

Italy: Development cooperation to the test in a new political reality

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Overview

A broad reform of Italian development cooperation was introduced in 2014. Since then, its implementation has been progressing in the face of global and national challenges as well as policy and budget constraints at the domestic level. Because this reform was long overdue, it was welcomed as a positive change to align Italy with current trends in development cooperation. There has also been an increase in the level of Italy's aid, but at the same time in-donor refugees costs have also gone up and thus played a significant role in these increases.

Development cooperation policies reflect the political environment in both Europe and Italy. Italy's general elections in 2018 ushered in a new political reality, one that has brought together former political foes - the Five Stars Movement and the League. Such an unprecedented alliance has found common ground in an anti-establishment narrative and populist agenda. A core piece of this political alchemy is a strong message against refugees and migrants as well as the NGOs that support them.

Italian development cooperation seems to have come to another turning point with a load of unexpected challenges. NGOs have found themselves at the center of a public debate where their roles and accountability are being questioned. This is an abrupt change from previous perceptions of charity operations. Will NGOs survive? And, more importantly, will development cooperation weather the storm and stay true to its core principles and values?

Major changes

According to the DAC preliminary figures for 2017 Italy's ODA was 0.29% of its GNI, which is on track with the 0.30% target agreed to internally for 2020. As a member of the EU, it has committed to reaching the 0.7% target within the time framework of the Agenda 2030, which, as noted by CSOs, implies postponing the original agreements by another 15 years.

Italian ODA is largely inflated according to the CSO methodology that reviews donors' performance to assess their 'real aid'. Such inflation is not new for Italy. In the 2000s, the country's performance significantly reflected debt cancellation agreements. While this responded to a global cry for debt cancellation, it also served donors as it allowed them to increase their ODA in relation to debt obligations, which often would never have been paid.

Since 2011 inflation of Italy's ODA is primarily a function of **in-donor refugee costs** (IDRCs). With the Arab Springs and the regime change in Libya in particular, more and more refugees have fled their home countries to launch a trek to Europe across the Mediterranean Sea. For many, Italy is the first port of a call.

The numbers speak for themselves. In 2017, (the latest year for data) Italy's total ODA was US\$5.7 billion of which US\$1.8 billion was absorbed by in-donor refugees costs, namely 31% of the total; such numbers for 2016 were similar, accounting for 32.7% of total aid and 68% of the bilateral streams. Thus, Italy is the first beneficiary of its own ODA. Refugee costs are likely to account for more than 40% of total aid in 2018. In terms of budget arrangements, it is important to note that the resources to cover IDRCs sit within the Ministry of Interior. Even if this is not a case of diversion, this a blatant example of aid inflation, which casts doubt as to Italy's capacity to meet the agreed targets in case of a different political scenario (domestically and globally) that leads to a reduced number of migrants or diminished assistance during their stay in Italy.

There is no formal policy that conditions ODA allocations to partner countries' obligations in the area of migration and security. But because of its position and the recent high number of refugees entering the country, Italy was one of the most vocal players at the EU level regarding new approaches based on

migration compacts with partner countries (April 2016). The expectation was that various policies and instruments would be bundled together by EU donors in order to gain partner countries' support and assistance to manage migration. These approaches have been reflected in many elements of the new EU Consensus on Development (2017) and, before that, in the EU Africa Trust Fund (2015). Notably, Italy established its own Africa Fund in 2017, where development and other interests were merged in one instrument.

In terms of geographic allocations, the largest slice of Italy's aid goes to Sub-Saharan countries: 38% of the gross flows with specific regional targets, according to the DAC data for 2015/2016. Italy's performance lags behind on **Least Developed Countries (LDCs) with only about 0.05% of its GNI targeted to these countries in 2015/2016.**

There is some good news to consider. In fact, while the overall ODA landscape has been steadily influenced by migration management policies and the related political agendas and tensions, the Italian development cooperation system is going through some positive changes.

The vast reform program that was introduced in 2014 (Law 125/2014) is now delivering on its promises. The new **Italian Agency for Development Cooperation Agency (AICS)** began its operations in 2016.¹ It has been progressing by developing its own policies and structures, including local offices in partner countries. National budget allocations for the Agency reached 488 million Euros for 2018, up from 392 million Euros in 2017.

Regarding **stakeholders**, **CSOs** are officially acknowledged as *subjects* (or actors) of Italian development cooperation according to the sector legislation of 2014. Norms that regulate access to Agency funds were revised in 2017 to better acknowledge the variety and richness of the CSO community beyond the traditional role of development NGOs. It is worth noting the prominence and the space given to migrant diaspora organizations, which are acknowledged as development actors in their own right. Through the National Council for Development Cooperation, CSOs have a consultative role in the planning process. As well, the Agency contacts them on regular basis to discuss policy and regulative issues. Core support to national CSOs has increased from 94 million Euros in 2014 to 137 million Euros in 2016, according to the Agency's reports.

Private companies can also be part of the development cooperation system on the condition that they operate in a manner that is consistent with global human rights standards; the sector legislation makes provisions for soft loans to foster partnerships with companies from Partner countries. The *subjects* of the Italian development cooperation system - from CSOs to private companies, from academia to national Ministries and local governments – are consulted through the National Council and its working groups, which are directly managed by the non-executive actors.

A **financial development facility** has been accommodated within *Cassa Depositi e Prestiti* - a publicly owned financial institution, managing postal savings –with the ambition to mobilize resources from the private sector including through blending operations and partnerships with the European institutions and facilities to this end. Financial support for the private sector and blending are areas of business still in their early stages.

In terms of **aid effectiveness**, the most comprehensive data on forward spending is reported in a dedicated *addendum* to the annual budget law. It provides information on allocations to development cooperation for the following three years (e.g. 2018 to 2020) from all relevant ministries, from Foreign Affairs to Interior. This addendum was introduced with the sector reform of 2014. On actual expenditures, a report is presented annually by the operational structure to an Inter-ministerial Committee on Development Cooperation, which should also consider policy coherence. Work to improve transparency include an association with the International Aid Transparency Initiative (IATI) as well as new website to disseminate

information on funds and projects in a timely manner.ⁱⁱ Notably, CSOs have launched their own transparency initiativeⁱⁱⁱ with the aim of providing the most comprehensive picture of their activities and working structures.

Current legislation (L. 125/2014) incorporates provisions for development cooperation projects to be based on **local procurement** as the first option. This is in accordance with international regulations and the EU frameworks to ensure effective standards. There is an explicit reference to the principle of **country ownership**. In some countries, Italy participates in the Joint Programming of the EU and in others, the Italian Agency of Development Cooperation drafts country programs with partner governments.

The way ahead: development cooperation at the centre of a political storm.

The 2018 general elections significantly changed the national political landscape. On June 1st, a new Government was sworn in by a new Parliamentary majority. The new coalition comprises political parties and movements that struggled against each other during the electoral campaign and openly proclaim their populist and nationalist agendas. The outgoing legislature, which generated such a dramatic turnaround, embraced a season of reform for some social sectors, including development cooperation; the contrast between the two governments has left many with a strong sense of bewilderment and concern about the future.

Despite the apparently rosy scenario of the reforms of the years 2013 to 2018, radical changes were in the making with the political landscape moving quickly and deeply. The migration crisis had been brewing since 2011. The political implications from this crisis, coupled with the long-term impact of the economic crash of 2007/2008, have been significant. At the EU level, the response was far below what was required, which exposed the weaknesses of the European partnerships. As tensions reached their peak, CSOs found themselves at the centre of the storm. Beginning in April 2017, they became caught in the middle of a political and media campaign led by groups that are now holding the rein of power.

During this period (2017 onwards) the smear campaign against CSOs was considerable. They were called “the taxi of the sea”, or “migrant taxi”, with the inference that they were colluding with migrant traffickers, although there was no evidence to prove such allegations. The government in place at the time reacted by introducing a Code of Conduct on search and rescue, which implied that CSOs were at least partially culpable. Now, with a new government in place, the demonization of CSOs continues to be a recurring preoccupation in political debates.

For the future, it is expected that Italy’s performance will get closer to the nationally agreed ODA/GNI performance targets with a significant proviso. According to the official projections, Italian ODA is likely to remain highly inflated with the in-donor costs related to the management of refugees. Given the dramatic change in the political landscape, it will be crucial to closely monitor any change at the government level, which will have an impact on development cooperation, including priorities and resources. Thus, it is important to prioritize efforts to ensure that:

- ODA volumes stay on track to realize the agreed upon calendar of increases, including the achievement of 0.30% by 2020. Just as important is the new intermediate goal for 2025 on the road to 0.7% by 2030;
- A new effectiveness plan is established that comprises ODA and a wide array of development cooperation modalities and actors as well as finance for development;
- Provisions from the sector legislation (L.125/2014) that institutionalize space for CSOs and other stakeholders are upheld including recognition that CSOs should be consulted on key decisions such as multi-year plans and programmes;

- Development cooperation is not seen or used as a stop-gap to stem migration flows to Italy and Europe. This requires a multi-level approach from cooperation to search and rescue to integration policies; and
- Decisions on the EU multi-year budget for 2021 – 2027 respect the integrity of development cooperation and protect it from attempts to use it to address short-term issues in security or migration.

ⁱ See <https://www.aics.gov.it/language/en/>

ⁱⁱ See <http://openaid.aics.gov.it/en/>

ⁱⁱⁱ See <https://www.open-cooperazione.it/web/>