Italy

Overhauling its development cooperation system in search for a fresh start

Luca De Fraia
ActionAid Italy

Overview

- At 0.16% of gross national income (GNI) in 2013, Italy's development cooperation ODA has been notoriously lagging behind the agreed targets in the international statistics released annually by the Organisation for Economic Co-operation and Development (OECD) Development Assistance Committee (DAC) for the past years.
- After many dry seasons, the prospects are for a change for the better with new political leadership responsive to the calls for improved Italian development cooperation from different quarters, including Partner countries, international institutions and NGOs.
- A new development cooperation program is now in place; Italian ODA may not go up dramatically in the next few years, but there is hope that it can be better in terms of coherence and effectiveness.
- CSO persistence and good political leadership can make a difference.

Recent Aid Performance

Italy's ODA performance in 2012 reached its lowest point in many years, when the DAC reported that its ODA was at 0.13% of GNI, along with Greece, and later adjusted the figure into a slightly less embarrassing 0.14%. In 2013, ODA increased slightly to 0.16% of GNI. In concrete terms, this means Italy's aid in 2013 was about US$3.3 billion, much less than other donors with smaller economies and possibly less than what some of the largest global foundations do in their best years.

Not surprisingly, Italy is one of the worst culprits when it comes to the EU's collective performance. In fact, the EU has committed to reaching "collectively" (EU institutions + all EU Members states) 0.7% by 2015; Italy's projected gap — according to the latest European Commission report — accounts for 21% of the total missing resources. Italian aid is estimated at around € 2.6 billion for 2014 (about US$ 3.3 billion), or 0.17% of GNI; in 2015, total ODA is expected to be about 3.1 billion euro (about US$ 3.9 billion) under present conditions, or 0.20% of GNI[1].

Why has Italy been doing so bad in fulfilling its aid commitments? Despite relentless CSO efforts to revamp the fate of the Italian development cooperation – backed by popular support according to the recurrent polls showing that Italians are not less generous than other nations – the country's leadership has been dominated by a cadre of politicians mostly intent on systematically squandering Italian credibility on international development cooperation.

There have been exceptions that only further prove the rule. Between 2007 and 2008, the centre left government brought the grant budget managed by the Ministry of Foreign Affairs to about €600 million (US$775 million) and €700 million (US$900 million) respectively. These were such considerable amounts that they raised concerns as regards the absorptive capacity of the machinery of the Ministry of Foreign affairs in charge of planning and processing funding proposals. In the end, the wise choice was to focus on multilateral voluntary contributions, including overdue fees to the Global Fund to Fight AIDS, Tuberculosis & Malaria and other international institutions. Italy's never-ending political instability since then ushered in a centre-right government that depleted those resources by 90%. By 2011, grants managed by the Ministry of Foreign Affairs were only about €90 million (US$115 million).

Reforming Italian ODA

Against all odds, the seeds of change were planted and about to yield results whenever the minimal conditions arose. The opportunity came in 2011, when the old political leadership was swept away by a rancorous economic crisis, fuelled by international finance targeting the huge Italian public external debt – above 120% of GDP. In November 2011 a government of technocrats was sworn in, bypassing general elections. The appointed Prime Minister, Mario Monti, was a well-known academic, and — most importantly to the international investors — the former EU Commissioner for Internal Markets, Customs and Taxation. Interestingly, he was adamant that he was responding to a call for change from civil society itself as he assumed the position of Prime Minister at such a difficult time for the country. Prophecies seemed to be fulfilled when it was announced that the cabinet would include a Minister for Cooperation and Integration. The picture turned out even brighter when the name was disclosed for this Minister: Andrea Riccardi, someone with a remarkable CSO pedigree.

Mr. Riccardi in fact is one the leading figures of the *Comunità di San Egidio*, a Catholic community which is known globally for its commitment to inter-religious dialogue and peace. The community played a pivotal role in the Rome General Peace Accords that brought about a peace agreement in civil-war-torn Mozambique. At about 12 months in office, Riccardi's government experience was short, following Prime Minster Monti's resignation in December 2012. Despite this limited time span, he managed to renew the debate on the future of the Italian development cooperation by convening a National Forum and securing a minimal increase in the ODA budget for 2013 to start reversing a steep downward trend.

The turning point for radical change materialised after the general elections of 2013. The ballots delivered an uncertain political verdict. After a first cabinet was sworn in on April 2013, the current Prime Minister Matteo Renzi assumed the government in February 2014. Deputy Minister Lapo Pistelli consequently finalised steps to table a bill to reform Italian development cooperation.

Highlights of the Reform

The good news is that the Italian Parliament gave its final approval to the new legislation at the beginning of August 2014. Domestically, this final approval was welcomed by many decision makers and interested observers even if the general political context could not be said to be favourable. The final vote on the reform legislation took place amidst fierce divisions around other legislation also being discussed by Parliament, including a substantive institutional reform.

Despite divisions across the political spectrum, approval of the aid bill was nearly unanimous with only two nays in the plenary voting sessions in the Senate and the Chamber of Deputies.

This is the final chapter in a story of attempted reforms that has spanned about twenty years. There is also an ironic side to this story: over the years, not many seemed to care about Italian cooperation, but, when it came to fixing it, all different sorts of interests coalesced to stop the reformers. The outcome is the product of the current political leadership in the Government and in the Parliament, which firmly pushed this reform through at last.

The legislation calls for a comprehensive reform, one that covers many aspects of development cooperation – from governance to stakeholder's participation, from transparency to the role of the private sector. It is worth noting a few of the signature changes as well as the issues that the implementing legislation, now in the making, will have to settle.

First, at the highest political level, development cooperation has become fully integrated into the Cabinet, as there is now a Ministry of Foreign Affairs and Development Cooperation. There will also be a deputy minister for development cooperation, who will take part in Cabinet meetings whenever issues of development concern are *directly* or *indirectly* on agenda. This wide latitude of action may bode well for an increased capacity to address issues of broader policy coherence with the objectives of development cooperation, which is explicitly mentioned in the legislation along with the Paris aid effectiveness principles.

In terms of planning and coordination, the Cabinet will endorse a rolling three-year plan to provide clear indications of priorities for Italian development cooperation. The three-year planning document will be subject to the scrutiny of the Parliament as well as an assessment by stakeholders gathered in the National Council for Development Cooperation, which brings together a variety of interested players – public and private – in a consultative forum. Other aid-providing ministries will take part in the planning process through an ad-hoc inter-ministerial committee.

The aid budget will be captured yearly in a specific section of the budget law, which will offer a comprehensive picture of the resources available to be allocated to ministries after agreement has been reached in the inter-ministerial committee.

Provisions in the law also include required reporting on an annual basis, which should mark a dramatic departure from the current practice, whereby members of parliament (MPs) get accounts with a two-year delay. These changes are not the only good news regards transparency, which should also benefit from a radical change of perspective, and more specifically, from the creation of a public online database to provide timely updates as aid activities are developed and carried out.

A key and essential reform in aid governance is the creation of a brand new Italian Agency for Development Cooperation. The Agency will operate under the Ministry of Foreign Affairs and International Cooperation's oversight in compliance with the Italian legislation. Creating the political space and will for an initiative for a stand-alone Agency has been the subject of arm-twisting for many years, with opposition fuelled by those from inside and outside the diplomatic community that fear a diminished role for the Ministry itself. But the Agency might provide a greater degree of permanent knowledge and responsibility compared to the current system, which is affected by the strengths and weaknesses of a diplomatic career based on regular job rotation.

One notable and important change is in the broadening of the community of the development actors eligible for public funding through selection procedures. These actors are now expanded beyond national/local government entities and development NGOs to embrace a wide range of CSO players, which are only required to have development cooperation in their missions. These reforms go well beyond CSOs, as they acknowledge the for-profit sector as a development actor eligible for ODA funding. At this point, due to vigilant work on the part of CSOs, MPs amended the original draft legislation to state clearly that interested companies must abide by the commonly agreed Corporate Social Responsibility (CSR) standards. Companies involved in arms trading are definitely excluded.

Another outcome from the legislation is a provision for the creation of an Italian Development Financial Institution. This addition to the legislation was brought about in the second reading in the Chamber of Deputies, as the proposal was not included in the original draft tabled in the Senate. Technically speaking, the legislation is not creating a new body, but, rather, endows new development goals and capacities into the "Cassa depositi e prestiti," which is "a joint-stock company under public control, with the Italian government holding 80.1% and a broad group of bank foundations holding 18.4%, the remaining 1.5% in treasury shares.... [It] manages a major share of the savings of Italians – postal savings – which represent its main source of funding."[2]

Given its peculiar legal status, Cassa's accounts are not included in the national budget, which implies that any money that it disburses should not be reported as ODA. The intent is to utilise the leveraging capacity of these resources to mobilize other flows through appropriate blending mechanisms. Whether these ambitions will be fulfilled remains to be seen in the future.

The creation of the new policy and institutional context for Italian development cooperation is just beginning, as implementing legislation is needed to establish the actual working arrangements. In fact, within 180 days of publication of the law —the 29th of August 2014[3] — the statutes for the new Agency will have to be agreed upon, which in turn will pave the way for the appointment of the first Director. Within 90 days, the national council for development cooperation will have to come to life. The framework to operationalise the Italian financial institution still needs to be discussed. CSOs have put on the table a number of their concerns, including:

the right balance between the political leadership (the Minister/Deputy Minster, and the diplomats) and the operational arm (the Agency);

the Agency's capacity to seek funds from the public, which may erode CSOs' space;

fragmentation of resources – just partially addressed through the adhoc budget annex, which seems to be a feeble interpretation of the single trust fund called for by CSOs; and

the actual rules that will apply to the for profit sector.

Conclusion

A legitimate question remains: Will the current realities for Italian development cooperation change? As noted earlier, Italy is one of the worst performers when it comes to implementing global commitments. Unfortunately, Italy's poor ODA performance – 0.16% of GNI in 2013 – is an indisputable failure. So, will Italy's performance improve? On the plus side, efficiency, effectiveness and coherence may be better, given the substantive changes in governance, transparency and planning. But the hopes for a better quantitative performance may rely on the new financial initiatives for Italian development cooperation, as grants and concessional loans cannot likely be expected to grow.

So the clock for implementing the reforms has definitely started ticking, but it is easy to predict that it may take at least 12 to 18 months for all the pieces to fall into place. A lot of work needs to be done. It is more important than ever that all stakeholders be given the opportunity to be part of the process. A major risk needs to be avoided – complexity: new arrangements need to be kept as simple as possible to bring on board public opinion, or else the much needed popular support for development cooperation will not materialise.

Last but not least, praise is in order for Italian CSOs. For many years, CSOs have been through many struggles for reform in the midst of on/off political interest on the part of political elites. Despite this difficult environment, CSOs sustained their efforts for the legislation and now some of their flagship demands are well planted in the reform. But active CSO engagement will continue to be necessary, to ensure that the final combination of structures and norms are up to the challenges of creating a new Italian development cooperation system ready for the post-2015 agenda.

Endnotes

1 Council conclusions on Annual Report 2014 to the European Council on EU Development Aid Targets FOREIGN_ AFFAIRS (Development) Council meeting Brussels, 19 May 2014

2 For more information please see http://www.cassaddpp.it/en/company-profile/mission-and-role/mission-and-role.html .

3 Law 125, 11 August 2014 - http://www.normattiva.it/uri-res/N2Ls?urn:nir:stato:legge:2014;125- Published on 29th August