The DAC's main findings and recommendations

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Italy 2019

BETTER POLICIES FOR BETTER LIVES

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.

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.

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