	10	10	8	12	**4**
Asia	102	73	183	75	97	28	17	25	11	8	**30**
South and Central Asia	83	58	174	67	88	22	14	24	10	7	**18**
Far East	19	15	10	8	9	5	4	1	1	1	**11**
America	38	44	43	38	236	10	10	6	5	20	**9**
North and Central America	14	19	12	14	108	4	5	2	2	9	**4**
South America	21	24	30	23	121	6	6	4	3	10	**4**
Middle East	53	75	137	111	231	14	18	19	16	19	**13**
Oceania	1	1	2	2	3	0	0	0	0	0	**2**
Europe	23	27	47	99	133	6	6	6	14	11	**5**
Total bilateral allocable by region	**369**	**420**	**726**	**705**	**1 190**	**100**	**100**	**100**	**100**	**100**	**100**
Least developed	160	164	298	313	335	46	41	44	49	30	**39**
Other low-income	5	7	22	7	14	1	2	3	1	1	**3**
Lower middle-income	90	112	185	123	150	26	28	27	19	13	**35**
Upper middle-income	95	113	177	195	619	27	29	26	31	55	**23**
More advanced developing countries	-	-	-	-	-	-	-	-	-	-	**-**
Total bilateral allocable by income	**350**	**397**	**682**	**637**	**1 118**	**100**	**100**	**100**	**100**	**100**	**100**
For reference*[2] *:											
Total bilateral	810	1 236	1 891	2 492	3 136	*100*	*100*	*100*	*100*	*100*	***100***
of which: Unallocated by region	*441*	*816*	*1 164*	*1 787*	*1 946*	*54*	*66*	*62*	*72*	*62*	***32***
of which: Unallocated by income	*459*	*839*	*1 208*	*1 854*	*2 018*	*57*	*68*	*64*	*74*	*64*	***39***
Fragile and conflict-affected states (as per DCR of each year)	*204*	*251*	*480*	*408*	*603*	*25*	*20*	*25*	*16*	*19*	***35***
SIDS (as per data provided to UN)	*6*	*5*	*4*	*115*	*101*	*1*	*0*	*0*	*5*	*3*	***2***
Landlocked developing countries (as per data provided to UN)	*81*	*90*	*194*	*112*	*214*	*10*	*7*	*10*	*4*	*7*	***14***

1. Each region includes regional amounts which cannot be allocated by sub-region. The sum of the sub-regional amounts may therefore fall short of the regional total.
2. 'Fragile and conflict-affected states' group has overlaps with SIDS and Landlocked developing countries and can therefore not be added. For the same reason, these three groups cannot be added to any income group.

Gross bilateral ODA by income group, 2012-17

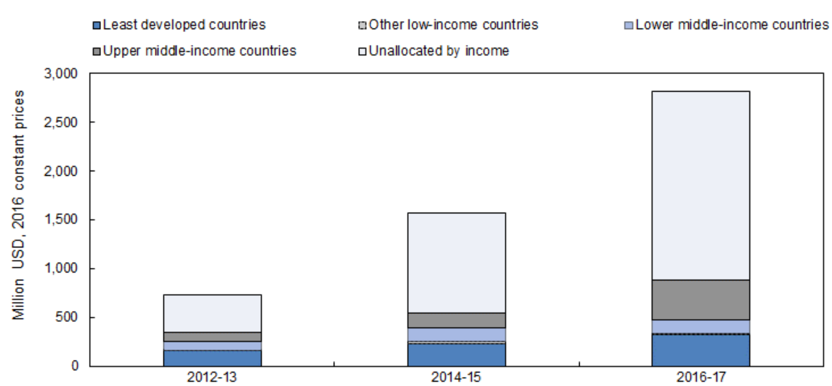

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Table B.4. Main recipients of bilateral ODA

Gross disbursements

Italy	2012-13 average Current USD million	Constant 2016 USD mln	% share	Memo: DAC countries' average %
Afghanistan	53	47	6	
Pakistan	29	25	3	
Mozambique	22	19	3	
Albania	21	19	3	
Lebanon	18	15	2	
Top 5 recipients	**143**	**126**	**17**	**30**
Ethiopia	13	12	2	
Senegal	13	11	2	
Tunisia	13	11	1	
Iraq	11	10	1	
West Bank and Gaza Strip	10	8	1	
Top 10 recipients	**203**	**177**	**24**	**41**
Somalia	9	8	1	
Syrian Arab Republic	8	7	1	
Brazil	8	7	1	
Ghana	8	7	1	
Democratic Republic of the Congo	7	6	1	
Top 15 recipients	**243**	**212**	**29**	**47**
Sudan	7	6	1	
Philippines	7	6	1	
India	7	6	1	
Tanzania	6	6	1	
South Sudan	5	5	1	
Top 20 recipients	**275**	**240**	**33**	**51**
Total (113 recipients)	**401**	**350**	**48**	
Unallocated	435	378	52	34
Total bilateral gross	**836**	**728**	**100**	**100**

	2014-15 average Current USD million	Constant 2016 USD mln	% share	Memo: DAC countries' average %
Afghanistan	68	65	4	
Ethiopia	33	30	2	
Iraq	32	32	2	
Pakistan	29	28	2	
Egypt	26	25	2	
Top 5 recipients	**188**	**180**	**11**	**22**
Tunisia	26	25	2	
West Bank and Gaza Strip	26	25	2	
Lebanon	26	24	2	
Mozambique	22	20	1	
Albania	20	19	1	
Top 10 recipients	**308**	**292**	**18**	**35**
Syrian Arab Republic	14	13	1	
Kenya	14	14	1	
Senegal	12	11	1	
Sudan	11	11	1	
Somalia	11	10	1	
Top 15 recipients	**371**	**351**	**22**	**41**
South Sudan	10	10	1	
India	10	9	1	
Jordan	9	9	1	
Sierra Leone	9	8	1	
Democratic Republic of the Congo	8	8	1	
Top 20 recipients	**417**	**395**	**25**	**46**
Total (127 recipients)	**578**	**543**	**35**	
Unallocated	1 093	1 020	65	43
Total bilateral gross	**1 671**	**1 564**	**100**	**100**

	2016-17 average Current USD million	Constant 2016 USD mln	% share	Memo: DAC countries average %
Turkey	92	90	3	
Iraq	75	73	3	
Guinea-Bissau	52	52	2	
Cuba	51	49	2	
Argentina	50	49	2	
Top 5 recipients	**319**	**314**	**11**	**19**
Niger	40	39	1	
Tunisia	38	38	1	
Afghanistan	37	36	1	
Ethiopia	36	36	1	
Libya	33	33	1	
Top 10 recipients	**504**	**496**	**18**	**29**
Lebanon	30	29	1	
West Bank and Gaza Strip	27	26	1	
Egypt	17	17	1	
Syrian Arab Republic	16	16	1	
Senegal	16	16	1	
Top 15 recipients	**611**	**601**	**21**	**36**
Sudan	16	15	1	
Pakistan	15	15	1	
Mozambique	15	14	1	
Somalia	14	14	0	
India	13	13	0	
Top 20 recipients	**683**	**673**	**24**	**40**
Total (129 recipients)	**891**	**878**	**31**	
Unallocated	1 959	1 936	69	49
Total bilateral gross	**2 850**	**2 814**	**100**	**100**

StatLink https://doi.org/10.1787/888934014156

Table B.5. Bilateral ODA by major purposes

At constant prices and exchange rates

Commitments - Two-year average

Italy	2012-13 average		2014-15 average		2016-17 average		DAC
	2016 USD million	%	2016 USD million	%	2016 USD million	%	2016-17 %
Social infrastructure & services	**175**	**23**	**335**	**21**	**516**	**18**	**34**
Education	52	7	96	6	136	5	7
of which: basic education	10	1	22	1	24	1	2
Health	46	6	75	5	112	4	5
of which: basic health	18	2	28	2	76	3	3
Population & reproductive health	6	1	5	0	17	1	6
Water supply & sanitation	8	1	15	1	70	2	4
Government & civil society	33	4	102	6	136	5	10
of which: Conflict, peace & security	3	0	12	1	24	1	2
Other social infrastructure & services	30	4	43	3	47	2	2
Economic infrastructure & services	**63**	**8**	**68**	**4**	**154**	**5**	**17**
Transport & storage	11	1	23	1	61	2	9
Communications	1	0	0	0	2	0	0
Energy	7	1	30	2	84	3	6
Banking & financial services	43	6	14	1	5	0	2
Business & other services	0	0	0	0	2	0	1
Production sectors	**63**	**8**	**71**	**4**	**56**	**2**	**6**
Agriculture, forestry & fishing	50	7	64	4	48	2	4
Industry, mining & construction	12	2	5	0	8	0	1
Trade & tourism	1	0	2	0	1	0	1
Multisector	**53**	**7**	**128**	**8**	**74**	**3**	**9**
Commodity and programme aid	**9**	**1**	**10**	**1**	**38**	**1**	**2**
Action relating to debt	**5**	**1**	**-**	**-**	**95**	**3**	**1**
Humanitarian aid	**83**	**11**	**88**	**5**	**226**	**8**	**13**
Administrative costs of donors	**34**	**5**	**37**	**2**	**30**	**1**	**5**
Refugees in donor countries	**265**	**35**	**893**	**55**	**1 749**	**60**	**12**
Total bilateral allocable	**750**	**100**	**1 630**	**100**	**2 938**	**100**	**100**
For reference:							
Total bilateral	*774*	*25*	*1 655*	*41*	*2 949*	*51*	*77*
of which: Unallocated	*24*	*1*	*26*	*1*	*12*	*0*	*1*
Total multilateral	*2 298*	*75*	*2 394*	*59*	*2 874*	*49*	*23*
Total ODA	***3 072***	***100***	***4 049***	***100***	***5 823***	***100***	***100***

Commitments

	2012-2013		2014-2015		2016-2017	
	Constant 2016 USD million	% Bilateral Allocable	Constant 2016 USD million	% Bilateral Allocable	Constant 2016 USD million	% Bilateral Allocable
Gender equality	177	*39*	250	*35*	440	*41*
Environment	107	*24*	262	*37*	426	*40*
Rio markers						
Biodiversity	50	*11*	62	*9*	97	*9*
Desertification	53	*12*	64	*9*	183	*17*
Climate change Mitigation only	20	*4*	34	*5*	11	*1*
Climate change Adaptation only	7	*2*	11	*2*	12	*1*
Both climate adaptation and mitigation	48	*11*	122	*17*	159	*15*

StatLink https://doi.org/10.1787/888934014175

Table B.6. Comparative aid performance of DAC members

	Net disbursements								Commitments
	Official development assistance			Share of multilateral aid				Grant element of ODA commitments 2017	Untied aid % of bilateral commitments 2017
	2017		2011-12 to 2016-17 Average annual % change in real terms	2017					
	USD million	% of GNI		% of ODA (b)	% of ODA (c)	% of GNI (b)	% of GNI (c)	% (a)	(d)
Australia	3 036	0.23	-4.3	20.5		0.05		100.0	100.0
Austria	1 251	0.30	7.4	52.0	25.2	0.16	0.08	100.0	50.1
Belgium	2 196	0.45	-0.3	41.0	12.2	0.18	0.05	99.9	95.6
Canada	4 305	0.26	-1.5	27.4		0.07		94.5	93.9
Czech Republic	304	0.15	7.5	73.5	17.1	0.11	0.03	100.0	55.9
Denmark	2 448	0.74	-0.4	29.7	18.2	0.22	0.13	100.0	100.0
Finland	1 084	0.42	-3.0	44.8	21.8	0.19	0.09	100.0	98.3
France	11 331	0.43	-0.7	41.3	20.1	0.18	0.09	81.6	96.0
Germany	25 005	0.67	15.1	20.7	8.8	0.14	0.06	90.2	85.5
Greece	314	0.16	3.1	73.0	12.0	0.11	0.02	100.0	90.6
Hungary	149	0.11	9.4	73.5	16.5	0.08	0.02	100.0	..
Iceland	68	0.28	14.8	20.7		0.06		100.0	100.0
Ireland	838	0.32	0.8	41.2	17.0	0.13	0.05	100.0	100.0
Italy	5 858	0.30	12.2	49.2	19.1	0.15	0.06	98.8	90.9
Japan	11 463	0.23	6.3	29.5		0.07		85.4	82.5
Korea	2 201	0.14	7.8	26.6		0.04		93.2	50.2
Luxembourg	424	1.00	2.7	28.3	19.5	0.28	0.19	100.0	98.8
Netherlands	4 958	0.60	-0.7	28.7	16.9	0.17	0.10	100.0	94.9
New Zealand	450	0.23	1.4	17.6		0.04		100.0	74.6
Norway	4 125	0.99	5.1	24.2		0.24		100.0	100.0
Poland	679	0.13	13.9	67.3	9.5	0.09	0.01	99.6	60.3
Portugal	381	0.18	-8.8	69.9	21.7	0.13	0.04	97.2	68.6
Slovak Republic	119	0.13	10.0	70.3	8.5	0.09	0.01	100.0	62.2
Slovenia	76	0.16	8.0	67.1	11.9	0.11	0.02	100.0	99.6
Spain	2 560	0.19	5.5	73.3	27.8	0.14	0.05	99.1	83.5
Sweden	5 563	1.02	2.8	31.2	23.9	0.32	0.24	100.0	87.8
Switzerland	3 138	0.46	3.9	25.7		0.12		100.0	96.5
United Kingdom	18 103	0.70	7.8	37.4	27.8	0.26	0.19	95.5	100.0
United States	34 732	0.18	0.8	13.6		0.02		100.0	63.5
Total DAC	**147 160**	**0.31**	**4.3**	**28.3**		**0.09**		**93.7**	**82.0**

Notes:

a. Excluding debt reorganisation.
b. Including EU institutions.
c. Excluding EU institutions.
d. Excluding administrative costs and in-donor refugee costs.
.. Data not available.

StatLink https://doi.org/10.1787/888934014194

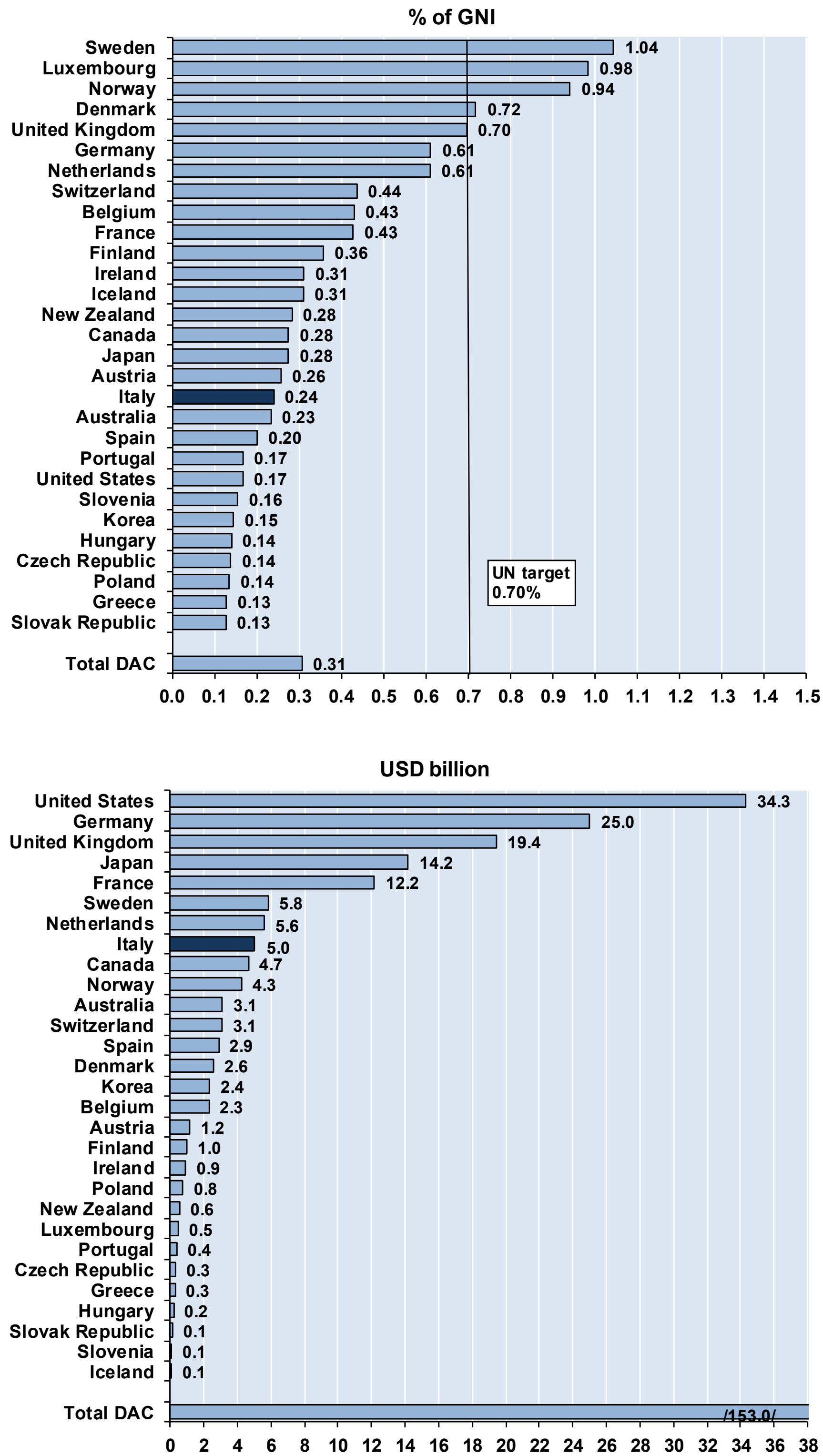
Table B.7. Comparative performance of aid to LDCs

	Net disbursements						*Commitments*		
	Bilateral ODA to LDCs			Total ODA to LDCs (Bilateral and through multilateral agencies)			Grant element of bilateral ODA commitments[a] to LDCs (two alternative norms)		
	2017	2017		2017			Annually for all LDCs Norm: 90%		3-year average for each LDC Norm: 86%
	USD million	% bilateral ODA	% of GNI	USD million	% total ODA	% of GNI	2016	2017	2015-2017
Australia	665	27.6	0.05	851	28.0	0.07	100.0	100.0	c
Austria	63	10.5	0.02	293	23.4	0.07	100.0	100.0	c
Belgium	402	31.0	0.08	645	29.4	0.13	99.3	99.8	c
Canada	958	30.6	0.06	1 469	34.1	0.09	100.0	100.0	c
Czech Republic	13	15.8	0.01	65	21.5	0.03	100.0	100.0	c
Denmark	472	27.4	0.14	715	29.2	0.22	100.0	100.0	c
Finland	166	27.7	0.06	326	30.1	0.13	100.0	100.0	c
France	1 131	17.0	0.04	2 754	24.3	0.10	80.9	75.2	n
Germany	2 423	12.2	0.06	4 081	16.3	0.11	95.9	99.8	n
Greece	0	0.2	0.00	57	18.2	0.03	100.0	100.0	c
Hungary	4	11.0	0.00	29	19.4	0.02	100.0	100.0	c
Iceland	14	25.4	0.06	20	28.8	0.08	100.0	100.0	c
Ireland	248	50.4	0.09	355	42.3	0.13	100.0	100.0	c
Italy	327	11.0	0.02	1 162	19.8	0.06	98.8	97.5	c
Japan	3 358	41.6	0.07	4 974	43.4	0.10	91.5	87.8	n
Korea	588	36.4	0.04	774	35.2	0.05	93.0	94.6	c
Luxembourg	141	46.4	0.33	178	42.0	0.42	100.0	100.0	c
Netherlands	546	15.5	0.07	1 024	20.7	0.12	100.0	100.0	c
New Zealand	102	27.6	0.05	125	27.7	0.06	100.0	100.0	c
Norway	733	23.4	0.18	1 127	27.3	0.27	100.0	100.0	c
Poland	14	6.4	0.00	114	16.7	0.02	80.4	85.0	n
Portugal	43	37.8	0.02	124	32.5	0.06	92.2	94.4	n
Slovak Republic	4	9.9	0.00	22	18.8	0.02	100.0	100.0	c
Slovenia	0	1.8	0.00	13	16.8	0.03	100.0	100.0	c
Spain	99	14.5	0.01	588	23.0	0.04	100.0	100.0	c
Sweden	1 023	26.7	0.19	1 669	30.0	0.31	100.0	100.0	c
Switzerland	574	24.6	0.08	887	28.3	0.13	100.0	100.0	c
United Kingdom	3 319	29.3	0.13	6 046	33.4	0.23	100.0	100.0	c
United States	10 010	33.4	0.05	12 062	34.7	0.06	100.0	100.0	c
Total DAC	**27 439**	**26.0**	**0.06**	**42 548**	**28.9**	**0.09**	**97.0**	**96.2**	..

Notes:
a. Excluding debt reorganisation. Equities are treated as having 100% grant element, but are not treated as loans.
b. c = compliance, n = non compliance.
.. Data not available.

StatLink https://doi.org/10.1787/888934014213

Figure B.1. Net ODA from DAC countries in 2018



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Annex C. Field visit to Senegal

As part of the peer review of Italy, a team of examiners from New Zealand and Spain, and members of the OECD Secretariat, visited Senegal in March 2019. The team met the Italian Ambassador and the director of the office of the Italian Agency for Development Co-operation (AICS), along with their teams, representatives of national authorities in Senegal, other bilateral and multilateral partners, Italian and Senegalese civil society organisations, the private sector and researchers.

Development in Senegal

Enjoying stability, Senegal focuses on inclusive growth and poverty reduction

Senegal enjoys greater stability[1] and better governance[2] than many other least developed countries. It has a history of successful democratic elections. In February 2019, shortly before the peer review visit, President Macky Sall was re-elected to office. On the Human Development Index, Senegal ranked 164th of 189 countries in 2018, and has shown continuous increases in all its categories over recent decades. Nevertheless, Senegal's score is below the average for sub-Saharan Africa (United Nations Development Programme, 2018[1]). Official development assistance (ODA) from all official donors stood at USD 910 million in 2017 (Figure C.1). It remains an important element in the economy as well as for the functioning of the government.[3]

Senegal's *Plan d'Actions Prioritaires* (Priority Action Plan) 2019-2023 under the long-term strategy *Plan Sénégal Emergent* (Emerging Senegal Plan) focuses on creating the conditions for inclusive economic growth, boosting human development and environmental protection, and strengthening governance (République du Sénégal, 2018[2]). In order to realise its plan, Senegal needs to sustain solid economic growth, while reducing poverty and inequality further. Gross national income (GNI) has grown at rates of around 6% since 2014; however, GNI per capita (Atlas method) stagnated at USD 1 240 in 2017. In their joint European Strategy Document for Senegal, the European Union and its Member States highlight high absolute poverty, regional disparities, population growth, the impact of climate change and gender inequality as some of the key challenges (European Union, 2018[3]). The International Monetary Fund stressed that "[addressing] gender and inequality issues will contribute to poverty reduction and well-distributed growth" (IMF, 2019[4]).

Figure C.1. Aid at a glance - Senegal

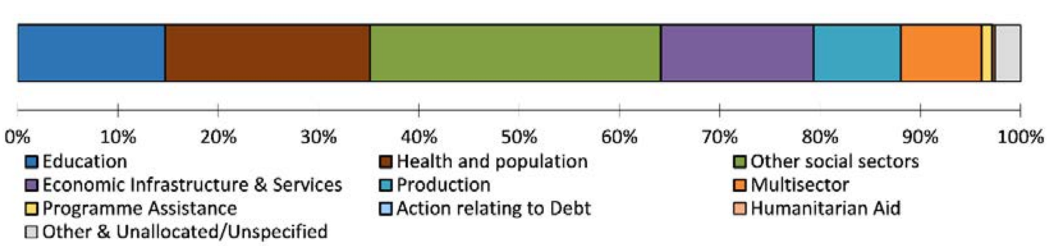
Senegal

Receipts	2015	2016	2017
Net ODA (USD million)	879	737	910
Bilateral share (gross ODA)	63%	55%	57%
Net ODA / GNI	6.6%	5.2%	5.8%
Other official flows (USD million)	98	11	266
Net private flows (USD million)	120	36	- 23
Total net receipts (USD million)	1 098	784	1 153

For reference	2015	2016	2017
Population (million)	15.0	15.4	15.9
GNI per capita (Atlas USD)	980	950	950

	Top ten donors of gross ODA (2016-17 average)	(USD m)
1	International Development Ass	189
2	United States	142
3	France	128
4	Japan	67
5	EU Institutions	66
6	African Development Fund	53
7	Canada	45
8	Korea	30
9	OPEC Fund for International De	25
10	Global Fund	22

Bilateral ODA by Sector (2016-17)



Source: OECD - DAC, World Bank; www.oecd.org/dac/stats

Towards a comprehensive Italian development effort

Italy is a small donor in Senegal, but ties between the countries go beyond aid

Italian development co-operation in Senegal is long-standing but small. Senegal is one of Italy's 22 priority countries, consistently featuring in the list of its top 15 recipients. From 2014-17, Italy's aid averaged USD 14 million per year. This corresponds to 1.4% of all donors and 2.3% of DAC donors, placing Italy outside the top 10 donors in Senegal. Levels of Italian co-operation are similar to, though smaller than, those of Belgium, Germany, Korea and Luxembourg, and far behind several large donors. Rural development, private sector development and education are Italy's focal sectors, with a cross-cutting priority on gender equality.

Links between Italy and Senegal are not limited to bilateral government-to-government co-operation. Italian civil society organisations (CSOs), including from the diaspora, regional entities and research institutions are part of the Italian co-operation system. The Senegalese diaspora in Italy contributed an estimated 19% of total remittance flows to Senegal in 2017 (The World Bank, 2018[5]). For Senegal, trade relations with Italy are sizeable, at more than 2% of imports and exports in 2017 (World Integrated Trade Solution, 2019[6]).

Italy's policies, strategies and aid allocation

Italy has used the joint EU strategy to adjust focus

Italy's last officially approved country programme for Senegal covered the period 2014-16. It then postponed the elaboration of a new strategy to ensure coherence with the Joint European Strategy for Senegal 2018-23, signed in December 2018 by European partners and the Senegalese government. In the European strategy, Italy confirmed its sectoral focus on rural development and employment and narrowed the focus of its third sector on education, all the while mainstreaming gender equality. Italy's development co-operation programme reflects Senegalese priorities well. Contrary to intentions in the joint Italy-Senegal 2016 review (AICS Dakar Office, 2016[7]), Italy did not expand its engagement in the health sector. Instead, it included new activities on border and migration management, that fall under the remit of Italy's Ministry of Interior and implemented in collaboration with Italian civil society organisations.

Italy can define its added value and reflect the contributions of all Italian actors in its new country strategy

Developing a new country strategy is a great opportunity for Italy to set out its added value as a smaller donor. Italy supports pilot initiatives and innovative approaches targeting vulnerable populations, including poor women as well as out-of-school and children with disabilities. Government authorities and partners appreciate this contribution and, in some instances, already have or intend to replicate successful approaches. However, in order to maximise its impact, Italy could assess how best to increase the likelihood of replicating successful initiatives, together with the Senegalese Government. Supporting Senegal's development beyond projects, i.e. through broader sector approaches, might also help Italy identify potential for synergies between projects, within and across sectors, and build on its good contributions to inclusive development.

A new Italian country strategy should also reflect the full extent of government co-operation, as recommended in the 2014 peer review. The Joint European Strategy illustrates this challenge: while Italy indicated allocations for its focal sectors, it did not provide amounts for Italian activities on border management or migration management. It is also not clear whether the strategy reflects co-operation that is planned between the Ministry of Environment and Senegal.[4] A whole-of-government strategy is important for a coherent Italian approach, and would build on the clear awareness of priority issues in the Italian embassy.

Finally, a new strategy could highlight the role and added value of all co-operation actors. For instance, Italy's multilateral co-operation is a useful complement to its bilateral efforts, using limited funding to pilot initiatives and support policy change. Within the Italian system, civil society, decentralised co-operation, the Senegalese diaspora and the private sector all contribute to Senegal's development. The strategy could specify how their actions link to government-to-government co-operation with Senegal and other countries in the region.

Italy's co-operation engages with a number of countries in the region, and to a small extent with regional institutions such as the Senegal River Basin Development Organisation (OMVS) and the Economic Community of West African States (ECOWAS). The AICS office in Dakar also covers co-operation with Sierra Leone, Guinea, Guinea Bissau, Mali and Mauritania, and regional monitoring also includes Cape Verde and The Gambia. The 2014 West Africa strategy for Italian co-operation analyses the challenges in the region (Ministry of Foreign Affairs, 2014[8]). Co-operation responses are bilateral or multi-country delivered through multilateral organisations' programmes. Regional institutions or cross-border action do not feature in the West Africa strategy.

Close ties between both countries have potential to enhance Italian financing for Senegalese development

Italy's aid allocations have remained stable, at relatively low levels. Since 2014, Italy committed to providing around EUR 15 million per year, continuing this trend in 2017 and confirming it for 2018-20 in the joint European strategy. This comprises one-third in grants and two-thirds in loans,[5] for which Italy regularly monitors debt sustainability. The government appreciates the high degree of concessionality of Italy's loans.

It was clear, however, that the Senegalese Government, Parliament and civil society expect more of Italian support and technical expertise, considering the close ties between Senegal and Italy. In order to increase its weight as a donor significantly, Italy would have to double its annual allocations, a challenging prospect considering the projected ODA trends. Nonetheless, the potential for stronger Italian co-operation engagement also exists beyond ODA, in the large Senegalese diaspora and existing trade relations. Italy could build on its efforts to include the diaspora in the innovative programme "*Plateforme d'appui au secteur privé et à la valorisation de la diaspora sénégalaise en Italie*" (Platform to support the private sector and to benefit from the Senegalese diaspora in Italy - PLASEPRI) to mobilise greater engagement by the Italian private sector, and to increase the development impact of remittances. Other opportunities lie in AICS's creative communication for the Senegalese and Italian public using a variety of media.

Organisation and management

The embassy and AICS have managed the transition well

In Senegal, Italian co-operation has succeeded in managing the institutional transition of development co-operation from the embassy to AICS with limited impact on operations. The creation of AICS through Law 125/2014 defines clear lines of accountability between the ministry and the agency (see Chapter 4). While work was required to ensure the shift of legal responsibility for Italian projects, the embassy and AICS ensured that there was no interruption, or significant impact, on co-operation.

The embassy and AICS Dakar co-operate well. An important factor in this close collaboration is the ambassador's strong experience in Italian co-operation. Nonetheless, AICS recognises it could do more to raise awareness among partners and stakeholders of the new institutional roles within Italian co-operation.

Procedural delays at headquarters are undermining project delivery

It was clear that AICS Dakar would benefit from timelier backstopping from AICS headquarters, which is not yet operating at full capacity (Chapter 4). Currently, AICS headquarters does not always have the technical and administrative capacity to react quickly to requests for approval, leading to long delays in procurement and disbursement. Although project extensions are possible, delays often frustrate partners, impede the co-ordination of activities within and across projects, and make annual systematic reporting more challenging. Ultimately, delayed activities may also lose relevance or no longer match priorities.

Highly motivated staff compensate for weak human resource management

AICS staff in Senegal demonstrate strong commitment and personal motivation. Partners expressed their great appreciation of the staff, stressing that they were very accessible, attentive and gave quality advice. On the other hand, human resources management is creating risks for staff retention, well-being and performance. Local staff have no access to training or performance management. They also expressed frustration about the very few opportunities for professional development and their low pay compared to other embassies. Staff were not aware of any grievance mechanisms in place.

Most Italian and local staff are on short-term contracts (Table C.1), which do not offer stability or visibility. With the exception of the director, there is no rotation foreseen from one country office to the other or to headquarters. In practice, experts hired for AICS Dakar can apply to other AICS positions abroad, but cannot work at headquarters unless they secure a permanent contract. There is also no integrated and formal knowledge management system to ensure that learning is systematically shared internally and externally. These various factors create substantial risks for AICS's capacity to deliver high-quality development co-operation over the long term.

Table C.1. AICS staff in Dakar

	Italian contract	Senegalese contract, but social security contributions paid in Italy	Senegalese contract
Permanent	Director of agency (1)		Administrative staff (4)
Long-term	Mission expert (1)		
Short-term	Mission expert (4)		
Fixed-term		Italian experts (6)	Fixed-term administrative functions and drivers (4)
Part-time	Italian experts with flexible working arrangements (5)		Part-time local contracts hired via temporary employment agency (3)
Other: one-year trainee in framework of Italian fellowship programme funded by Rome	UN DESA* fellow (2)		

Note: * United Nations Department of Economic and Social Affairs.
Source: AICS Dakar.

Partnerships, results and accountability

Ownership and alignment are at the heart of Italian co-operation

The Senegalese Government expressed great appreciation for Italy's respect for and proactive support of Senegalese country leadership and ownership. Projects on education and agriculture are well aligned with Senegal's priorities. Implementation of the Italian programmes relies directly on Senegalese civil servants, local authorities and existing community structures, building their capacity in an effort to ensure sustainability. AICS engages in wide stakeholder consultation from the project design stage onwards, based on its strong networks and knowledge of operating in some of the hardest to reach parts of Senegal, such as Casamance. In 2015 and 2016, Italy and Senegal undertook joint reviews to reinforce mutual accountability. While calls for proposals managed from Rome are only open to Italian NGOs, those managed from AICS Dakar for emergency or humanitarian programmes are eligible to local organisations (Chapters 5 and 7). Both modalities provide partnering arrangements with local authorities and/or Senegalese NGOs. In its projects, Italy has also strengthened co-operation between Italian research institutions (on applied research for agriculture) and think tanks (on gender budgeting).

On cross-cutting issues, Italy distinguishes itself among partners through its work on gender equality and inclusion. In addition to managing gender-focused projects and mainstreaming in project design, the gender focal point co-ordinates performance monitoring, including reporting on AICS spending related to gender equality. Italy is also piloting a gender marker for NGO projects. Italy also aims to strengthen the link between natural resource management and agriculture, building on its expertise in this area. If well-co-ordinated, the possible engagement of the Ministry of Environment could be a further opportunity in this regard.

Italy takes responsibility for donor co-ordination

Partners value highly Italy's strong contribution to donor co-ordination, as well as its readiness for engagement, its flexibility and its problem-solving approach. Italy presided over the G15 donor co-ordination group from 2016 to mid-2019, led the implementation of the EU gender action plan from 2011 to 2017, and co-chaired the joint European strategy private sector working group.

Co-operation with the EU is central to Italy in strategy and operations. Italy strongly supports EU Joint Programming, and the joint European strategy will guide Italy's new country programme. EU delegated co-operation, which today represents 16% of the Italian portfolio in Senegal, presents both opportunities and challenges. It affords AICS flexibility in its operations, such as partnering directly with local and international NGOs, recruiting experts under longer contracts, and developing broader partnerships. At the same time, as delegated co-operation becomes an increasingly important part of the agency's business model and portfolio, it will be important for AICS to define how it will ensure coherence and create synergies with Italy's bilateral co-operation.

Need for stronger results management

Managing for development results is limited to project approaches. Italy's dedication to alignment and ownership also translates into project results frameworks, but stops there. Italy would benefit from making the link between activities and a broader country results framework as part of its new country strategy. Alignment with the SDGs and Senegal's national and sector results frameworks would make it easier to collect data and to enable Italy to communicate its contribution to Senegal's development outcomes. In this regard, Italy could benefit from current work by the OECD DAC results community on using the SDGs as a shared framework for results (OECD, 2019[9]).

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Notes

[1] The OECD's States of Fragility Report 2018 considers Senegal to no longer be fragile (OECD, 2018[10]).

[2] Senegal ranks 10th out of 54 in the Ibrahim Index of African Governance, with steady improvements over the last ten years (Mo Ibrahim Foundation, 2019[12]). On Transparency International's 2018 Corruptions Perceptions Index Senegal ranks 67th of 180 countries (Transparency International, 2019[13]).

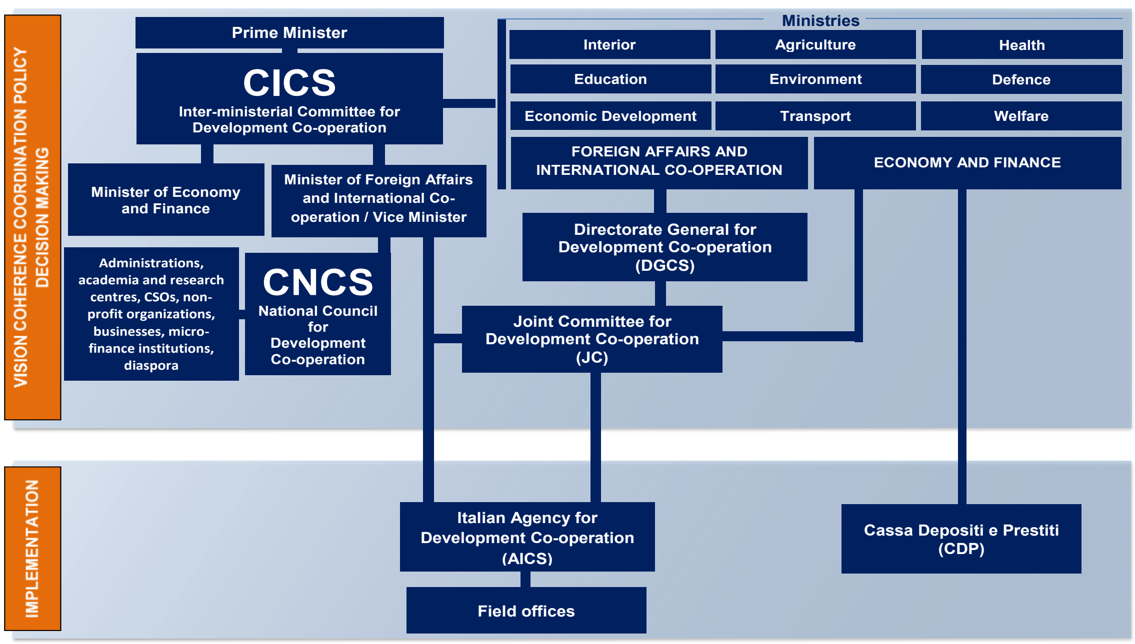
[3] In 2017, ODA constituted 4.4% of gross national income and 24% of central government expenses (The World Bank, 2019[14]).

[4] The Ministry of Environment indicates that it is currently negotiating a co-operation agreement (Ministry of Environment and the Protection of the Territory and the Sea, 2019[11]).

[5] A number of bilateral and multilateral donors provide loans to Senegal. Italy's share of all donors' gross loans in 2017 was 2.3%.

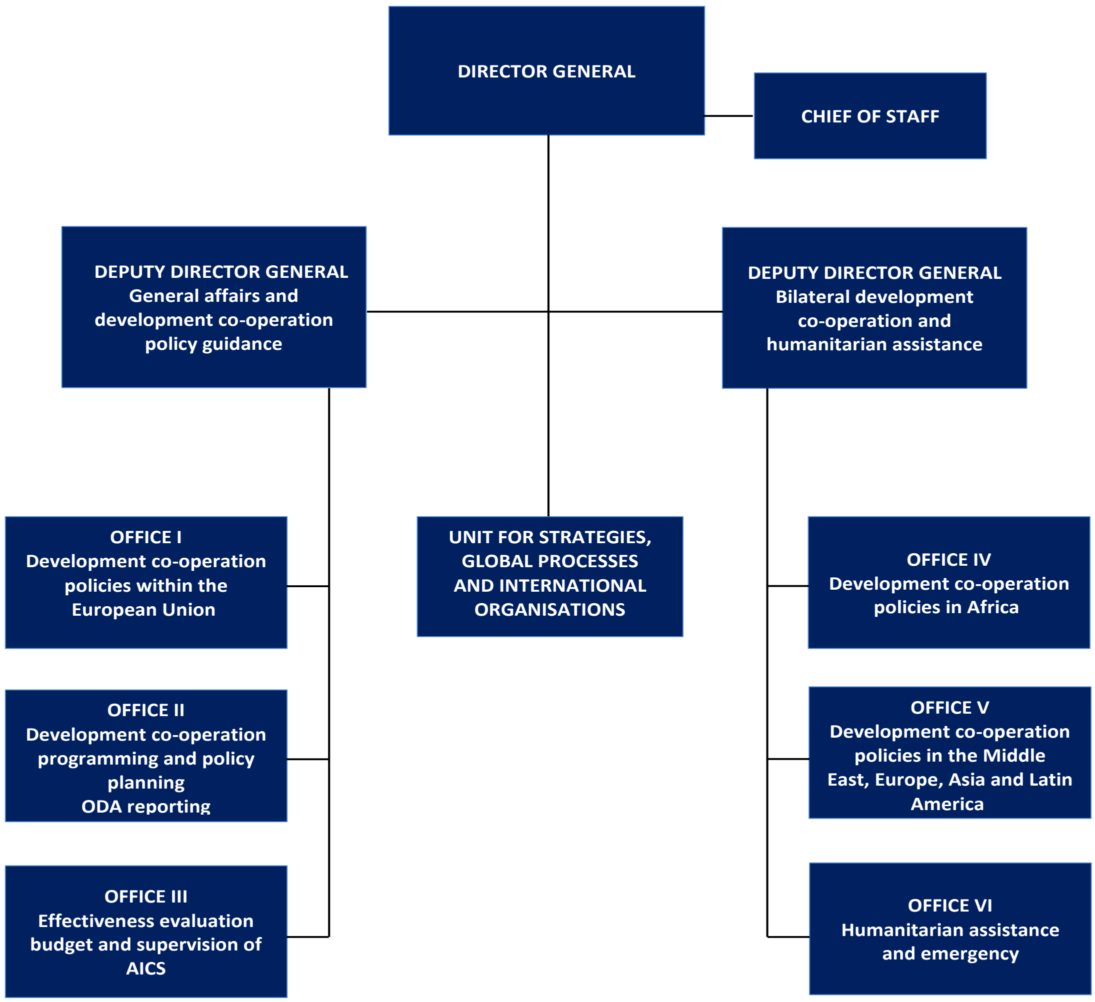
Annex D. Organizational Charts

Figure D.1. The Italian system for development co-operation



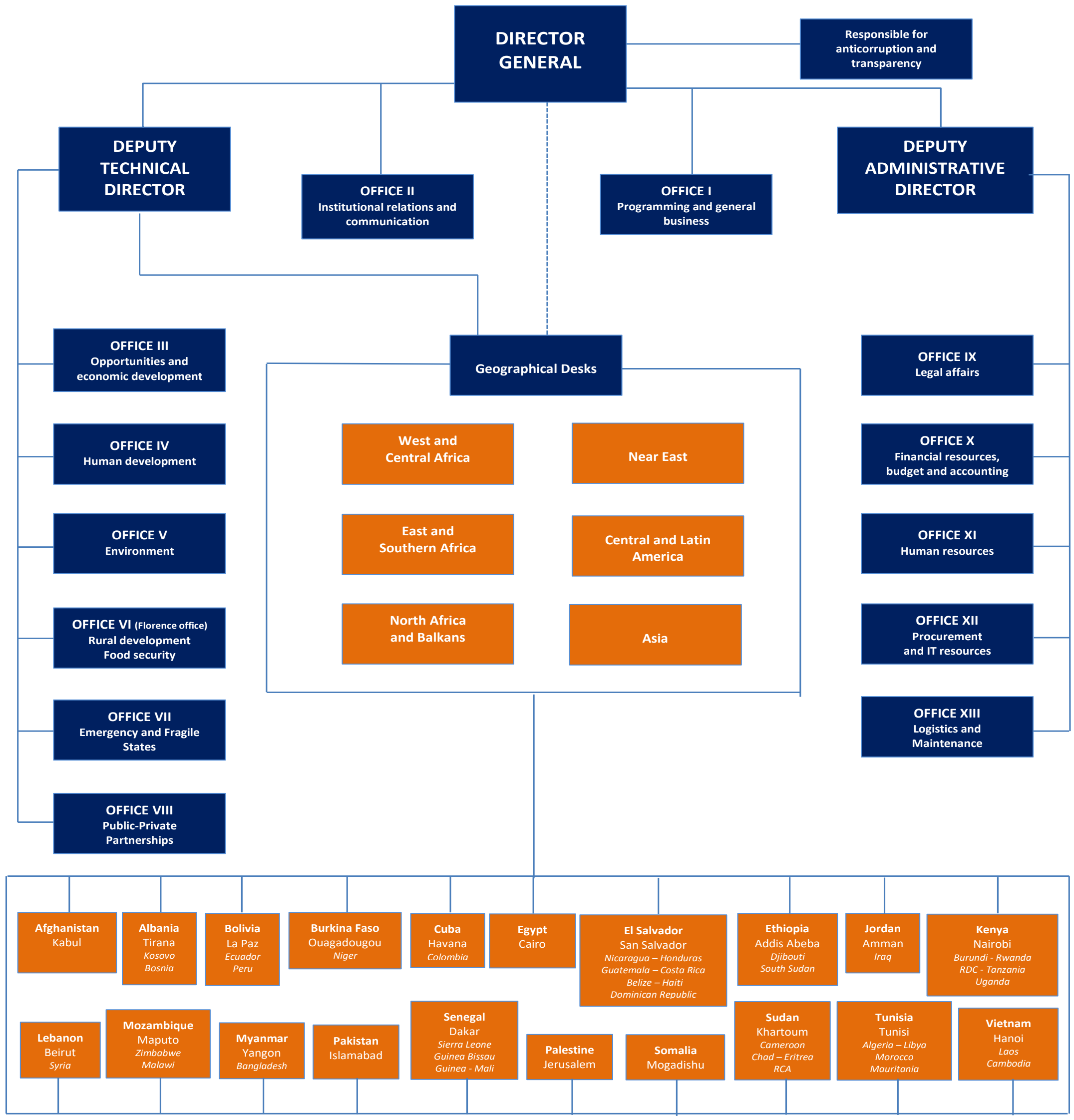
Source: Ministry of Foreign Affairs and International Co-operation.

Figure D.2. Organisational structure of the Directorate General for Development Co-operation (DGCS) of the Ministry of Foreign Affairs and International Co-operation



Source: Ministry of Foreign Affairs and International Co-operation.

Figure D.3. Organisational structure of the Italian Agency for Development Co-operation (AICS)



Source: Ministry of Foreign Affairs and International Co-operation

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The OECD is a unique forum where governments work together to address the economic, social and environmental challenges of globalisation. The OECD is also at the forefront of efforts to understand and to help governments respond to new developments and concerns, such as corporate governance, the information economy and the challenges of an ageing population. The Organisation provides a setting where governments can compare policy experiences, seek answers to common problems, identify good practice and work to co-ordinate domestic and international policies.

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ISBN 978-92-64-61095-8 – 2019

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ITALY

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Italy is strongly committed to multilateralism, and it uses its convening power as well as expertise in co-operation to make the country a leading voice on issues such as agriculture and cultural heritage. The country's commitment to leaving no one behind is particularly apparent through the focus on gender and disability. However, the country would benefit from reversing the recent decline in official development assistance (ODA), building a stronger and better-skilled workforce, forming a coherent, whole-of-government approach to migration and development, and creating a system to manage for results.

Consult this publication on line at ***https://doi.org/10.1787/b1874a7a-en***.

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