



OECD Development Co-operation
Peer Review

Italy 2014



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ITALY 2014

Organisation for Economic Co-operation and Development

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Conducting the peer review

The OECD's 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 four or five years. Five members are examined annually. The OECD's 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 NGO representatives of 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 Secretariat in association with the examiners.

This review contains the Main Findings and Recommendations of the Development Assistance Committee and the report of the Secretariat. It was prepared with examiners from Spain and Sweden for the Peer Review of Italy on 26 March 2014.

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Abbreviations and acronyms

AIDS	Acquired immunodeficiency syndrome	GAVI	Global Alliance for Vaccines and Immunizations (now the GAVI Alliance)
ART	Articulation of Territorial and Thematic Networks of Cooperation for Human Development (ART Global Initiative)	GDP	Gross domestic product
CAP	Consolidated Appeal Process	GHD	Good humanitarian donorship
CERF	Central Emergency Response Fund (OCHA)	GNI	Gross national income
CeSPi	Centre for International Political Studies (Centro Studi di Politica Internazionale)	GPFI	Global Partnership for Financial Inclusion
CIMIC	Civil-military co-ordination	HIPC	Highly Indebted Poor Countries
CIPE	Cross-ministerial Committee on Economic Planning (Comitato Interministeriale per la Programmazione Economica)	HIV	Human immunodeficiency virus
COHAFA	Working Party on Humanitarian Aid and Food Aid (EU)	IATI	International Aid Transparency Initiative
CPA	Country programmable aid	IFAD	International Fund for Agricultural Development
CSO	Civil society organisation	IFFIm	International Finance Facility for Immunization
CTU	Central technical unit (Unità Tecnica Centrale)	IFIs	International financial institutions
DAC	Development Assistance Committee (OECD)	IITDC	Inter-Institutional Table for Development Co-operation (Tavolo Interistituzionale per la Cooperazione allo Sviluppo)
DEReC	DAC Evaluation Resource Centre	IOM	International Organization for Migration
DGCS	Directorate General for Development Cooperation (Direzione Generale Cooperazione allo Sviluppo)	LDCs	Least developed countries
DRR	Disaster risk reduction	MATTM	Ministry of Environment (Ministero dell'Ambiente e della Tutela del Territorio e del Mare)
DSDC	Department of Strategy and Donor Co-ordination (Albania)	MDGs	Millennium Development Goals
DTS	Donor Technical Secretariat (Albania)	MEF	Ministry of Economy and Finance
EC	European Commission	MFA	Ministry of Foreign Affairs (Ministero Affari Esteri)
ECHO	European Commission Humanitarian Aid Office	MIC	Monitoring and Information Centre (EU)
EDF	European Development Fund	MICI	Minister for International Co-operation and Integration (Ministro per la Cooperazione Internazionale e l'Integrazione)
EDRIS	European Emergency and Disaster Response Information System	MSMEs	Micro, small and medium-sized enterprises
ERCC	Emergency Response Coordination Centre (EU)	NGO	Non-governmental organisation
EU	European Union	NSDI	National Strategy for Development and Integration (Albania)
FAO	Food and Agriculture Organization of the United Nations	OCHA	Office for the Coordination of Humanitarian Affairs (United Nations)
FDI	Foreign direct investment	ODA	Official development assistance

PCD	Policy coherence for development	UNDESA	United Nations Department of Economic and Social Affairs
PCM	Project cycle management	UNESCO	United Nations Educational, Scientific and Cultural Organization
PPP	Public-private partnership	UNHCR	Office of the United Nations High Commissioner for Refugees
ROSS	Rehabilitation, Occupation, Services and Development	UNICEF	United Nations Children's Fund
SIMEST	Italy's development finance institution	UTL	Unita Tecnica Locale (Local technical unit)
SMEs	Small and medium-sized enterprises	WFP	World Food Programme
STREAM	Synthetic, transparent, realistic, exhaustive, agreed and measurable		
UN	United Nations		

Signs Used

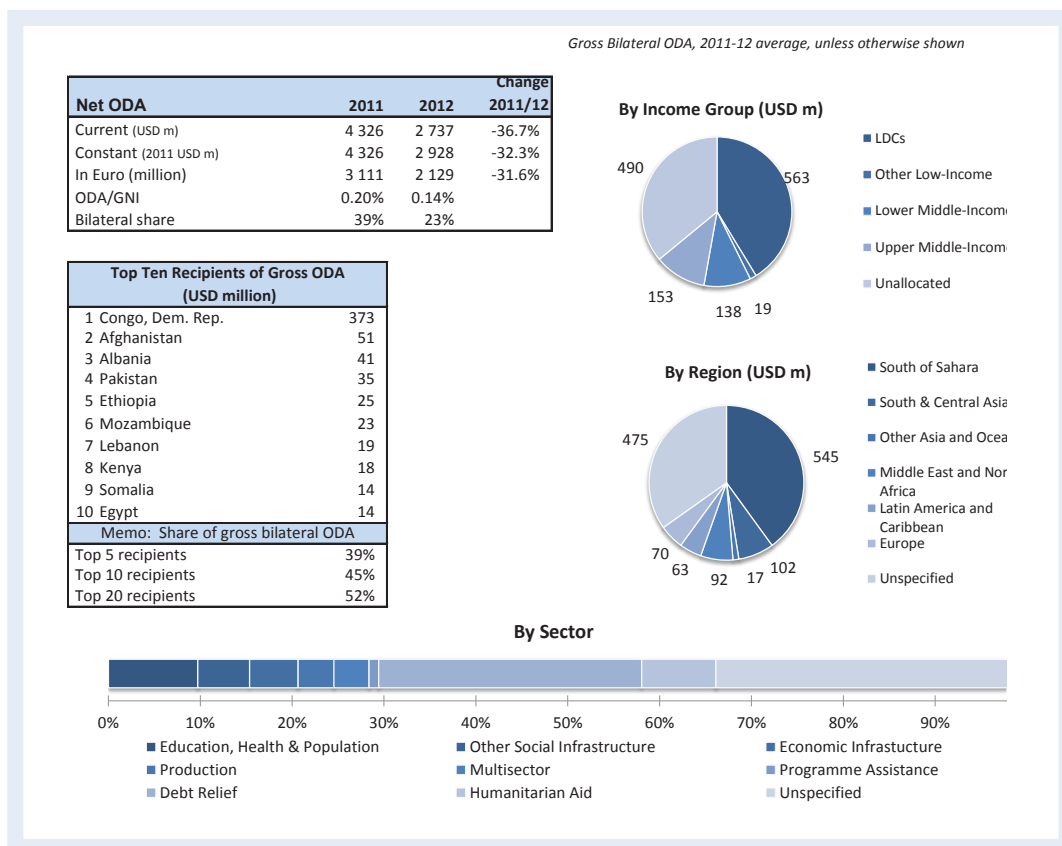
EUR	Euro
USD	United States dollars
()	Secretariat estimate in whole or part (Nil)
0.0	Negligible
..	Not available
...	Not available separately, but included in total
n.a.	Not applicable

Slight discrepancies in totals are due to rounding.

Annual average exchange rate: 1USD = EUR

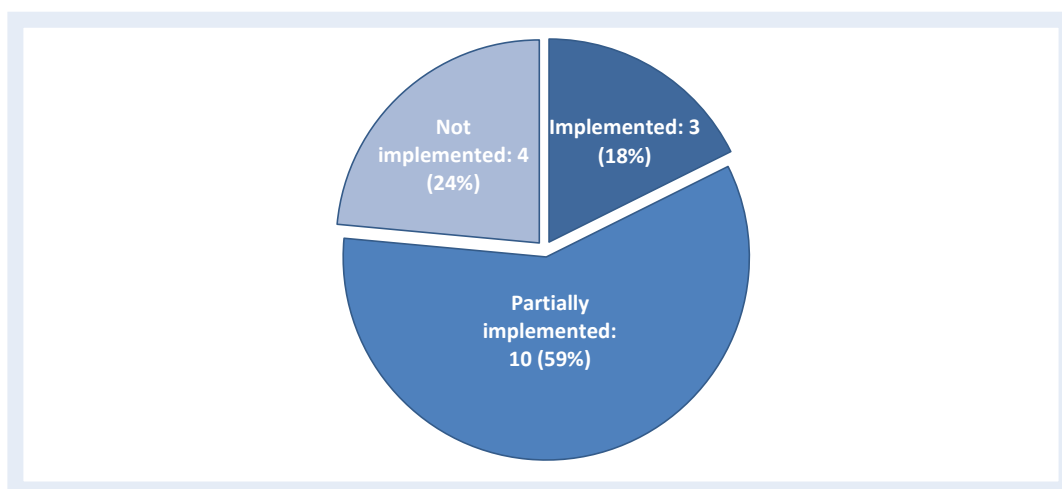
2007	2008	2009	2010	2011	2012
0.7305	0.6933	0.7181	0.755	0.7192	0.778

Italy's aid at a glance



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

Italy's implementation of 2009 peer review recommendations



Context of Italy's Peer Review

Economic and political context

With a population of 61 million, Italy was the world's ninth largest economy in 2012 in terms of nominal gross domestic product (GDP). It is a member of many international bodies including the G8 and G20 and a member of the European Union (EU).

Italy's real GDP growth per capita has been weak over the last decade. Italy has also experienced long-standing fiscal difficulties and, most recently, declining real income levels. To emerge from recession, it has embarked on a wide-ranging strategy to restore fiscal sustainability and improve long-term growth. However, the public debt-to-GDP ratio is nearly 130% and Italy has made public debt reduction its top fiscal priority. In line with the recommendations of the EU and the International Monetary Fund (IMF), the OECD recommends that Italy pursue efforts to halt and reverse the upward trend of the debt-to-GDP ratio and focus budget consolidation on spending control (OECD, 2013).

Italy has experienced a series of political changes in the last four years which have impacted its institutions dedicated to development co-operation. The centre-right coalition government, led by Prime Minister Silvio Berlusconi since 2008, embarked on a reform of the Italian public administration in 2010 which involved the Ministry of Foreign Affairs (MFA). The Berlusconi government resigned in November 2011 and a new government led by Prime Minister Mario Monti took office. Emergency austerity measures were introduced in response to worsening economic conditions, and additional budget cuts were imposed throughout the public administration.

The Monti government created the position of Minister of International Co-operation and Integration within the Prime Minister's Office. This gave new impetus to development co-operation, as demonstrated at the widely attended forum on Italian development co-operation in Milan in 2012. Following the February 2013 elections, a new coalition government led by Prime Minister Enrico Letta was formed. Prime Minister Letta assigned the development co-operation portfolio to a Vice-Minister for Foreign Affairs. A new government led by Matteo Renzi took office in February 2014.

Figure 0.2 Key events with an impact on development co-operation, 2010-13



The DAC's main findings and recommendations

1

Towards a comprehensive Italian development effort



Indicator: The member has a broad, strategic approach to development and financing for development beyond aid. This is reflected in overall policies, co-ordination within its government system, and operations

Main Findings

Italy contributes to global development and sees its role in the United Nations (UN) as particularly important in promoting a successful global system that can benefit all countries. It is commended for its active involvement in the area of health and food security, including at the G8 and G20. Having a formal approach to global public risks and processes that affect development would help Italy to prioritise interventions that can yield the best results and consistently address a limited number of risks at international level and in its dialogue with its partner countries.

Italy has signed on to international commitments on policy coherence for development (PCD). It still needs to identify, and mobilise efforts in, a few critical areas where it can ensure that its policies are consistent with, and do not contradict, the development aspirations and efforts of developing countries. Achieving this requires communicating better the concept of policy coherence for development across government and to the public. Italian NGOs, think tanks and research institutions are well placed to gather solid evidence to support discussions on policy coherence with different ministries.

In order to ensure that policy coherence for development is acknowledged as the responsibility of concerned departments, Italy is encouraged to raise relevant issues through the Steering Committee of the Department for co-operation on development or the Cross-ministerial Committee on Economic Programming. The Inter-ministerial Committee proposed under the draft law on development co-operation, would provide an adequate solution. Assigning a clear mandate to the structure would help address these issues effectively. The recently established informal cross-party group of members of parliament concerned with development co-operation could facilitate dialogue on policy coherence for development in parliament.

Italy has not yet established monitoring, analysis and reporting mechanisms for policy coherence for development. Once institutional arrangements are in place, it will be easier for it to elaborate concrete policy tracks and activities, and to institutionalise appropriate routines for analysing, evaluating and reporting on progress in implementing a coherence agenda.

In most partner countries, Italy addresses country-specific issues and manages trade-offs between competing priorities in a pragmatic way. It does not have a sound strategic framework for ensuring a cohesive approach of all Italian stakeholders. The use of whole-of-government strategies would enhance the role of ambassadors in managing trade-offs between competing interests and facilitate a more co-ordinated approach at country level. It would also contribute to more systematic exploitation of synergies across policy communities.

Italy could achieve greater development impact by implementing its “whole-of-country” approach, which includes sub-national authorities and private Italian actors, and clarifying the rules of the game for their involvement. It could also make more use of ODA as a catalyst for private sector-led development, using joint ventures and other facilities. The 2013 amendment to the current legislation, aimed at fostering the use of these instruments, is a promising step forward.

Recommendations

1.1 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.

1.2 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.

1.3 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.

2

Italy's vision and policies for development co-operation



Indicator: Clear political directives, policies and strategies shape the member's development co-operation and are in line with international commitments and guidance

Main Findings

Italy initiated a participatory process to develop a shared vision of Italian development co-operation. The vision has not, however, been formally endorsed and disseminated. Doing so could help build cohesion within, and support for, the development co-operation programme.

Law 49/1987 governing the aid programme does not take account of recent international commitments and principles and, therefore, is considered outdated. In early 2014, the Italian government agreed on a draft bill aimed at updating the law, which is being considered by parliament. An updated law would be an opportunity to provide a medium- to long-term frame for Italy's development co-operation, including clear governing principles and mandates for the institutions involved. DAC members' experiences could prove useful in this context.

Meanwhile, Italy has developed triennial guidelines setting priorities for the aid programme. The guidelines identify sector and geographic priorities, as well as aid volumes and instruments that are managed by the Ministry of Foreign Affairs (MFA) and the Ministry of Economy and Finance. However, they do not serve as a guide to manage for results.

Italy now has a good opportunity to capitalise on these efforts and develop a medium-term, results-oriented and widely owned strategic vision for its development co-operation programme. In doing so, it can rely on the Inter-Institutional Table for Development Co-operation (or its equivalent), which brings together all Italian key stakeholders in a permanent mechanism for consultation. Such a vision would provide stability and clarity for all stakeholders of Italian co-operation, as well as for its partners in the field.

Supporting the Millennium Development Goals, especially goal one on reducing poverty, guides the Italian aid programme. In a promising move, Italy is adopting differentiated approaches in its partner countries, using various criteria for aid allocations and instruments depending on the country. However, it is too early to tell how these criteria apply.

Given Italy's limited bilateral resources and its commitment to implement the European Union's code of conduct on complementarity and division of labour, the programme is spread over too many sectors. In priority

partner countries, concentrating on fewer sectors requires sustained commitment. Country offices would benefit from guidance on how to prioritise, based on where development co-operation is needed most and where Italy has a comparative advantage *vis-à-vis* other donors involved.

Italy is actively involved in a number of fragile countries. However, it does not yet have a formal policy to engage in fragile states in line with the New Deal and making good use of its extensive experience.

Italy is commended for voicing its support to gender equality and the environment in international fora, and for targeting its interventions to specific gender and environmental aspects in its partner countries. However, gender equality and the environment, which are considered key objectives and cross-cutting issues, are treated mostly as sectors. In order to mainstream these themes throughout Italian development co-operation, strong leadership is needed as well as adequate resources, appropriate staff incentives and training, and accountability mechanisms for reporting on results achieved.

Recommendations

2.1 A formal medium-term, results-oriented and widely owned strategic vision for development co-operation would provide clarity for Italy's government, other stakeholders, and partners in priority countries.

2.2 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.

2.3 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.

3

Allocating Italy's official development assistance

Indicator: The member's international and national commitments drive aid volume and allocations



Main Findings

Italy has announced that it will eventually reach the UN target of 0.7% of gross national income (GNI) allocated to official development assistance (ODA). Italian ODA decreased between 2008 and 2012 from USD 4.86 billion to USD 2.74 billion, representing 0.14% of its GNI, down from 0.22% in 2008. It therefore did not meet the EU interim target of 0.56% ODA/GNI by 2010, and is far from reaching the 0.7% target by 2015.

In 2013, the Italian government reversed this negative trend: it has increased the ODA level in 2013 and 2014, and committed to raising steadily the ODA/GNI ratio to 0.28/0.31% in 2017 – a positive signal which needs to be confirmed in the coming years. Public and parliamentary support will be crucial for the increase to be realised, especially given the constraints of Italy's fiscal policy and expected diminishing debt relief operations.

It is also encouraging that Italy has taken steps to improve its ODA reporting and provide forward-looking information on its ODA. Further efforts need to be made, so that it is able to report in full accordance with the DAC statistical reporting directives. Italy is also encouraged to streamline its reporting mechanism further by setting up a system common to all Italian ODA providers.

Italy has decided to reduce the number of priority partner countries from 35 to 24. The Committee was informed that Italy will further reduce this number to 20. The limited share of its country programmable aid (resulting in 2011 from the high level of debt relief and in-donor country refugee costs), combined with the fact that a large share of Italian aid is spent through the multilateral channel, leaves little room for direct bilateral funding. This calls for keeping the bilateral programme focused, and managing the exit from countries that are no longer priority countries in dialogue with partners.

In 2011, Italy reached its commitment to allocate 50% of ODA to Africa. However, this was mainly due to large debt relief operations. Italy needs to plan how it will keep a high level of engagement in the region.

Sector allocations are consistent overall with Italian priorities identified in the triennial guidelines. The bulk of the Italian bilateral programme goes to social infrastructure and services and to the productive sectors. While nearly all Italian ODA consists of grants, Italy also provides soft loans with a high level of concessionality. These instruments,

together with other tools (e.g. guarantees, blending), allow Italy to continue diversifying its support to development.

A high share of Italian ODA is channelled through multilateral organisations. Yet Italy does not have an overall multilateral strategy. Fluctuations in the funds allocated have weakened Italy's capacity to engage with key international partners over the long-term, and its approach to multilateral organisations continues to lack consistency – with the exception of the strategic relationship with Rome-based multilateral institutions. Since 2013, Italy has made efforts to be more strategic in using multilateral aid. The Department for co-operation and development of the MFA (DGCS) has developed guidelines for engaging with the UN organisations, funds and programmes. In addition, the 2013 budget law giving ten-year predictability of funding to the multilateral banks and funds helps to restore Italy's credibility.

An approach relying on the assessment mechanisms of multilateral organisations as well as other donors' assessments, and considering both the performance of the organisations and their relevance for Italy, would help Italy to concentrate on fewer strategic multilateral partners. Collaborating with fewer partners would increase Italy's leverage in these organisations, while encouraging synergies and complementarities with bilateral activities.

Recommendations

3.1 To comply with its international commitments, Italy needs to implement the path it has set for increasing steadily its ODA/GNI ratio.

3.2 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.

3.3 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.

4

Managing Italy's development co-operation

Indicator: The member's approach to how it organises and manages its development co-operation is fit for purpose



Main Findings

In light of the different governments that Italy has experienced in recent years, it appears that dedicated political leadership can raise the profile of development co-operation within government. Italy also benefits from driving forces from the profit and non-profit sectors eager to contribute to the development agenda. This creates a favourable environment for Italy to focus its attention on improving the delivery of its policy priorities and commitments, including those made in Busan.

The DGCS and the Ministry of Economy and Finance are responsible for delivering on Italy's policies and commitments. The Steering Committee in which they are represented is the appropriate platform for engaging other ministries in the dialogue on the development programme.

Italy's legislative constraints and administrative procedures are significant obstacles for effective aid programming and delivery. Despite these constraints, the MFA introduced a number of new rules and procedures, e.g. on performance, risk management and communication, which are expected to have a positive impact on the development programme.

Though positive, MFA's efforts to iron out bottlenecks hampering the effectiveness of Italian development co-operation fall short of the structural changes needed. When selecting the best possible institutional and operational arrangements for its development co-operation, Italy should address concerns such as institutional fragmentation, providing expertise where it is most needed, minimising transaction costs (i.e. simplifying programming and project approval procedures), and improving the relationship between headquarters and co-operation offices in partner countries. Should an agency be established, Italy should ensure clear mandates, proper balance and close co-ordination between the policy and implementing structures.

The reorganisation of Italy's Ministry of Foreign Affairs in 2010 had little impact in terms of the centralised nature of Italian development co-operation. Overall, there is ample scope for Italy to delegate more authority to country directors and to share experiences and institutional learning through more structured exchanges between co-operation offices and headquarters. In fragile environments, Italy could move to longer term strategies and programme-based approaches, and at the same time provide flexibility to better adapt to evolving circumstances

in such contexts.

The MFA has made efforts to address its staffing shortcomings. It announced the forthcoming recruitment of 25 new technical experts, with a view to extending and updating the range of expertise available within DGCS and fostering generational turnover among experts. The Ministry is also investing in staff development and has improved employment conditions for local administrative staff in partner countries. The MFA can build on these positive steps to continue improving its human resource policies and practices in order to match staffing needs and competences with the general objectives of DGCS. Legal conditions permitting, it could envisage recruiting qualified national experts to reinforce field expertise.

In partner countries, Italy depends to a large extent on short-term Italian technical assistants and NGOs to make project proposals and implement the projects. In addition, developing the expertise and analytical capacities of staff working in fragile contexts remains an issue.

Recommendations

4.1 In contemplating different institutional arrangements for its development co-operation, Italy should maintain the balance and co-ordination between policy and operational aspects, ensure that expertise is close to programming, keep transaction costs low, and avoid institutional fragmentation.

4.2 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.

5 Italy's development co-operation delivery and partnerships



Indicator: The member's approach to how it delivers its programme leads to quality assistance in partner countries, maximising the impact of its support, as defined in Busan

Main Findings

Overall, the budgeting process for Italy's development co-operation is not conducive to long-term programme planning and multi-year aid predictability and flexibility. The triennial guidelines constitute a useful attempt at setting up a medium-term approach for Italian aid, and the law providing a ten-year funding horizon for international finance institutions looks promising. Provided they are strengthened, planning documents for partner countries, called STREAM, can improve aid predictability and contribute to the cohesion of Italy's development co-operation at field level.

Italy has made substantial efforts to meet some of the 2009 peer review recommendations. It has recently approved guidelines on budget support and the use of country systems and programme-based approaches. It has reduced the number of project implementation units and is strengthening tools to manage risks.

Italy's progress in untying its bilateral ODA in line with the OECD recommendation is commended. To sustain this progress, Italy is encouraged to establish a detailed schedule on how it will further untie its aid as agreed in Busan. Italy should also resume reporting *ex ante* to the DAC on untied aid offers.

Italy can improve its performance with respect to implementing the aid effectiveness principles. DGCS's aid effectiveness action plans, produced after Italy committed to the Rome, Paris and Accra agendas, did not lead to significant changes in the way the Italian programme is conducted. Italy needs to use country systems on a more significant scale, since a large share of its bilateral aid continues to be delivered as project-type interventions using Italian-specific procedures. A positive development is the 2013 updated version of the plan, which includes an aid effectiveness marker for assessing *ex ante* how the principles are applied, as well as conformity with the triennial guidelines and key government policies, in Italy's bilateral and multi-bi interventions.

Italy is beginning to work more closely with other donors. It participates in pooled funding mechanisms such as reconstruction trust funds, and signed a delegated co-operation agreement with the European Union in 2012. Italy can do more, including upscaling its engagement in sector-wide approaches, investing in larger-scale projects and engaging in mutual accountability mechanisms as

appropriate. DGCS's training plan will need to address the skills and competencies required in embassies and co-operation offices to support these tasks.

While Italy engages actively with civil society organisations based in Rome, its approach towards non-governmental organisations (NGOs) could be more strategic and less bureaucratic, with more predictability on available funding. The extent to which Italian and local actors are consulted on country programming in partner countries is unclear. Italy could consider signing framework agreements with selected NGOs and developing guidance that supports consistent engagement with civil society in partner countries.

Italy adopts a pragmatic and context-specific approach to fragile contexts but planning processes could be strengthened. Within the constraints of its legal mandate and administrative procedures, it does its best to avoid undermining state-building processes – actively co-ordinating with other donors in many contexts, contributing to multi-donor funding mechanisms, and making targeted efforts to build capacity and ownership in stand-alone projects.

Recommendations

5.1 Italy is encouraged to strengthen STREAM documents with appropriate analysis and estimates of future aid flows, and expand them to include all official interventions.

5.2 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.

5.3 The aid effectiveness marker has the potential to increase staff awareness of aid effectiveness and stimulate further progress, provided it is carefully monitored, with its results acted upon.

6 Results and accountability of Italy's development co-operation



Indicator: The member plans and manages for results, learning, transparency and accountability

Main Findings

Italy has taken a number of initiatives to establish results-oriented mechanisms, in particular through the STREAM documents at partner country level and the aid effectiveness marker at project level. Despite these efforts, the understanding of results-based management remains weak throughout the Italian aid system. For example, expected results are not built into programming and budgeting processes at headquarters, and in partner countries, while monitoring systems seem to be robust at the project level, the link with the overall country framework is unclear.

Managing for results could also be strengthened in fragile contexts, where the same approach is used as in other partner countries. In particular, it is not clear how Italian-funded projects take into account conflict sensitivity or “do no harm” approaches.

Italy has established an evaluation office with a dedicated budget and has developed evaluation guidelines. Establishing a multi-annual evaluation plan and budget, and deciding on an evaluation model that is feasible given the resources available, would be good next steps. The Committee was informed that Italy has adopted a three-year evaluation plan. It should identify clear criteria to plan future evaluations, in order to select strategic programmes that could provide useful lessons. Strengthened expertise and an evaluation culture throughout its development co-operation would improve quality and relevance of the evaluations.

With the evaluation unit located in an office within DGCS dealing also with visibility, and subject to oversight by the direct line manager, the independence of the evaluation function is compromised. It would be good practice to move the evaluation function outside the direct reporting line and have it report to MFA's Secretary-General or an evaluation committee, for example.

Italy still needs to formalise an effective management response to evaluations, so that findings inform strategic decisions and are used as a management tool. To address this need, Italy is considering ways to disseminate the findings from evaluations more widely, which would support both learning and accountability.

A knowledge management system, taking lessons and experiences from monitoring and evaluation systematically into account, would help to inform decision-making and

strengthen staff capacities. In designing this system, Italy could seek inputs from external stakeholders and invest in international knowledge dissemination networks.

Italy has taken steps to increase transparency and comply with the commitment to implement a common standard on aid transparency made at Busan. DGCS is establishing an open-data electronic platform to meet its commitment. A comprehensive capture of ODA allocations covering all official assistance managed at national and sub-national levels would go a long way towards achieving this.

DGCS has established a communication unit and taken a number of initiatives to engage with the media and reach out to broader audiences, using new communication tools. In late 2013, it drafted a new communication strategy. This is an opportunity to reinforce its strategic approach by tailoring messages to different audiences and considering how to communicate on risks and mitigation strategies. With support for the aid programme declining, Italy also needs to strengthen efforts to raise public awareness on development-related issues.

Recommendations

6.1 Italy should pursue efforts to build expected results into programming and budgeting processes, using partner countries' data to the maximum extent.

6.2 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.

6.3 Setting up a knowledge management system to capitalise on experience would help inform decision-making and strengthen staff capacities.

6.4 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.

7 Italy's humanitarian assistance



Indicator: The member contributes to minimising the impact of shocks and crises; and saves lives, alleviates suffering and maintains human dignity in crisis and disaster settings

Main Findings

Italy has finalised a new humanitarian policy, formally recognising the good humanitarian donorship principles and taking into account other major developments in the humanitarian landscape.

Italy has a solid set of tools for responding to rapid onset emergencies, with Italian civil protection responses especially appreciated for their effective responses. Co-ordination across government appears to work well, especially on emergency response. Italy shares its expertise in civil protection and disaster management with partner countries, a useful way to reduce disaster risks.

Recovery is supported through relatively flexible funding to multilateral agencies and Italian-designed rehabilitation projects, often implemented by Italian NGOs.

There are also areas in which Italy could continue to build upon its efforts to date. The Italian humanitarian budget suffers from limited resources. There is, however, a commitment to increase ODA, and this should also increase the resources available for humanitarian action. In the meantime, Italy could benefit from a cost-benefit analysis of its various rapid response mechanisms, to determine where it would be most effective to invest funds.

Providing training to all staff involved in humanitarian work in a more systematic way, would help ensure the programme has the right people with the right skills in the right places.

While they appreciate their good relationship with Italy on grant-related matters, multilateral partners would prefer more predictable funding allocations and greater policy input. Italy could also do more to ensure that it consistently adds value to, and co-ordinates with, the international humanitarian response system.

Civil-military co-ordination, an issue in the previous peer review, has improved through training of military personnel in humanitarian law and their participation in humanitarian co-ordination mechanisms. Establishing a clear Italian protocol for civil-military relationships would be a useful next step.

Lists of projects funded by the Italian humanitarian budget are publicly available. However, the results and lessons from those projects are not actively disseminated. In addition, the mechanisms for monitoring and reporting

on progress against the new humanitarian policy, and towards good humanitarian donorship more widely, could be better harmonised.

There are also some significant risks and challenges. The new humanitarian policy contains a large number of input targets, and the triennial guidelines contain a wide range of target sectors and channels, but these do not appear to be very strategic; it is difficult to see how they have translated into actual funding allocations.

As mentioned in the previous peer review, inflexible procedures, often prescribed by an outdated legal framework, hamper Italy's ability to provide quality funding to partners, especially for NGO partners, which receive only earmarked funds.

Recommendations

7.1 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.

7.2 Italy should improve the quality of its funding to partners, especially by improving the predictability and flexibility of funding for NGOs.

Report

Chapter 1: Towards a comprehensive Italian development effort

Global development issues

Italy supports a number of development solutions on the global stage and monitors them through dedicated multilateral mechanisms. It should continue voicing its concern about, and support for, common solutions at international level, and address a limited number of risks in the dialogue with its partner countries, prioritising interventions that can yield the best results.

Reflect global public risks in the long-term strategic vision

Italy supports a range of development solutions at international level and sees its role in the UN as particularly important in promoting a successful global system that can benefit all countries (OECD, 2013). In particular, Italy:

- > Actively promoted food security and the development of sustainable agriculture at the G8 in L'Aquila in 2009. Working closely with the Rome-based United Nations (UN) agencies, Italy plays an active role with respect to these issues, including in the UN General Assembly¹ and the G20.
- > Launched the “5x5” initiative, also in L'Aquila, to reduce the average global cost of transferring migrants' remittances from 10% to 5% over five years. Italy participates in the monitoring of this initiative, which was entrusted to the World Bank Global Remittances Working Group.
- > Is a strong supporter of the International Financial Facility for Immunisation (IFFim) and promoted the Advanced Market commitments for pneumococcal vaccines. Italy actively participates in the GAVI Alliance Board.
- > Is fully engaged as a member of the G20 in efforts aimed at better global governance. Within the Global Partnership for Financial Inclusion (GPII), Italy supports effective global and regional safety nets and contributes to building a more stable, resilient, fair and growth-oriented international financial system.
- > Promotes transparency and counters illicit cross-border flows through active participation in the OECD Tax and Development Informal Group and the Global Forum on Transparency and Exchange of Information for Tax Purposes.
- > Has contributed to, and actively supports, UN resolutions on the elimination of sexual violence in armed conflicts and of female genital mutilation.

Italy considers that achieving the Millennium Development Goals (MDGs) by 2015 requires “a common effort and the search for consensus on a shared fairer model of global development”. Law 49/87, the legal foundation of Italian development co-operation, identifies a number of themes related to global public risks.² Italy's 2013 Memorandum, and the triennial guidelines for development co-operation, also point to a number of poverty-related global challenges.³

Italy has not set out its approach to global public risks. It could reflect them in its long-term strategic vision for development (Chapter 2) and triennial guidelines. It is also encouraged to continue voicing its concern about, and support for, common solutions at international level. In addressing a limited number of risks in the dialogue with its partner countries and reflecting these risks in its country documents, Italy could reinforce its follow-up on these issues.

Policy coherence for development

Indicator: Domestic policies support or do not harm developing countries

Italy has signed on to international commitments on policy coherence for development (PCD), but has yet to make demonstrable progress. It still needs to make a high-level public commitment to development-friendly and coherent policies, identify key policy areas in order to focus efforts – building on its good practice in the area of food security - and designate a mechanism for monitoring, analysis and reporting on PCD. Italy is encouraged to rely on the expertise of Italian NGOs, think tanks and research institutions in gathering solid evidence to support inter-ministerial discussions on PCD.

Progress on policy coherence for development is still needed

Italy has formally signed international commitments on policy coherence for development (PCD) through its membership in the OECD and the EU. The last two peer reviews recommended that promotion of coherence between development co-operation and other policies become an explicit goal of the Italian government. The Ministry of Foreign Affairs (MFA) has taken a number of measures since. At the G8 in L'Aquila it launched the “whole-of-country” approach, aiming, among other goals, at increasing its own PCD efforts.⁴ It also endorsed an NGO initiative to draft a policy statement on PCD.

Italy should now pursue PCD within the EU and, at the national level, focus on a few concrete policy objectives that have the most significant impact on developing countries. These priorities should be selected in close co-operation with key ministries. To translate them into practice, Italy would benefit from developing a specific, time-bound agenda that would enable it to target its analyses at selected issues of potential or real incoherence. Such an agenda would help stimulate broad-based discussions on policy coherence and help garner political support to address difficult issues, including in parliament.

Overall, the concept of PCD remains unclear to many actors in the Italian development co-operation system. The MFA recognises that building awareness is necessary in order to make policies more coherent. The Directorate General for Development Co-operation (DGCS) has proposed addressing this topic in a number of reflection exercises, for example at the forum on Italian development co-operation in Milan in 2012,⁵ and at a multi-stakeholder workshop in May 2013. These are positive first steps. Nevertheless, the concept could be better branded and communicated across government and to the broader public.

Relationships with Italian CSOs, think tanks and research institutions should be strengthened

Italian NGOs, think tanks and research institutions could play an important role in raising awareness on important policy issues. These actors can gather solid evidence to support inter-ministerial discussions on policy coherence for development. They have occasionally attempted to introduce this theme in the political arena. Italy's MFA has taken steps to establish a more systematic and institutionalised relationship with them (Chapters 4, 5). The on-going discussions on the post-2015 agenda in which they are involved, offer a good opportunity to do so.

Work with existing structures to ensure ownership

The last two peer reviews recommended that Italy identify a lead institution with a clear mandate to address policy coherence for development. Under the Letta government, PCD fell within the political competence of the Vice-Minister of Foreign Affairs, who could raise issues within the government whenever policy initiatives by other ministries were likely to have an impact on partner countries' development. To ensure that PCD is acknowledged as the responsibility of the departments concerned, issues related to PCD could be raised through existing structures. In this connection, Italy could:

- > Use the DGCS Steering Committee on Development (Chapter 4), chaired by the Minister of Foreign Affairs or the Vice Minister in charge of development co-operation.⁶ This committee includes other MFA departments and representatives of the Ministry of Economy and Finance (MEF) and the Ministry of Economic Development, which promotes trade and investment and co-ordinates positions in negotiations on export credits within the OECD and the EU; or
- > Use the Cross-ministerial Committee on Economic Planning⁷, which has multiple participating ministries, including the MFA, and looks at the coherence of development activities with the government's policies.

The inter-ministerial committee, which the Italian Government proposes under the new draft law on development co-operation, would provide an adequate solution. The mechanism will need a clear mandate on policy coherence for development. It could consult with a number of established bodies such as the Inter-Institutional Table for Development Co-operation (IITDC),⁸ which has a working group on PCD, and/or the inter-ministerial technical working group on ODA,⁹ established in 2010 and co-ordinated jointly by the MFA and the MEF. The establishment of an informal cross-party group of members of parliament concerned with development co-operation in April 2013 might also go a long way towards facilitating dialogue on PCD in parliament (Chapter 6).

Build systems for monitoring, analysis and policy feedback

Italy has not yet established monitoring, analysis and reporting mechanisms for policy coherence for development. Better defined institutional arrangements could make it easier for Italy to elaborate concrete policy tracks and activities related to the selected sector policies, and to institutionalise appropriate routines for analysing, evaluating and reporting on these policies. The OECD Council Recommendation on Good Institutional Practices in Promoting Policy Coherence for Development provides appropriate guidance (OECD, 2010).

However, without investment in evidence-driven research concerning the real or potential impacts of national and EU policies on developing countries, Italy's commitment to and institutional arrangements for PCD will continue to lack the necessary traction and evidence base. Italy should also consider reporting on progress achieved in implementing its coherence agenda in its annual reports to parliament.¹⁰

Policy changes are observable in some areas

As in many other donor countries, there is scope for Italy to make its domestic and international policies more development-friendly. It ranked 18th out of the 27 countries in the Center for Global Development's 2013 Commitment to Development Index (CDG, 2013). This relatively low position was based, among other things, on high fishing subsidies and lack of support for research and development.

Nevertheless, Italy has been effective in key areas. It takes in Albania a pragmatic approach to tackling the complex migration issue (Box 1.1).

Italy has also been efficient in supporting food security initiatives. Its food security policies have led to observable enforcement of measures supporting this topic within the G20, the G8 and dedicated EU working groups and multilateral institutions. Food security and migration are two of the six priority sectors identified in the EU agenda on policy coherence for development (EC, 2011). Italy has developed tools to fight corruption, including a comprehensive framework for prosecuting this offence using various means to punish companies responsible for foreign bribery. This framework creates a strong incentive for Italian companies to put internal compliance programmes in place, and there is an increased level of awareness of the offence of foreign bribery among companies (OECD, 2011).

Box 1.1 Italy's policies on Albanian migration

Albanian migration to Italy started in the early 1990s after the collapse of the communist regime. Today approximately 500 000 Albanians live in Italy. The flow of migrants entering Italy became a major foreign policy issue linked to security and stability concerns. Italy has addressed this issue pragmatically, with the general aim of promoting the legality of flows of Albanians to Italy and, more recently, enhancing the impact of return migration and remittances through specific programmes. In doing so, it has obtained the co-operation of Albanian authorities, including in the management of labour migration.

The initial Italian focus was on negotiating an agreement concerning readmission of migrants. The Ministry of Foreign Affairs (MFA) and the Interior Ministry were able to offer support to achieve this goal. Other institutions involved (e.g. the Ministry of Labour and Social Welfare, the Ministry of Justice, and Italy's maritime forces supporting the Albanian border police) tend to operate independently within the framework of separate agreements signed with relevant Albanian public administrations. The formal demarcation of migration and development policies and the lack of a dedicated forum for co-ordination have kept experts within the Italian administration from sharing experiences and forging a common strategy for Albania. Nevertheless, Italy and Albania are good candidates for development-oriented migration policies and practices.

While Italian migration policies have tended to be more concerned with controlling short-term legal labour migration than with development impact, the Italian embassy in Tirana, Albania's capital, tries to co-ordinate the activities carried out by the many Italian actors represented in Albania. It uses various institutional mechanisms to engage Italian and Albanian actors in exploring innovative approaches that can contribute to bridging the gap between migration and development. New initiatives have emerged, including concrete measures to address circular migration between Albania and Italy, co-operation between universities, training initiatives in both countries (public and through NGOs) and decentralised co-operation activities. These measures provide a solid basis for addressing Albania's development in a more holistic perspective (Annex C).

Sources: EU reports on PCD (EC, 2011 and 2013), CeSPI Working Paper (Chaloff, 2008), Italian Embassy in Tirana.

Engaging in partner countries: a co-ordinated government approach at partner country level

Indicator: Strategic framework, institutional structures and mechanisms facilitate coherent action

Italy does not appear to have a strategic framework for ensuring a cohesive approach to its development co-operation at country level. The role of Italian ambassadors could be broadened to manage trade-offs between competing interests within partner countries. Whole-of-government strategies and objectives would facilitate a more co-ordinated approach, and would contribute to more systematic exploitation of synergies across policy communities.

Whole-of-government strategies would facilitate a more co-ordinated approach

Italy does not appear to have a strategic framework for ensuring a co-ordinated and cohesive approach for all Italian stakeholders in all partner countries. In Albania, it addresses country-specific issues and manages trade-offs between competing priorities in a pragmatic way. The Italian ambassador establishes the vision for Italy's engagement and brings together public and private sector actors from the Italian development co-operation system whenever possible. Whole-of-government strategies and objectives would facilitate a more co-ordinated approach at country level, and would contribute to more systematic exploitation of synergies across policy communities. This is particularly relevant in fragile contexts.

Financing for development

Indicator: The member engages in development finance in addition to ODA

Italy could achieve greater development impact by implementing its whole-of-country approach and clarifying the procedures for private sector involvement. Since Italy's private flows are far greater than official flows to developing countries, it could step up its efforts to create favourable conditions for increasing Italian investments in support of development in these countries. Its support to innovative financing instruments for the GAVI Alliance is commendable and should continue. If adequately disseminated, the experience could stimulate initiatives in other sectors.

Formulate clear rules for private sector investment in development

Italy's whole-of-country approach seeks to combine existing financial flows and Italian actors from the public, non-profit and profit making sectors, with the general objective of reducing poverty. This approach was discussed at the forum on Italian development co-operation in Milan in 2012¹¹ and by the Inter-Institutional Table working group on the private sector. While the approach is promising, its implementation varies from country to country and has not yet translated into documented results.

In Albania, where Italy is the main trading partner, the leading foreign investor and one of the most important foreign direct investment (FDI) shareholders, Italian

investors provide important financing for the exporting and manufacturing sector, with positive impacts in terms of transfer of know-how and Italian technology as well as job creation. The 2014-16 country programme will explore the potential to use joint ventures and other facilities, such as matching soft loans and EU financing, for the overall purpose of using ODA as a catalyst for private sector-led development (Annex C).

Italy participates in a limited number of public-private partnerships (PPPs), for example in Morocco. Its approach to the private sector could be more effective if clear rules were formulated, including on ensuring delivery on inclusive poverty reduction results and on risk-sharing among parties in the case of PPPs. The 2013 amendment to Law 49/1987, which introduces a new legislative framework for PPPs, is a promising step forward.¹²

Italy contributes to innovative multilateral financing in the health sector

Italy is to be commended for its support to multilateral financing for accelerated access to new vaccines in developing countries. Since 2007, Italy has committed USD 635 million to the Advanced Market Commitment and EUR 499 million, over 20 years, to the International Finance Facility for Immunization (OECD, 2013). Such efforts should continue.

Private sector flows from Italy largely exceed official flows to developing countries

At this stage, Italy does not provide flexibility to support private sector investment. Nevertheless, in August 2013 Italy updated the implementation procedures of Article 7, which allows financing, through subsidised loans, of the risk capital of Italian companies investing in joint ventures in developing countries. This resulted in expansion of the list of eligible countries from 29 to 95 (OECD, 2013). However, few projects target least developed countries (LDCs) or have significant development aspects. A share of the revolving fund for soft loans (Chapter 3) can also be used to establish guarantees or capital contributions to Italian companies taking part in the joint ventures. These initiatives are too recent to have had a significant impact yet. With many Italian actors engaged in private sector development, which is a priority for Italy's development co-operation, developing a guidance note on how to engage in this area, would be useful.

Italy provides official support for development through *Società Italiana per le Imprese all'Estero S.p.A.* (SIMEST), its development finance institution. It reports to the OECD Development Assistance Committee (DAC) the SIMEST activities that support Italian private companies investing in developing countries. The volume of net disbursements deriving from official export credits and other official flows from Italy to developing countries was small and negative between 2007 and 2011 (with the exception of 2008). Italy's private flows are far greater than official flows to developing countries and represent almost two-thirds of its total financial flows, excluding remittances. On the other hand, grants to developing countries from private charitable organisations (e.g. foundations, NGOs) have increased over time in nominal terms: from USD 63 million in 2007 to USD 111 million in 2011 (Table B.1).

Notes

1. Italy's Vice-Minister of Foreign Affairs, Mr. Lapo Pistelli, was a key speaker on global food security at a special event organised by the OECD on the occasion of the UN General Assembly in September 2013.
2. Article one of Law 49/87 sets out the general objectives of Italian co-operation – international solidarity and the fulfilment of fundamental human rights. Meeting basic needs, protecting human life, food security, preserving the environment, consolidating development processes and economic, social and cultural growth in developing countries, improving the conditions of women and children, supporting women's empowerment and responding to humanitarian disasters, are all referred to as objectives. Under the terms of this law, each public sector organisation is expected to identify areas vulnerable to the risk of corruption and annually formulate a (rolling) three-year corruption prevention plan to address these risks.
3. These include, *inter alia*, migration, conflicts, financial instability, gender inequality, environmental degradation, pandemics (HIV/Aids), climate change, food insecurity, and water.
4. Italy's 'whole of country approach' seeks to combine existing financial flows (trade, debt cancellation and conversion, private sector resources, innovative funding sources) and Italian actors from the public, non-profit and profit making sectors, with the general objective of reducing poverty.
5. The forum on the Italian international co-operation ("muovi l'Italia, cambia il Mondo") was held with the participation of over 2000 delegates, citizens, experts, young people, opinion makers and traditional cooperation actors. The forum identified innovative financing (e.g. redirecting monies and goods confiscated from criminal activities towards aid activities, earmarking proceeds from arms sanctions and issuing "solidarity bonds").
6. Currently, the DGCS Steering Committee defines strategic policy lines in development co-operation and annual programming. The Committee approves development initiatives above EUR 1 million, emergency interventions other than those due to natural disasters, and the appointment of experts assigned to developing countries for over four months. It also provides advice on soft loan initiatives.
7. Comitato Interministeriale per la Programmazione Economica, CIPE.
8. The inter-institutional table on development co-operation (CITDC) was set up in 2010 originally by the MFA and the MEF to co-ordinate policy. The CITDC is now a tool for strengthening the dialogue among Italian stakeholders, including other ministries (agriculture, economic development, health and defence) and private and non-private groups. The last meeting took place in December 2012.
9. This working group includes other ministries (Economic Development, Agriculture, Environment, Health, Defence and the Civil Protection Department). Its mandate has been enlarged to include taking charge of the preparation of Italy's 2014 EU presidency.
10. Every year DGCS submits to parliament, for discussion, the strategic choices for the following year as well as a final report on activities carried out in the previous year. These documents are examined by the Cross-ministerial Committee on Economic Planning (Comitato Interministeriale per la Programmazione Economica, CIPE), established within the Prime Minister's Office, before going to parliament to ensure the coherence of development activities with the government's policies.
11. Chairman's statement, "Muovi l'Italia, cambia il mondo", forum on Italian international co-operation, Milan, 1-2 October 2012.
12. Article 8 of Law 98 of 9 August 2013. Amendments to Law 49/1987 were also introduced to facilitate the creation of local joint ventures.

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Chapter 2: Italy's vision and policies for development co-operation

Policies, strategies and commitments

Indicator: Clear policy vision and solid strategies guide the programme

Despite efforts in recent years, Italy has not yet set out the overall strategic goals of its development co-operation programme. To achieve this, it could build on its practice of approving triennial guidelines setting priorities for the development co-operation programme, as well as the participatory processes that were established to develop a common vision of its development co-operation. The Millennium Development Goals (MDGs) are at the centre of this vision and Italy's priorities. In partner countries Italy is struggling to concentrate on fewer sectors, where it can make a difference. Providing guidance on how to focus the aid programme where development co-operation is needed most and where it coincides with Italy's comparative advantages would, therefore, be useful.

Formalise a vision for Italian development co-operation

Italian development co-operation operates within the boundaries of Law 49 of 1987 (Italy, 2007), which establishes development co-operation as an integral part of foreign policy. As already noted in the 2009 peer review, this law does not take account of recent international commitments and principles and, therefore, is considered outdated. Following unsuccessful attempts to pass three draft bills in parliament over the last five years, the Italian government agreed in early 2014 on a draft bill aimed at a comprehensive reform of the law¹. As of 26 February 2014, this draft bill has not been adopted by parliament. Revising the law would be an opportunity to have a broad and strategic legislation, which provides a medium to long-term vision for Italy's development co-operation as well as clear governing principles and mandates for the institutions involved in development co-operation. Experience illustrates that providing details on the sector or geographic focus and/or ways of managing the aid programme, constrains the possibility to adapt it to emerging needs and adopt innovative tools. Italy could usefully look at other DAC members' legislation in this respect.

In the meantime, the Italian government has taken steps to develop a strategic framework for its development co-operation. Italy now has a good opportunity to capitalise on both the work of the Inter-Institutional Table and the triennial guidelines in order to develop a medium-term, results-oriented and widely owned strategic vision for its development co-operation programme.

DGCS's Inter-Institutional Table for Development Co-operation (IITDC) brings together the various Italian stakeholders, consistent with the whole-of-country approach promoted by Italy since its presidency of the G8 in 2009. Italy convened a series of meetings covering all key aspects of development co-operation. This participatory approach culminated in a forum held in Milan in October 2012. Prior to this, the IITDC released the "Elements for a shared vision of Italian development co-operation". However, the Italian government has not formally endorsed this document as the vision guiding the aid programme.

Each year since 2009, the Steering Committee of the MFA's Directorate General for Development Co-operation approves triennial guidelines that identify overall sector and geographic priorities, as well as aid volumes and instruments. However, the guidelines fail to define a medium-term framework providing stability and clarity for all stakeholders, since they are adjusted on a rolling basis every year. In addition, their scope is limited as they do not cover the entire Italian system, and they are not yet results-oriented (Chapters 5 and 6).

Poverty reduction is the primary objective

Italy has developed specific policy guidance on poverty reduction (MFA, 2011a). Consistent with the focus on the Millennium Development Goals (MDGs), it defines poverty reduction as the primary objective for Italian development co-operation. This is confirmed in the triennial guidelines, which state that pursuing the MDGs is “not only an ethical imperative of solidarity ... but also a strategic investment to promote peace, stability and a fair, sustainable and shared prosperity” (MFA, 2011b).

The sectoral scope of Italian development co-operation is large, given Italy's bilateral resources and its commitment to focusing on a few sectors in each country as part of the division-of-labour agenda. It covers social sectors, private sector development, agriculture and food security, governance, and civil society as well as cross-cutting themes.² With the exception of education and private sector development, Italy has formulated sector and thematic strategies for all its areas of intervention.³ Italy would gain from providing clear guidance on why and how to engage in these two sectors. It should also reflect on whether the strategies help managers to prioritise, with a clear focus on where development co operation is needed most and where Italy has a comparative advantage *vis-à-vis* other donors involved with the same sectors and themes. Italy's experience with Albania demonstrates that respecting the needs of both partner countries and the division of labour among donors requires sustained commitment (Annex C).

Decision-making

Indicator: The rationale for allocating aid and other resources is clear and evidence-based

Italy is adopting differentiated approaches in partner countries, using various criteria for aid allocations and instruments depending on the type of partner country. This positive move could be consolidated by making its guidance more outcome-oriented and clarifying how the criteria should apply. Although Italy has not developed an overall multilateral strategy, DGCS has set out guidelines for its multilateral co-operation, and increasingly considers synergies between bilateral and multilateral allocations when allocating resources. A more robust approach would help it concentrate on fewer strategic multilateral partners.

Provide guidance that is results-oriented and comprehensive

The triennial guidelines provide the basis for allocating development co-operation resources. They list priority partner countries and sectors and establish the level of resources available for each instrument (e.g. grants, soft loans, debt conversion and multilateral contributions). These guidelines also specify the share of total bilateral ODA that will be allocated to each geographic region. They encourage using bilateral instruments wherever conditions are suitable, while multilateral aid should focus on targeted programmes in key cross-cutting sectors common to several countries and programmes. The guidelines also encourage using the multi-bilateral channel in countries or sectors where multilateral aid is more effective than a bilateral programme.

A strategic vision of Italy's development co-operation in the medium-term would help the triennial guidelines to become more results-oriented and comprehensive. Until now, these guidelines provide an input-based framework rather than an outcome-based driver for the aid programme. Another limitation is that they are binding only on DGCS.

Develop specific guidance on how to focus the aid programme

Italy is strengthening its geographic focus and moving towards differentiated approaches in partner countries. The triennial guidelines recommend using various instruments, depending on the type of partner countries (MFA, 2012).⁴ This is positive and in line with the EU Agenda for Change (EU, 2011).

Italy would benefit from refining its approach to geographic allocations. The guidance for allocating bilateral resources sets five criteria: level of poverty; geographic and historic proximity; added value; participation in global support to fragile, post-conflict situations; and division of labour (OECD, 2013). However, it is not clear how these criteria apply in practice. Data from Italy's Memorandum suggest that they apply differently depending on the type of partner countries (Figure 2.1). Making this approach more explicit in the triennial guidelines would help to avoid discretionary decisions that would increase the fragmentation of the programme.

Focus more strategically on key multilateral organisations

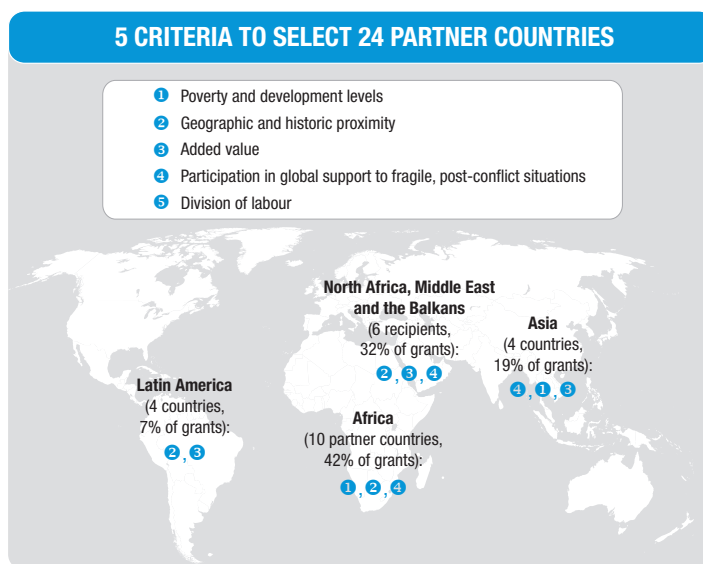
Italy has not developed a joint MEF-MFA multilateral strategy, despite the 2009 peer review recommendation to do so (OECD, 2009). Its approach to multilateral ODA continues to lack consistency – with the notable exception of the strategic relationship with Italy-based multilateral organisations. Funding is primarily driven by compulsory contributions. These are complemented by earmarked contributions that appear unpredictable as a result of past decreases in Italian ODA (Chapter 3).

Nevertheless, Italy is endeavouring to target its earmarked and multi-bi contributions better, with a view to developing synergies with the bilateral programme.⁵ The 2013-15 guidelines state that priority should be given to international organisations working in Italian development co-operation's priority sectors and humanitarian assistance (MFA, 2013). They also give particular importance to Rome-based international bodies.⁶ DGCS has elaborated specific guidelines for its multilateral co-operation. Consistent with the 2013-15 guidelines, they define the principles and criteria for allocating voluntary contributions to UN organisations.

Italy requests inputs from field offices to guide its funding to multilateral organisations, but does not use a battery of indicators in a systematic way to carry out assessments and does not participate in related joint mechanisms. Relying on the assessment mechanisms of multilateral organisations, and considering organisational performance as well as organisational relevance, would help Italy to determine its voluntary contributions⁷.

As a founding member of the European Union and one of its top four contributors, Italy is committed to implementing the EU agenda⁸ and seeks to influence this agenda. In 2010 DGCS set up a unit specifically concerned with EU policies and aimed at better aligning EU aid to Italy's geographic (neighbouring countries and Sub-Saharan Africa) and sector focus.

Figure 2.1 Italy's main drivers for selecting priority partner countries, 2013



Source: Graph elaborated on the basis of data provided in the Memorandum submitted by Italy (OECD, 2013).

Policy focus

Indicator: Fighting poverty, especially in LDCs and fragile states, is prioritised

Reducing poverty guides the Italian aid programme. Although Italy is involved in a number of fragile states and transition environments, it does not have a differentiated policy to engage in these complex contexts. It could make better use of experience gained in countries such as Somalia and look at how it might adapt to evolving recovery contexts, going beyond tightly earmarked projects. Gender equality and the environment, which are considered key objectives and cross-cutting issues, are mostly treated as sectors. To mainstream these themes throughout Italian development co-operation, strong leadership is needed, as well as adequate resources, appropriate staff incentives, accountability mechanisms for reporting results, and training.

Programmes are screened against poverty reduction goals

Italy's approach to poverty reduction promotes local development and inter-institutional collaboration, particularly with actors involved in decentralised co-operation and NGOs. All programmes and projects are now screened to assess whether they are in line with the poverty reduction guidelines, i.e. whether they promote empowerment of the poor, are aligned with national poverty reduction strategies anchored at decentralised levels, favour integrated approaches, promote social cohesion and reduce income inequalities.

Poverty and fragility are among the criteria for selecting partner countries

Poverty levels and fragility are two of the five selection criteria for partner countries. According to the memorandum (OECD, 2013), they are the main drivers for allocating ODA to African and Asian partner countries. Fragility is also a key consideration in Italy's support to Middle Eastern countries.

Under the 2013-15 guidelines, Italy plans to allocate 42% of bilateral ODA in 2013 to Sub-Saharan Africa, a region which lags behind in reaching the MDGs (MFA, 2013). The mission decree (*Decreto Missioni*), which regulates Italian peacekeeping missions also provides funding for projects in fragile and conflict-affected states. Nine fragile contexts⁹ are covered under the current decree.

Programme needs to adapt to evolving recovery contexts

Funding to multilateral agencies is flexible enough to allow recovery and transition elements to be incorporated into programming, especially support to livelihoods. Risk reduction projects – focused mainly on disasters – continue to be implemented in selected countries, including Afghanistan, Albania, Guatemala and Pakistan. These projects often focus on sharing Italy's expertise in disaster management with its partner countries. However, as in the case of many other DAC donors, most of Italy's funding to multilateral organisations is earmarked for specific projects, making it difficult to adapt humanitarian programming to an evolving recovery context. Funding under the mission decree is limited to 12 months, further limiting the scope of projects.

A pragmatic, context-specific approach to fragile contexts

There is no formal policy for engaging in fragile contexts. However, Italy has extensive experience in fragile states, including Libya and Somalia, and considers itself a pragmatic, informed donor in these countries. The peer review team heard in Rome that Italy focuses on post-conflict stability and economic recovery in fragile contexts, and that it is mindful of the peace-building and state-building goals. However, the New Deal for Engagement in Fragile States has not yet changed its overall approach to engaging in fragile situations¹⁰.

Mainstreaming gender equality and the environment remains challenging

Italy approved new guidelines on gender equality and women's empowerment in 2010 and issued environmental guidelines in 2011. It has reported its commitments on these themes to the DAC since 2008 and 2006, respectively.¹¹ Italy is to be commended for voicing its support for gender equality and the environment in international forums, and for targeting its interventions to specific gender and environmental aspects in its partner countries. However, neither gender equality nor the environment has yet been mainstreamed throughout Italy's development co-operation. They have now become a requirement for NGO project proposals. As observed in Albania, guidance and a specific plan for doing this are needed (Annex C). Strong leadership is also needed within DGCS to mainstream cross-cutting themes and to provide appropriate staff incentives, training and accountability mechanisms for reporting on the results achieved. The Gender Action Plan for 2014-15, under preparation, as well as the aid effectiveness marker (Chapter 5), are positive steps forward. Experience from mainstreaming gender could be applied to environment.

More generally, gender equality and the environment should be explicitly addressed in country strategies and STREAM (synthetic, transparent, realistic, exhaustive, agreed and measurable) documents and DGCS should dedicate adequate resources for integrating these themes into programming, if necessary with support from locally recruited gender equality and environmental experts. The terms of reference of the gender equality and environmental experts within the central technical unit (CTU) should be strengthened to provide guidance throughout the organisation, and to furnish targeted training at headquarters and in partner countries as needed.

Notes

1. It includes, *inter alia*, the provision of a stronger linkage between foreign policy and development co-operation; emphasis on policy coherence for development; more effective mechanism to ensure inter-ministerial co-ordination; the establishment of an implementing agency; and deeper dialogue and co-ordination with civil society organisations and the private sector.
2. The framework evolved slightly between 2009 and 2014: in 2011 the health and education sectors were merged under "human development" and the approach to private sector development evolved from a focus on supporting micro, small and medium-sized enterprises (MSMEs) to broader promotion of endogenous, inclusive and sustainable development of the private sector. In 2012 the environment, considered a priority sector until then, became a cross-cutting issue (MFA, 2009 to 2013).
3. Italy issued sectoral and thematic guidance on poverty reduction, agriculture and food security, health, democratic ownership, environment, gender equality, disabled people, minors, and humanitarian assistance and decentralised co-operations.
4. For example, soft loans are provided only in low-income and middle-income countries.
5. As an illustration, Italy supports local development in Albania through its bilateral channel, Italian decentralised authorities and the ART (Articulation of Territorial and Thematic Networks of Cooperation for Human Development) programme. This programme is managed by the United Nations Development Programme (UNDP) and funded by Italy, among others.
6. Regarding earmarked contributions, the triennial guidelines state that preference should be given to Italy's 24 priority countries and that projects can be funded in other countries on a case-by-case basis.
7. The new DGCS guidelines on multilateral co-operation also refer to the use of assessment reports by international mechanisms, such as MOPAN.
8. In particular, the 2011 Agenda for Change and subsequent strategic EU approaches to development, as well as the code of conduct on the division of labour and the joint programming exercise.
9. Afghanistan, Iraq, Libya (and neighbouring countries), Pakistan, Myanmar, Somalia, South Sudan, Sudan, and Syria (and neighbouring countries).
10. On the 30th of November 2011, at the 4th High Level Forum on Aid Effectiveness, the New Deal for Engagement in Fragile States developed through the forum of the International Dialogue for Peacebuilding and Statebuilding was presented and widely endorsed.
11. The gender marker shows a significant increase in Italy's gender equality-focused aid: from 10% of Italy's gender-screened sector-allocable aid in 2010 to 49% (USD 213 million) in 2011. Allocations across all the Rio markers increased significantly in 2011: Italy committed USD 55 million for biodiversity, USD 53 million for climate change mitigation, USD 42 million for climate change adaptation, and USD 38 million for combating desertification.

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Chapter 3: Allocating Italy's official development assistance

Overall ODA volume

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

Italy remains committed to reach the UN target of 0.7% ODA/GNI eventually. However, Italian ODA experienced a steady decline between 2008 and 2012, dropping from USD 4.86 billion to USD 2.74 billion. Italian ODA represented 0.14% of its gross national income (GNI) in 2012, down from 0.22% in 2008. The government has reversed this negative trend: it increased the ODA level in 2013 and 2014 and committed to steadily raise the ODA/GNI ratio to 0.28/0.31% in 2017 – a positive signal. It is also encouraging that Italy has taken steps to provide forward-looking information on ODA.

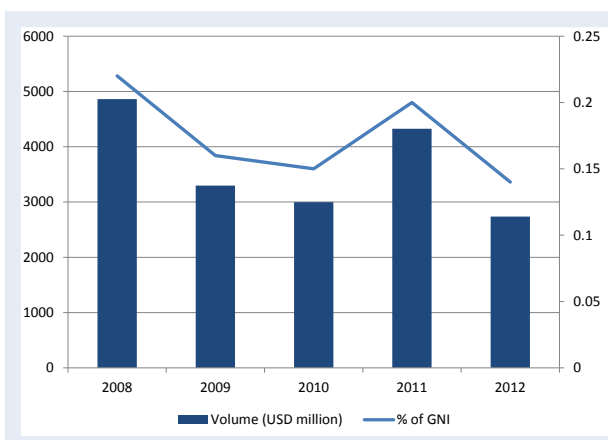
Decreasing levels of ODA mean Italy is unable to meet its international ODA/GNI commitments

Italy's net ODA in 2012 amounted to USD 2.74 billion. Overall, Italian ODA underwent a process of steady decline since 2008, when it was USD 4.86 billion. As a result, Italy ranked 12th in the DAC in terms of ODA volume in 2012 compared to 8th in 2008. Meanwhile, annual levels fluctuated significantly: Italian ODA increased by 36% in real terms between 2010 and 2011 – mostly due to high levels of ODA to refugees arriving from North Africa and debt relief grants – and then fell by 35% the following year.

Italy's ODA represented 0.14% of its gross national income (GNI) in 2012, down from 0.22% in 2008. Italy has not met the 2010 EU target of 0.51% of GNI allocated to ODA, and is far from reaching the 0.7% ODA/GNI target for 2015 (Figure 3.1)¹.

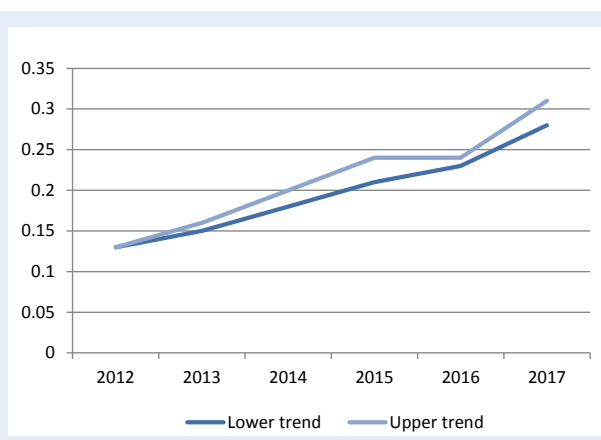
Figure 3.1. Italy's net ODA

Volume and percentage of GNI, 2008-12



Source: OECD/DAC statistics.

Projections of ODA/GNI ratio, 2013-17



Source: Italy, economic and financial documents, 2013.

Italy plans to reverse the trend of declining ODA

ODA cuts for 2009, 2010 and 2011 had already been announced at the time of the last peer review, and Italy did not have a roadmap for increasing its aid levels. The review therefore recommended that Italy outline how, and by when, it would reach its aid commitments. In 2012 the Italian government took action to reverse the ODA declining trend. Its economic and financial document set out an ambitious path for increasing ODA by 10% each year, with the ODA/GNI ratio brought up to 0.28-0.31% in 2017 (Figure 3.1).

The budget laws adopted by the Italian parliament for 2013 and 2014 indicate an annual ODA increase of 22% and 1% respectively². If confirmed in the coming years, the increase would give Italy the means to have more impact in partner countries. Ensuring that its volume of aid is commensurate with the size of its economy would also strengthen Italy's credibility as a G8 and G20 member engaged in global development debates. Public and parliamentary support will be crucial if the increase is to be sustainable, especially given the constraints of Italy's fiscal policy.

Nearly all Italian ODA consists of grants: they represented 97% of total ODA in 2011. However, Italy also provides soft loans, using a revolving fund made up of repayments from earlier loans.³ It plans to disburse around EUR 180 million over 2013-15 as soft loans in low-income or middle-income countries and to develop blending mechanisms to do so. The revolving fund allows high levels of concessionality. The average grant element of Italian ODA loans amounted to 88.2% in 2011, and the grant element of its total ODA was 99.6% (OECD, 2013b). Italy can also provide concessional loans for setting up joint ventures in partner countries, a mechanism it has not used extensively so far.⁴ Together with blending mechanisms, these are promising tools, if carefully managed to avoid debt sustainability issues.

Italy also signed six debt conversion agreements with partner countries between 2010 and 2012. The largest were with Ecuador (EUR 35 million) and Albania (EUR 20 million). These agreements totaled EUR 95 million. Italy plans to pursue the debt conversion initiatives for a total of EUR 122 million over 2013-15 (MFA, 2013).

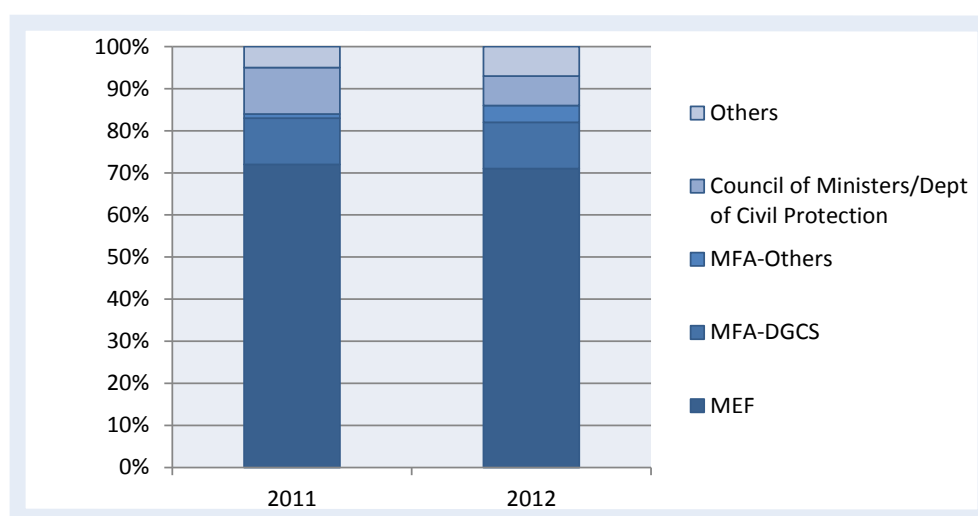
A large share of Italian ODA is channelled through the multilateral system

Up to 77.6% of Italian gross ODA was channelled to the multilateral system in 2012. Most of these funds are managed by the Ministry of Economy and Finance, including ODA going through multilateral development banks, innovative funding mechanisms⁵, the International Fund for Agricultural Development (IFAD) and the European Development Fund (EDF). This leaves a limited share to be directly managed by the Ministry of Foreign Affairs (15% in 2011-12) – although the latter is responsible for policy choices that concern the EU budget and the EDF (Figure 3.2).

The MFA is in charge of bilateral development co-operation, debt relief and aid channelled through most of the UN organisations. Funds managed by DGCS decreased dramatically in the last six years, from EUR 1 333 million in 2007 to EUR 455 million in 2009 and EUR 199 million in 2012. However, the budget of DGCS increased to EUR 350 million in 2013, reflecting the overall ODA increase.⁶

Among the other official stakeholders, the Department of Civil Protection (under the Council of Ministers) is the most important actor. The amount it disburses varies depending on Italy's humanitarian assistance response to emergency situations. It represented 11% of Italian ODA in 2011 and 7% in 2012. ODA reported by Italian local authorities is limited (less than EUR 10 million in 2012).

Figure 3.2 Italy's ODA by government department, 2011-12



Source: Based on data in the Memorandum submitted by Italy (OECD, 2013a).

Italy is reporting forward-looking information

In recent years Italy has worked jointly with the OECD Secretariat to improve its ODA reporting. The dialogue has helped to solve many reporting issues, but further efforts are needed so that Italy can report in full accordance with the DAC statistical reporting directives starting in 2014. Italy is encouraged to streamline its reporting mechanism further by setting up a platform common to all Italian ODA providers.

Italy has also taken steps to establish an open-data electronic platform with a view to meeting the Busan commitment to provide timely, comprehensive and forward-looking information by 2015. It regularly contributes to the survey on aid allocations and indicative forward spending plans. Italy agreed in 2012 to make its forward spending publicly available through the OECD website. However, in its response to the 2012 survey it did not provide information on its efforts to provide partner countries with three- to five-year spending plans – one of the commitments made in Busan (OECD, 2012a).

Bilateral ODA allocations

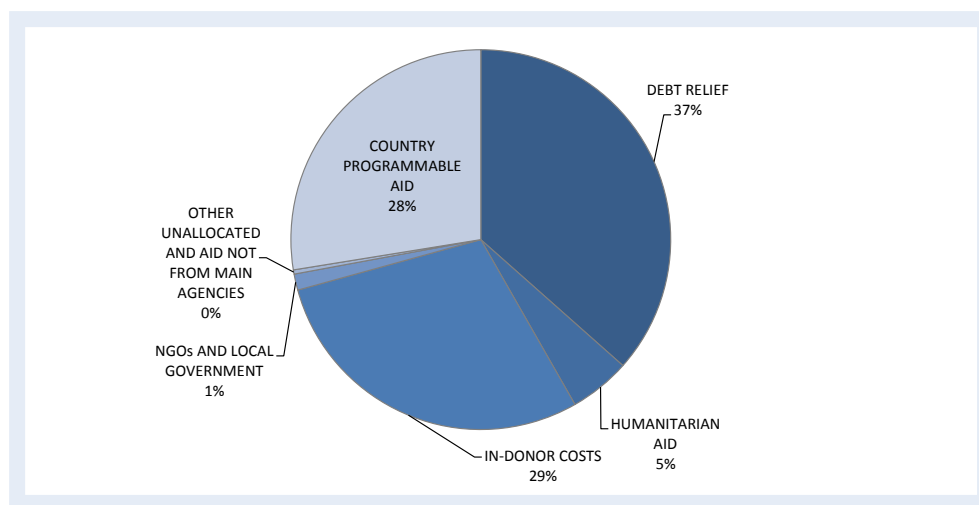
Indicator: Aid is allocated according to the statement of intent and international commitments

Italy has concentrated its aid programme around a smaller number of priority countries, where it focuses on sectors consistent with the priorities defined in the triennial guidelines. The limited share of Italy's country programmable aid, combined with the fact that the bulk of Italian aid is spent through the multilateral channel, leaves little room for direct bilateral funding. This calls for keeping the bilateral programme focused. Italy also needs to carefully manage its exit from countries that are no longer among its priority countries. In 2011 it met its commitment to allocate 50% of its bilateral ODA to Africa. However, this was mainly due to large debt relief operations. Italy therefore needs to plan how it will maintain a high level of engagement in Africa.

Country programmable aid is limited

Italy's share of country programmable aid is limited: a little over one-quarter of its gross bilateral ODA in 2011 (27%), far below the DAC members' average of 55% for the same year. This results from the high level of debt relief (38%) and in-donor country refugee costs (19%), while humanitarian and food aid accounted for 5% of gross bilateral ODA in that year (Figure 3.3).

Figure 3.3 Composition of Italy's gross bilateral aid programme (2011)



Source: OECD/DAC statistics

Keep the aid programme focused on a few countries

Italy acted on the 2009 recommendation to strengthen its geographic focus, having decided to reduce the number of priority partner countries from 35 to 24 (Figure 3.4). At the March 2014 DAC peer review meeting, members were informed that Italy intended to reduce this number even further, to 20 countries. This increased geographic concentration was not yet reflected in the 2011 figures since large debt relief operations were conducted in four non priority Highly Indebted Poor Countries (HIPC).⁷ However, Italy was a significant donor in 17 of its 24 priority countries in 2011, and the share of its significant aid relations increased from 35% in 2007 to 41% in 2011.⁸

The limited share of country programmable aid, combined with the importance of the multilateral channel for Italian aid, leaves little room for bilateral transfers of funding to partner countries. Italy's bilateral ODA allocable by region amounted to USD 1 385 million in 2011, of which USD 810 million was debt relief operations, leaving USD 575 million for programmes in partner countries compared with USD 1 063 million in 2008 (Tables B.2 and B.3).⁹ This calls for keeping the aid programme focused on a few countries.

Of Italy's current 24 priority countries, 21 were on the previous list of 35 priority countries. Three new countries have been given priority: Cuba, South Sudan and Sudan. This means Italy has to phase out progressively from 14 countries. It would profit by learning from other donors' experiences how to establish exit strategies for these countries.

More than two-thirds of Italy's bilateral ODA allocable by country (71% or USD 958 million) went to Least Developed Countries (LDCs) in 2011. This is far above the level in 2008, when only 25% of its bilateral ODA went to LDCs. Similarly, 69% of Italian aid allocable went to Sub-Saharan Africa in 2011 against 20% in 2008. Therefore, Italy implemented in 2011 the recommendation of the previous review to allocate 50% of its bilateral aid to Sub-Saharan Africa. However, large debt relief operations in the Democratic Republic of the Congo and the Republic of the Congo contributed to a very large extent to this high level of ODA.

Italy plans to maintain a priority focus on Sub-Saharan Africa, where 10 of its 24 priority partner countries are located. According to the 2013-15 programming guidelines, 42% of bilateral ODA will be allocated to this region in 2013. Thus, Italy needs to plan how it will sustain this focus on Africa in a longer term, especially in light of diminishing debt relief operations in the coming years.

Figure 3.4 Italy's 24 priority partner countries and top 20 recipients of its ODA (2011-12)



Source: Memorandum submitted by Italy (OECD, 2013a) and OECD/DAC statistics.

Sector allocations are broadly consistent with Italy's priorities

The bulk of Italian bilateral programmes implemented in partner countries supported social infrastructure and services and production sectors in 2010-11 average (Table B.5). These allocations are broadly consistent with the sector priorities defined in the triennial guidelines (Chapter 2). Debt relief operations were important until 2011, but their importance is expected to decrease in coming years. If the volume of Italian ODA is to increase as planned, larger amounts of funding should be made available for programmes in partner countries.

Multilateral ODA channel

Indicator: The member uses the multilateral aid channel effectively

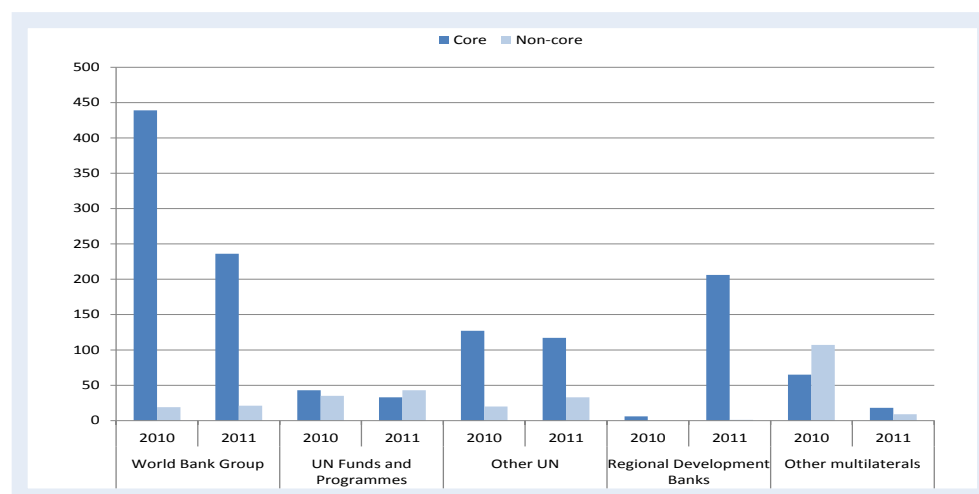
Despite the high share of Italian ODA going through the multilateral channel and Italy's efforts to be more strategic in using multilateral aid, fluctuations in the funds allocated and the lack of a strategic framework weaken its capacity to engage with key international partners over the long-term – with the exception of Rome-based institutions. Elaborating an overall strategy for multilateral assistance and participating in joint multilateral assessment frameworks would help Italy to focus on fewer partners (based on their performance and its own priorities) and encourage synergies between multilateral and bilateral activities. Collaborating with fewer partners would also increase Italy's leverage in these organisations.

Italy could strengthen its strategic approach to further synergies with the bilateral aid programme

A large share of Italy's ODA is channelled to the multilateral system. However, this share fluctuated widely in recent years: it fell from 70% in 2009 and 2010 to 57% in 2011, and then rose in 2012 to 81% (USD 2.14 billion).

The EU Institutions are the main channel by far: they received 42% of Italy's gross ODA disbursements in 2011¹⁰ compared with 5% going through the World Bank, 4% through the regional development banks and 3% through UN agencies (Table B.2). While funds going through the EU remained stable, funds provided to other multilateral organisations decreased dramatically since 2009. This decrease affected mostly core contributions (Figure 3.5). Italy provided no core contribution to UNDP, the UN Population Fund (UNFPA) and the UN Children's Fund (UNICEF) in 2012.¹¹

Figure 3.5 Italy's core and non-core contributions to multilateral agencies, 2011 (USD million)



Source: OECD, 2012b.

The year 2013 marked a change, with Italy re-establishing core contributions to UN organisations (a total of about EUR 48 million) and contributing EUR 465 million to international banks and funds in order to respect its international commitments and solve arrears issues (MFA, 2013). The latter was made possible by the budget Law 228 of 24 December 2012, which indicates the amounts Italy can commit until 2022 to contribute to the replenishment of multilateral development banks and funds. This positive signal helps to restore Italy's credibility¹² and could also pave the way to refining its overall strategic approach to multilateral institutions.

With the exception of IFAD (Box 3.1), Italy does not make multi-year commitments to UN organisations. Combined with the uncertainty of the fiscal situation, this weakens the predictability of its funding and hence its credibility. As noted by multilateral organisations, fluctuations in Italy's contributions also undermine its ability to engage with a long-term perspective. This can be detrimental to innovative, well-performing programmes such as the ART Global Initiative (Articulation of Territorial and Thematic Networks of Cooperation for Human Development), which is led by UNDP with strong Italian support.

Consistent with a recommendation of the 2009 peer review, Italy has reduced by 20% the number of institutions receiving Italian voluntary funding between 2009 and 2011. It further reduced their number in 2012 due to budgetary constraints. However, in 2013 Italy was considering providing voluntary contributions of EUR 42.3 million to an additional select group of bodies chosen according to "criteria such as maximisation of impact and effectiveness, their having a base in Italy, the need for a gradual return, and the role of and benefit to System Italy" (MFA, 2013). While Italy is clearly looking at building synergies between the bilateral and multilateral channels, it needs to keep in mind the need to concentrate its funding strategically on fewer organisations (Chapter 2).

Doing so within a strategic, clearly communicated framework would provide its multilateral partners with more clarity and predictability. It would also give Italy more leverage in these organisations, including the Italian-based multilateral institutions. This would help Italy to use multilateral aid in accordance with its overall development co-operation strategy, factoring potential synergies into the decision-making process.

Box 3.1 Strong links with Italian-based multilateral institutions

Italy enjoys close relations with the international organisations based in Rome. Excluding humanitarian aid, agriculture and food security are the major sectors that receive its multilateral assistance. This support is provided through Rome-based institutions (FAO, IFAD and the World Food Programme, WFP), to which Italy is an important contributor. It is coupled with Italy's long-standing support to agriculture, provided either through the bilateral programme or at the international level, as shown in 2009 when the L'Aquila Food Security Initiative was adopted during the Italian Presidency of the G8.

Rome-based institutions appreciate this long-standing close relationship with the Italian government. In particular, Italy has a five-year framework agreement with IFAD, which was renewed in 2011. Italian ODA channeled through IFAD doubled following the L'Aquila summit in 2009 and then increased steadily. A slight increase is planned over 2013-15 despite the economic crisis.

Source: Interviews in Rome, October 2013.

DGCS has elaborated guidelines on its multilateral co-operation, which emphasize co-operation with the UN. This is a positive step, as it could become DGCS's strategic framework for engaging with UN agencies, funds and programmes, outlining clearly the objectives of Italian multilateral aid over the medium-term and ways to monitor and assess the use of Italian contributions. This should then facilitate the establishment of a broader strategy covering the entire Italian engagement with multilateral organisations, in close collaboration with the Ministry of Economy and Finance.

Active support for innovative mechanisms to finance the health sector and food security at the global level

Italy actively promotes international innovative financing for development in the health sector: in 2006-12 it was the third largest contributor to innovative finance mechanisms, particularly through global funds such as the GAVI Alliance (DI, 2013). Italy also contributes to market-based mechanisms such as the International Finance Facility for Immunisation and the Advanced Market Commitment, which was officially launched in Lecce, Italy, in 2009 (Chapter 1).

Italy plays a special role *vis-à-vis* the international organisations it hosts. It attaches particular importance to "supporting and building on the work of the United Nations 'hubs' in Rome and Turin. The aim here is to strengthen their expertise and central role in the system, in both the food security and training sectors" (MFA, 2013).

Notes

1. As observed in Table B.1, Italy's ODA/GNI ratio has never been above 0.22% in the last fifteen years.
2. According to the 2013-15 budget law adopted in December 2012 and the 2014 budget law adopted in December 2013, Italian ODA increased from EUR 2.133 billion in 2012 to EUR 2.591 billion in 2013 and to EUR 2.618 billion in 2014.
3. EUR 335 million was available in 2013.
4. While these soft loans may temporarily boost Italy's ODA in the short-term, they will generate negative flows of ODA once the loans are repaid.
5. In particular, the GAVI Alliance and the International Finance Facility for Immunisation (IFFIm).
6. Mainly consisting of EUR 277 million from the regular budget law, some EUR 60 million from the International Mission Decree set up to support peace-keeping missions with a development co-operation component, and a carry-over of EUR 9 million from 2012 (figures provided to the mission in Rome, October 2013).
7. The Democratic Republic of the Congo, the Republic of the Congo and Haiti were among the top ten recipient countries in 2010-11 for this reason. As a result of these debt relief operations, Italy's top ten recipients received 48% of its gross bilateral ODA on average in 2010-11, compared with 62% on average in 2005-09 (Table B.4).
8. Italy is a significant donor in countries where it provides more than its global share of country programmable aid (CPA) and/or is among the top donors that cumulatively provide 90% of CPA to those countries.
9. With an amount of bilateral ODA allocable by region of USD 1 964 million and USD 901 million of debt relief operations.
10. 57% in 2012, according to the Memorandum submitted by Italy (OECD, 2013).
11. Similarly, Italy did not participate in the second and third replenishment of the Global Fund to Fight AIDS, Tuberculosis and Malaria (2008-10 and 2011-13). However, it participated in the fourth replenishment in 2013 and pledged a total of EUR 100 million over three years.
12. As of the end of 2013, Italy has no arrears vis-à-vis multilateral development banks and funds.

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Chapter 4: Managing Italy's development co-operation

Institutional system

Indicator: The institutional structure is conducive to consistent, quality development co-operation

Italy benefits from driving forces within the political sphere as well as the profit and non-profit sectors that are favourable for improving the delivery of its policy priorities, in line with commitments made in Busan. However, Italy's legislative constraints and strict administrative procedures are significant obstacles to effective programming, and major institutional changes are still needed. There are a number of alternatives for the Ministry of Foreign Affairs to consider when improving the efficiency and effectiveness of the Italian system. When selecting the most suitable option, Italy is invited to address concerns related to transaction costs, institutional fragmentation and the relationship between headquarters and co-operation offices, and to consider experiences from other DAC members.

A favourable environment for delivering on commitments

Under the successive governments of the last five years, Italy has experienced different forms of political leadership for its development co-operation (Context and Figure 0.2). It appears that dedicated political leadership can raise the profile of development co-operation within government. Italy also benefits from driving forces in parliament as well as in the profit and non-profit sectors that are eager to contribute to the development agenda. This creates a favourable momentum for Italy to raise the profile of development co-operation and to focus its attention on improving the delivery of its policy priorities and commitments, including those made in Busan.

There are opportunities to promote a whole-of-government approach

Law 49/87 (Article 5) gives the Minister of Foreign Affairs overall responsibility for development co-operation. The Ministry's Directorate General for Development Cooperation (DGCS) is responsible for overall policy and budget allocations to partner countries. It organises periodic meetings with the MFA's other departments to ensure that the programming exercise is coherent with Italy's foreign policy.

DGCS has a steering committee in which all MFA's departments, the Ministry of Finance and the Ministry of Economic Development are permanent representatives. The committee endorses the strategic orientations and planning of Italian development co-operation, approves programmes and projects of over EUR 1 million, and decides on the establishment of field offices and the long-term assignment of staff to those field offices. Due to its membership and stability, it provides the appropriate platform for debating policy. It has begun to address issues related to humanitarian aid and ODA trends, and could open up to other ministries and strategic issues linked to other development priorities, as appropriate. This would contribute to broadening the ownership of the aid programme. The Inter-Institutional Table on Development Co-operation (IITDC), which was revived in December 2013, provides the platform needed for information exchange and debate among Italian actors.

As observed in Chapter 3, the Italian system relies mostly on the Ministry of Economy and Finance (MEF) and DGCS to deliver on Italy's policies and commitments. The division of responsibilities between the two ministries is clear, if sometimes complex, concerning, for example, administration of the Revolving Fund.¹ The Department of Civil Protection is competent to operate in international crises in co-operation with the MFA and answers to the Presidency of the Council of Ministers. Other major ministries involved (e.g. Defence, Health, Internal Affairs and Environment) together manage approximately 4% of Italian ODA (OECD, 2013). These ministries operate independently of the MFA, including at field level.

Regions and municipalities, as well as civil society actors, play a decisive role in implementing projects with funding from DGCS. A number of rules and guidelines provide a co-operation framework for these actors within the Italian system. At field level, Italian ambassadors bring these actors together to the extent possible, mostly for information sharing and exchanges. Their co-ordinating role could be strengthened if a whole-of-government approach and relevant instruments were put in place for this purpose (Chapter 5).

Institutional change could improve efficiency and effectiveness

Italy's legislative constraints, cumbersome programming procedures and restricted budget present significant obstacles to effective aid programming and delivery. For example, all project proposals submitted by country offices must go through the *ex ante* evaluation unit for appraisal, the central technical unit for technical evaluation, and the geographic desks for formal vetting. They are then submitted to DGCS's Director or the Steering Committee Secretariat (for projects above EUR 1.032 million) and the technical evaluation unit (*Nucleo di Valutazione Tecnica*) for final assessment. This lengthy process is not conducive to efficient working relations between those concerned.

The MFA has approved a number of adjustments to address administrative bottlenecks that hamper the effectiveness of Italian development co-operation. These measures are positive, although they fall short of the institutional change needed to improve the effectiveness and efficiency of Italian development co-operation. When contemplating possible structural alternatives, addressing concerns such as bringing the development expertise closer to programming, facilitating relations between co-operation offices, embassies and headquarter staff, minimising transaction costs and limiting institutional fragmentation, should drive Italy's decision. Should an agency be established, Italy should ensure clear mandates, proper balance and close co-ordination between the policy and implementing structures. Another viable option may be to integrate experts from the central technical unit (Box 4.1) within DGCS' relevant offices to improve the efficiency of processes related to programming and delivery. Before making its final decision, it may be useful for Italy to examine experiences conducted by other DAC members with equivalent bilateral ODA budgets². Less than half of DAC members currently have implementing agencies, and an increasing number of them are bringing policy, programming and implementation under the same ministry.

Box 4.1 DGCS's central technical unit

The central technical unit (CTU) is the centre of expertise of DGCS and is the organisation's institutional memory. It is a separate entity located outside the Ministry of Foreign Affairs, which does not contribute to a sense of "belonging". The unit is headed by a career diplomat and provides technical support to Italy's development co-operation offices with respect to identifying, formulating and appraising the bilateral programme (including soft loans). It also assumes management and monitoring functions, and conducts research activities for DGCS.

Law 47/89 provides for the unit to be staffed by up to 120 experts under private contracts. This number has never been reached, however, and the unit has suffered from both severe budget cuts and an ageing workforce. The MFA is currently recruiting new experts. The CTU will need to adapt the terms of reference for new and existing staff to current and future needs.

Source: Interviews in Rome, October 2013.

Innovation and behaviour change

Indicator: The system supports innovation

The reform of Italy's Ministry of Foreign Affairs has had little impact on the nature of Italian development co-operation. Decision-making processes related to programming and financing remain centralised at headquarters. New initiatives such as the Third Effectiveness Plan look promising provided the plan is widely communicated to build ownership and rally staff and other key ministries around its objectives, and its implementation is closely monitored.

The reform had some impact on DGCS's structure

Previous peer reviews recommended a thorough review of DGCS's overall structure (Annex D). The reform of the MFA, which took place in 2010 as a response to severe budget cuts imposed on the Italian public administration, had some impact in terms of DGCS's overall structure.

The number of DGCS's divisions was reduced from 20 in 2009 to 12 in 2012. Two new divisions were created, to strengthen relations with the EU on one hand and, on the other, to strengthen evaluation and communication (Chapter 6). The EU division focuses on development co-operation relations, institutions and instruments.³ Its activities do not overlap with the MFA's EU general department. Close collaboration between the two is encouraged to ensure maximum leverage. Two task forces for planning, implementing and monitoring development co-operation initiatives, one dealing with Iraq, the other with Afghanistan, Pakistan and Myanmar, were also created. Finally, two Deputy Director Generals, instead of one as previously, are responsible for, respectively, overall administration and operations. This could lead to a clearer focus as well as strengthened leadership and management of these two areas.

Decision-making processes related to programming and financing remain centralised

The reform had little impact in terms of the overall centralised nature of Italian development co-operation. Decision-making processes related to programming and financing are still centralised at headquarters. The 17 co-operation offices do not have financial authority, although they contribute to project identification and can select channels, instruments and partners, and recruit local administrative staff. Country directors report to both DGCS and ambassadors. Financial and administrative management falls under the responsibility of ambassadors who approve staff contracts, procurement and other payments related to Italy's development co-operation. DGCS is aware that there is room to delegate more authority to country directors. As an illustration, in December 2013, DGCS's Steering Committee discussed possible decentralising opportunities to Italy's co-operation offices following an internal review.

In fragile environments, Italy could move to longer term strategies and programme-based approaches, and at the same time provide flexibility to better adapt to evolving circumstances in such contexts. Italy's current project-based approach to its bilateral programming (Chapter 5), with short-term horizons (a maximum of 12 months under the *Decreto Missioni*) and tight earmarking, does not always allow partners to adapt to evolving circumstances in such contexts.

Italy needs to implement and monitor promising new procedures

The reorganisation of the Ministry of Foreign Affairs has led to the introduction of a number of new rules and procedures which are expected to have a positive impact on DGCS's approach to development over the long-term. Some relate to MFA's overall 2013-15 performance plan, which assigns specific strategic goals (e.g. "enhancing ODA's quality") and indicators to DGCS. MFA prepared guidelines on managing risks, and on communication and visibility, which DGCS has adapted. Independently of these measures, an internal control system and a risk register have been established (Chapter 5).

These measures are relatively recent and were originally taken to obtain EU accreditation for delegated co-operation. They can go a long way towards familiarising Italy with new delivery modalities and types of partners, as well as bringing Italian development co-operation up to international standards. In countries where Italy has a fragmented portfolio of activities (e.g. Albania) guidance is needed on delivering larger projects and programmes in line with the Paris and Accra commitment to adopt programme-based approaches and avoid fragmentation.

In parallel, DGCS has produced a third aid effectiveness action plan, which includes four major outputs: a simplified format for planning documents for all partner countries, called STREAM⁴ (21 documents have been produced); standardised guidelines on thematic and cross-cutting issues; an aid effectiveness marker (Chapter 5). The effectiveness plan was widely shared throughout DGCS, including co-operation offices, and some representatives of civil society were involved in discussions on it.

While the plan has potential to improve the programming of development interventions, it does not focus on results and implementing it is a challenge. Italy is encouraged to commit the human and financial resources necessary to implement and monitor the plan, and to find ways to bring other ministries and decentralised co-operation under it. DGCS will need to build ownership of the plan's objectives and rally staff and other key ministries around them.

Human resources

Indicator: The member manages its human resources effectively to respond to field imperatives

The Ministry of Foreign Affairs has made commendable efforts since the last peer review to recruit technical experts and improve their employment conditions. What matters most for Italian development co-operation at this stage is to elaborate a human resources plan matching staffing needs and competences to the general objectives of the organisation, and ensure that it has the right mix of staff and appropriate skills in the right places. The Ministry of Foreign Affairs is investing in staff development and can do more for locally recruited staff in particular. Developing the expertise and analytical capacities of staff working in fragile contexts remains an issue.

Match staffing needs and competences to the general objectives of the organisation and have a policy for locally recruited staff

Previous peer reviews urged Italy to address key human resources issues which impacted negatively on the performance of its development co-operation. With the end of the moratorium on public sector recruitment, the MFA initiated a recruitment competition for 25 new experts in 2013, with a view to extending and updating the range of expertise available within the central technical unit and fostering generational turnover, as recommended by the DAC. The number of experts is expected to reach 72 in 2015 (compared to 56 in 2009 and 53 in 2013). DGCS also adopted a new regulatory framework, changing the renewable four-year contracts of technical experts to permanent contracts with adjusted salaries. In addition, it has improved employment conditions for local administrative staff with the introduction of fixed-term contracts (one-year, renewable indefinitely) and cancellation of the past obligation to re-apply yearly for the same positions. These measures have improved staff morale, but have only partially resolved the uncertainty linked to one-year contracts.

The greatest challenge remaining for Italian development co-operation is to match staffing needs and competences with the general objectives of DGCS (Box 4.2). In this context, developing a human resource plan and putting the right skills in the right places is a priority. In so doing, DGCS should keep up efforts to clarify the roles and divisions of labour between staff and communicate the changes affecting the structure and delivery of Italian development co-operation.

In Albania, Italy depends to a large extent on short-term Italian technical assistants and NGOs to make project proposals and implement the projects. Legal conditions permitting, recruiting qualified national staff in priority sectors would reinforce

field expertise and contribute to creating a *masse critique* of core development professionals in countries where this is needed.

Box 4.2 Human resources in the Directorate General for Development Co-operation (DGCS)

As of December 2013, DGCS employed 541 staff, of which 314 worked from headquarters and 228 from 17 field offices. Of the 314 Rome-based staff, 30 are diplomats, 29 are technical experts and 254 are administrative staff. Of these 92 are seconded from other ministries, but constrained by law to fulfil administrative positions in Rome. The 228 agents working in country offices include 35 permanent staff, 101 temporary technical staff and 92 administrative local staff. The principal issue for DGCS is to ensure that the right people are in the right places.

Source: Memorandum submitted by Italy (OECD, 2013).

Italy's development co-operation continues to suffer from systemic human resources constraints, in part provoked by Italian labour law, which may not always be adapted to development co-operation needs. Formal recognition of technical experts in terms of staff development and career opportunities within the overall organisation remains an issue.⁵ Recognising development co-operation as a career path within the Ministry of Foreign Affairs would be a significant step forward. The ministry has a performance evaluation system for diplomats. The fact that it is implementing a similar system for non-diplomats is positive.

The 2009 peer review highlighted the need for DGCS to develop the expertise and analytical capacities of staff working in fragile contexts; this remains an issue. Italy does provide financial incentives for working in hardship duty stations, including additional salary and extra credit towards retirement. This has helped ensure a willing pool of staff for fragile states. However, under the *Decreto Missioni* (Chapter 5) staff can only be hired for project-specific functions with no spare capacity for overall strategic analysis.

Staff development is positive, but more could be done for locally recruited staff

The Ministry of Foreign Affairs is investing resources and training to build staff capacity. In July 2013 DGCS set up a new "programme for developing talent" which builds on a previous "start-up of professional training" project. The programme focuses on project cycle management, public procurement, risk management, administration and accounting, as well as on development co-operation in general and preparing staff for future posting (MFA, 2013).⁶ DGCS should continue to ensure that training is based on a competence gap analysis and addresses the needs of all staff. Technical training should be matched by training in both administrative and substantive issues linked to Italy's sectoral and cross-cutting priorities, as well as fragility-related issues, and MFA generalist staff posted in embassies should receive training in development issues when relevant.

In addition, on-the-job training involving short-term assignments from headquarters to embassies could be encouraged to expand and improve workforce

capacity. DGCS should also be able to rely on its technical experts from the central technical unit for staff development and for promoting innovation and good practice. In this regard, the network of technical experts could become a platform for sharing knowledge and learning.

At field level, local administrative staff is mostly trained “on the job” and co-operation offices do not have a dedicated budget for training. In this context, elaborating a human resources policy for local staff, with standard procedures and appropriate training, would be useful. Having access to training opportunities and professional training networks would update the skills and competencies of local staff to the benefit of the Italian programme.

Notes

1. The revolving fund finances soft loans granted for the implementation of DGCS projects and credit lines. The Ministry of Economy and Finance (MEF) plays an active role in defining guidelines and policies related to the use of the loans. These are identified by the Ministry of Foreign Affairs and the partner country and approved by the Steering Committee. The MEF authorises payments of the loans, whose management has been outsourced to a private entity.
2. Currently the volume of ODA managed by DGCS is approximately USD 400 million.
3. The EU division prepares Italy's position for meetings of the Development Council, ensures relations with the general EU co-operation department (DevCo), and participates in the management committees for the EU financial instruments and the European Development Fund.
4. STREAM (synthetic, transparent, realistic, exhaustive, agreed and measureable) documents are intended to provide a synthetic overview of the origins, background, perspectives, implementing modalities and (to a certain extent) expected results of Italian development co-operation in priority partner countries.
5. Senior management responsibilities are reserved for diplomats, who rotate every two to three years. This creates instability, as well as frustration among experienced country office directors who have strong management experience and expertise in development co-operation.
6. Ministry of Foreign Affairs (2013), *Start-up della formazione professionale alla DGCS – Programma di sviluppo dei talenti*, Ministry of Foreign Affairs, Rome.

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Chapter 5: Italy's development co-operation delivery and partnerships

Budgeting and programming processes

Indicator: These processes support quality aid as defined in Busan

Italy has made substantial efforts to meet some of the 2009 peer review recommendations: it has approved new guidelines on budget support, country systems and programme approaches, and increased aid untying. It has a new risk management approach and a marker on aid effectiveness, which could contribute to improving the delivery of the programme if closely monitored. In spite of this, Italy lagged behind with respect to implementing the aid effectiveness principles in the period leading to the OECD 2011 monitoring survey. A large share of Italian development aid continues to be delivered as project-type interventions using Italy's procedures, and Italian aid is still unpredictable and inflexible with respect to the allocation of programme funds across sectors.

The budgeting process does not allow multi-year predictability and flexibility

Italy's development co-operation has suffered from sudden and severe budget cuts in the past, which has affected the predictability of its aid. Only 35% of Italian aid was considered predictable at the time of the OECD monitoring survey (OECD, 2011)¹. The budgeting process for Italy's development co-operation begins when DGCS receives its allocation in the Budget Law at the end of each year, for running costs as well as programmes. In addition, DGCS receives supplementary appropriations under the *Decreto Missioni* on an *ad hoc* basis for the financing of development and humanitarian activities linked to Italy's civil and military presence in crisis or conflict-prone countries.

As the Budget Law provides for yearly budget appropriations only, and allocations under the *Decreto Missioni* vary year-on-year depending on the needs of peacekeeping missions, the process is not conducive to multi-year aid predictability. However, the law providing a ten-year funding horizon for international finance institutions is a positive step (Chapter 3). Legal and administrative constraints limit the flexibility of funding across sectors and projects (MFA, 2013).

While overall the budgeting process for Italy's development co-operation is not conducive to long-term programme planning at headquarters or in the field, the triennial programming guidelines constitute a useful attempt to establish a medium-term approach for Italian aid. The guidelines give some information on DGCS's aid priorities and provide for indicative budget allocations for interventions by DGCS and the Ministry of Economy and Finance,² as well as estimates of aid provided through decentralised co-operation. They could also capture the interventions and forward-looking expenditure plans of line ministries involved in Italy's development co-operation (e.g. Health, Environment, Interior).

In partner countries, if STREAM documents were systematically expanded to include all official interventions along with expected results, they would provide greater clarity for partners as well as contribute to the cohesion of Italy's development co-operation.

The aid effectiveness marker is a positive step to be monitored closely

The planning and programming process for Italy's development co-operation is iterative and needs to improve. The Italian authorities also state that it has not systematically generated multi-stakeholder consultations in partner countries or translated into formal multi-year country programmes (MFA, 2013). However, recent STREAM documents (e.g. for Albania, Bolivia, Burkina Faso, Ethiopia, Guinea, Mozambique and Vietnam, to name a few) as well as country programmes (e.g. for Ethiopia, Palestine and Senegal) illustrate that this is changing. In these countries the choice of sectors and projects for delivering Italian development co-operation reflects partner countries' priorities. The documents include valuable information on other donors' activities, and in some cases on harmonisation efforts.

DGCS is encouraged to continue improving the quality of STREAM documents and country strategies, supporting them with appropriate context analysis, estimates of future aid flows, and evidence linked to priority sectors and cross-cutting themes. When appropriate, results from gender and institutional analyses, as well as environmental impact assessments, should feed into programme formulation and be reflected in country programmes and STREAM documents. Italy could rely on other donors' analyses to inform its programme formulation, and could participate in joint analyses and consultations whenever possible.

DGCS introduced two aid effectiveness plans, in 2009 and 2011, to follow up on the Rome, Paris and Accra agendas. While ambitious, these plans did not cover all effectiveness principles³ and did not lead to significant changes in the way the Italian programme was conducted. The OECD 2011 monitoring survey on the Paris Declaration indicates that Italy scored below the 2010 targets for most indicators (OECD, 2011). For example, less than 30% of its aid flows was aligned with partner countries' national priorities at the time of the survey (the indicative target was 85%).

Following an evaluation of the results achieved with the two previous aid effectiveness plans, DGCS produced an updated version in 2013. This plan includes an aid effectiveness marker for assessing *ex ante* the level of inclusion of aid effectiveness principles and conformity with the triennial guidelines and key government policies in Italy's bilateral and multi-bi interventions, using 12 criteria (Box 5.1). The marker is a tool for project managers and is monitored by the technical evaluation unit of the Steering Committee Secretariat. The process will also involve co-operation offices, as well as experts from the central technical unit and the technical evaluation unit.

While the aid effectiveness marker has the potential to increase awareness of the aid effectiveness principles, it could further complicate the approval process for Italy's interventions and may require a clear division of responsibilities among the staff involved. A network of users could be set up to share experiences with the marker and report potential problems, for example to DGCS's working group on aid effectiveness. Ultimately, Italy's commitment to the development effectiveness agenda will be measured against its ability to act on the information that the marker will generate. It is thus important that the marker stimulates corrective action throughout Italy's development co-operation.

Box 5.1 Italy's aid effectiveness marker

The aid effectiveness marker is a tool to guide field project managers in the formulation of projects by assessing ex ante the level of inclusion of aid effectiveness principles in all initiatives submitted for approval, using 12 criteria:

1	Conformity with the three-year guidelines	7	Mutual accountability mechanisms foreseen
2	Conformity with the sector, thematic and cross-cutting issues guidelines, if and when applicable	8	Level of inclusive partnership
3	Level of ownership	9	Coherence with the Italian guidelines on poverty reduction
4	Level of alignment	10	Coherence with the Italian guidelines on gender equality
5	Level of harmonisation	11	Coherence with the Italian guidelines on environment sustainability
6	Degree of application of a results approach	12	Level of untying

The marker entered into force in May 2013 and will be monitored by DGCS's technical evaluation unit. The results will be published.

Source: Memorandum submitted by Italy (OECD, 2013) and Nota informativa per il Comitato Direzionale.

New guidelines provide an incentive for Italy to adopt new approaches using country systems

Italy's performance in using country systems has not improved significantly since the last peer review. A large share of Italian aid continues to be delivered as project-type interventions using Italian-specific procedures. At the time of the OECD 2011 monitoring survey, 37% of Italian development co-operation only used country financial management systems, 43% used national procurement systems, and there were still 29 project implementation units. As concerns procurement, the fact that the Italian code for public contracts allows the application of local procurement procedures, provided they are coherent with the principles underlying EU legislation, is a good incentive to use such systems. Pursuant to the DAC 2009 recommendation, Italy has recently approved guidelines on budget support (limited to Mozambique for the time being), the use of country systems, and programme-based approaches. In line with Italy's Busan commitments, DGCS should use these guidelines in all partner countries. Practical guidance for programming staff on how to engage in these approaches may be needed, as well as specific training.

In Albania, Italy is moving away from project implementation units towards technical support units integrated within line ministries. This positive trend should be emulated in partner countries in which this is not yet the case. Italy has stated its intention to adopt sector-wide approaches, including in the context of Albania's new national development strategy and European pre-accession programme (Annex C). Experience in Ethiopia and Mozambique could guide its steps. Italy introduced debt conversion arrangements in a number of countries including Albania. These

arrangements contribute to financing social and economic development projects. They also provide an opportunity for Italy to increase the use of public financial management and procurement systems.

Strengthen tools for risk management and use them in planning and programming

Italian legislation is evolving in areas that have a direct impact on practices related to development co-operation. The Anti-Corruption Law of 6 November 2012 puts forward a comprehensive anti-corruption package, signalling a paradigm shift in the Italian government's approach to corruption (OECD, 2013).⁴ The new law brings Italy into line with international commitments and standards.⁵ A national anti-corruption plan (under preparation) will serve as a basis for the MFA's own anti-corruption plan. It could contribute to strengthening DGCS's approach to risk management and emphasize joint corruption assessments as well as graduated responses to corruption, combined with improved donor co-ordination.

Currently, DGCS is focusing on internal control co-ordinated by a risk manager and supported by a risk register, a risk manual and an action plan. This approach considers external as well as internal risks linked to context, programming and institutions.⁶ However, how Italy integrates risks linked to corruption and influences project and programme planning to address these risks is not clear. In the infrastructure sector in Albania, where the risks of corruption are high, Italy has introduced a new tendering process and strengthened its monitoring to minimise those risks and increase transparency – an initiative which is not yet enlarged to other sectors.⁷ The culture of risk management is still new in DGCS. It should be inculcated through appropriate information sessions, including for field offices staff.

Efforts to notify untied aid *ex ante* can be made

Italy has made progress in untying its bilateral ODA in line with the OECD untying recommendation, reaching a level of 94% of aid untied in 2012. It reports that it is engaged in increasing the component of locally produced goods and services (OECD, 2013). However, the jump in untied shares between 2010 (73% untied aid) and 2012 (94%) is largely attributable to debt relief, mostly for the Democratic Republic of the Congo. This level of untied aid could be a one-off event, and implies that untying shares may fall in the following years unless steps are taken to keep it up.

As concerns the entire bilateral aid programme, the level of untied aid has increased from 66.5% in 2011 to 82% in 2012, which is positive but related to debt relief as mentioned above. To sustain its progress, Italy is encouraged to establish a detailed schedule on how it will further untie its aid as agreed in Busan. Italy's soft loans to non-LDC and non-HIPC priority countries are still tied to Italian goods and services.

Italy stopped notifying the DAC *ex ante* regarding untied aid offers in 2004. It should resume this reporting to improve aid transparency. Italy performs better when responding to annual data requests on *ex post* contract awards.

**No
conditionalities**

Italy's 2009 guidelines for Italian co-operation on democratic ownership recommend the gradual abolition of conditionalities linked to political objectives in the negotiation of development targets defined and shared with partner countries and local civil society organisations. During the visit to Albania conditionality did not appear to be an issue, including for soft loans.

Partnerships

Indicator: The member makes appropriate use of co-ordination arrangements, promotes strategic partnerships to develop synergies, and enhances mutual accountability

Italy is beginning to adopt co-ordinated mechanisms such as delegated co-operation, trust funds and basket funding. There is ample scope to step up its engagement in joint work with other donors, and to experiment with sector-wide approaches and large-scale projects. Italy should also engage more actively in mutual accountability mechanisms when appropriate, and could be more strategic in engaging with Italian NGOs and building the capacity of local civil societies. It could step-up its engagement with Italian think tanks and research institutions.

**Step up
engagement
in joint work,
investing in
adequate
resources at field
level**

According to the OECD 2011 survey on monitoring the Paris Declaration, in 2010 only 37% of Italy's development co-operation was co-ordinated, 26% used common arrangements, 20% used joint missions, and 38% used joint country analytical work (OECD, 2011a). Human resources constraints may explain in part why Italy has not used more common approaches and conducted more joint activities at field level. Co-operation offices need staff with the appropriate skills and competence to support embassies in dialogue with other donors, take on lead donor roles, and participate in joint monitoring and reporting exercises. DGCS should keep this in mind when designing training plans and assigning staff to the field (Chapter 4).

Italy has begun to work more closely with other donors in partner countries, participating in pooled funding mechanisms (e.g. in Ethiopia and Mozambique) as well as in reconstruction trust funds (e.g. in Afghanistan). In Ethiopia Italy was a lead actor involved in the European Joint Programming exercise with EU Member States and Norway. It plans to do the same in Albania and Egypt, circumstances permitting. Italy signed a delegated co-operation agreement with the European Commission (EC) in November 2012 and plans to sign transfer agreements in favour of the EC. It is committed to the donor co-ordination process in Albania (Annex C) and is assuming leadership and co-chairing responsibilities in a number of partner countries (MFA, 2013).

There is ample scope for Italy to step up its engagement in delegated arrangements, silent partnerships and joint projects and programmes. Even when working through projects, it is encouraged to move away from small and stand-alone interventions towards larger-scale projects co-ordinated through sector working groups.

Engage more actively in mutual accountability mechanisms

Italy's 2010 guidelines for Italian co-operation on democratic ownership note that donors as well as partner countries must be more accountable, both to each other and towards their populations, with respect to use of resources dedicated to development and related to outputs and results (DGCS, 2010). The guidelines were elaborated with civil society participation, in the context of Italy's discussions on the aid effectiveness plan. There is no evidence at this stage that Italy is actively involved in mutual accountability mechanisms at country level. Italy should build on evidence from the aid effectiveness marker to raise awareness of such mechanisms and to engage in them as appropriate.

Institutionalise relationships with Italian research institutions and partner countries' civil societies

The guidelines on democratic ownership emphasise the role and participation of all social and political actors, parliaments and institutions in democratic processes leading to the improvement of citizens' living standards. Since 2009, DGCS has been working under the terms of a formal agreement with three NGO networks focusing on the aid effectiveness agenda. This agreement has led to periodic constructive exchanges, including with Italy's civil society task force on development effectiveness. There is also a partnership between DGCS and the Conference of Italian University Rectors, focusing on co-financing of interventions in a number of areas in priority countries.⁸ The relationship with Italian think tanks, universities and research institutions has tended to focus on single issues and projects, with no continued engagement in overall development policies. The post-2015 agenda offers an opportunity for DGCS to engage in a more systematic and institutionalised relationship with such institutions, as they can contribute both substance and experience to this and other debates. In this context, the meeting of the IITDC in December 2013 has led to the creation of a thematic group on public-private partnership with Confindustria.

Italy is encouraged to continue to engage in partnerships with local partners, stimulating their active role and providing opportunities for exchanges and for implementing projects and programmes alongside Italian civil society actors. Italy should also continue exploring options for triangular co-operation.

Be more strategic in relations with NGOs

Italy recognises the value-added of non-governmental organisations (NGOs) in terms of knowledge, expertise, and the ability to reach out to partners at the ground level and in fragile contexts, and it supports their advocacy role.⁹ As stated in the 2010 guidelines on democratic ownership, Italy also wants to promote local civil society organisations (CSOs) as key vectors of development and democracy (DGCS, 2010). Under Italian regulations, DGCS cannot directly fund CSOs in partner countries. Nevertheless, it seeks to strengthen their capacities in various ways: projects co-financed with Italian NGOs must be conducted with a local counterpart, whether CSOs or sub-national authorities; components of programmes can be executed by local CSOs; and embassies can use their locally managed funds to support the activities of CSOs directly. In countries such as Ecuador and Peru, local CSOs have a seat on the steering committee of the debt swap initiative. This contributes to domestic and mutual accountability.

While Italy engages at a strategic level with civil society in Rome, the extent to which Italian and local actors are consulted by embassies on country programming in partner countries is less clear and seems to vary widely from one country to another. It could be useful to develop guidance that supports consistent engagement with civil society in partner countries.

In 2013 DGCS introduced, at the request of the Court of Auditors and in consultation with NGOs, a new “call for proposals” procedure which brings more transparency to the selection of projects presented by NGOs.¹⁰ While positive, this move should not hamper Italy in considering a more strategic approach to NGOs that could lead to signing framework agreements with the most professional organisations, going beyond a short-term, inflexible, project-based approach that limits the ability to build the capacity of partners. Building sustainable approaches with civil society also requires more predictability with respect to the funding available in the future, and would benefit from simpler processes and less bureaucracy.

Fragile states

Indicator: Delivery modalities and partnerships help ensure quality

Italy adopts a pragmatic and context-specific approach to fragile contexts. Within the constraints of its inflexible legal mandate and administrative procedures, it does its best to avoid undermining state-building processes – actively co-ordinating with other donors in many contexts, contributing to multi-donor funding mechanisms, and making targeted efforts to build capacity and ownership in stand-alone projects. Planning processes are weak, however, with no clear strategic analysis or outline of expected results.

Pragmatic, context-specific strategies, with limited scope, timeframes and predictability

Italy's STREAM documents are context-specific and pragmatic, drawing on information available in-country as well as (in some cases) advice from the diaspora in Italy. These documents factor in available resources and gaps to determine where Italy can best add value: for example, through a focus on security in Somalia, institutional capacity and the rule of law in Afghanistan, and cultural heritage in Iraq. However, the 2013 evaluation in Afghanistan and Lebanon found that programme design was a major weakness, with no outline of the intended impact, objectives, results or indicators included in planning documents (MFA, 2013). In addition, one-year project cycles (as required under the Decree Missioni) limit Italy's programming to quick-impact type activities and thus restrict the scope and predictability of work in fragile contexts.

Italy is making an effort to co-ordinate with other donors

In terms of co-ordination, Italy states that it discusses most STREAM documents with partner country governments, including at the municipality level. It has also engaged with some broader co-ordination mechanisms, for example pledging EUR 9.4 million to support the 2013 Somalia New Deal compact.¹¹ In addition, multi-donor trust funds have been used, including in Iraq and Afghanistan.¹²

Inflexible administrative procedures constrain further efforts to build capacity

Italy's bilateral programming in fragile states includes some efforts to build capacity and to work towards the application of aid effectiveness principles. Small-scale capacity building programmes have included training for police provided by the Italian *Carabinieri* (military police) in Somalia, and training for Somali officials in Rome. Italy uses co-financing, for example in agricultural and business centre projects in Iraq, to promote local ownership. This will also help the sustainability of these projects post 2014, when Italy exits Iraq. Where direct implementation is difficult, Italy will issue a call for proposals from NGO partners. Further efforts to support state building in fragile contexts are constrained by Italy's inflexible legal mandate and administrative procedures.

Notes

1. At this stage, data from the 2013 Global Partnership monitoring exercise has not been confirmed and therefore cannot serve as a basis for making a judgment on progress made by Italy.
2. Budget allocations managed by the Ministry of Economy and Finance relate to debt relief, the revolving fund, and contributions to multilateral organisations.
3. The two aid effectiveness plans focused on: standardisation of sector guidelines; the planning exercise for priority countries (STREAM); simplification of internal procedures; public-private partnerships; knowledge of the effectiveness principles within co-operation offices; and a general evaluation plan. They outlined 12 action points and 27 time-bound outputs in response to the commitments made in Paris and Accra, with the exception of capacity development, managing for development results, mutual accountability, and supporting the role of parliamentarians
4. The Anti-Corruption Law introduces a system of integrity risk assessment and risk management measures, calling on sub-national public authorities to prevent corruption in regional and local government administration and in any companies they may control.
5. For example, the G20 Anti-Corruption Action Plan, the United Nations Convention against Corruption, the Council of Europe's civil and criminal law conventions on corruption, and the OECD Convention on Combating Bribery of Foreign Officials in International Business Transactions (www.oecd.org/corruption/oecdantibriberyconvention.htm).
6. The risk assessment covers a wide range of issues associated with the macro environment (e.g. political instability, social issues, financial crises, natural disasters, epidemics); decisions outside DGCS's responsibility (e.g. general budget cuts); and choices and/or performance of external partners with whom Italy is related in the conduct of its activities.
7. Italy ensured the presence of a technical advisor in the tendering committee for infrastructure projects, put in place written procedures to support the selection of projects, and increased the standards for bidding companies. This however remains limited to the sector.
8. These are education, sustainable development, poverty alleviation, human rights, cultural heritage, migration, healthcare and environment.
9. Its delegation to the 4th High Level Forum in Busan included a representative of NGOs.
10. Italy co-finances up to 70% of development projects conducted by Italian NGOs in developing countries.
11. See "EU Relations with Somalia" (http://eeas.europa.eu/somalia/index_en.htm) and "A New Deal for Somalia, Brussels Conference, 16 September 2013" (<http://eeas.europa.eu/somalia/new-deal-conference/home.html>).
12. Italy has contributed to the Afghanistan Reconstruction Trust Fund and the International Reconstruction Fund Facility for Iraq.

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Chapter 6: Results and accountability of Italy's development co-operation

Results-based management system

Indicator: A results-based management system is in place to assess performance on the basis of development priorities, objectives and systems of partner countries

Italy has taken recent initiatives to adopt results-based management approaches. However, the understanding of results-based management remains weak throughout the Italian aid system. Expected results are not built into programming and budgeting processes at headquarters. In partner countries, while monitoring systems seem to be robust at the project level, the link with the overall country framework is unclear. Managing for results is also weak in fragile contexts, where the same approach is used as in other partner countries. In particular, it is unclear how Italian-funded projects take into account conflict sensitivity or “do no harm” approaches.

Pursue efforts to build results into programming and budgeting processes

As is the case with some other DAC members, Italy is beginning to adopt results-based management approaches – a process enhanced following a law passed in 2009.¹ Each ministry is now driven by a three-year performance plan which sets priorities and is revised on an annual basis.² The 2009 peer review recommended that Italy establish results-oriented mechanisms for allocating resources to country programmes and train staff in results-based management. This recommendation, as well as the new results orientation of the Italian administration, has led DGCS to take some steps towards managing for results.

- > At partner country level: planning documents (STREAM) must specify the expected results of Italian development co-operation.³
- > At project level: the new aid effectiveness marker (Chapter 5) checks compliance with the Italian poverty reduction guideline and takes into account the degree of application of a results approach.
- > Staff training: DGCS organised dedicated training sessions for staff in Rome, as well as a workshop on results-based management (June 2013). It is preparing a workshop on the results framework with the European Commission, planned for early 2014.

Despite these efforts, results-based management is not well understood at headquarters and in the field, and a results-oriented culture is yet to be developed. Italian development co-operation policies and programmes are not set out in terms that can be measured: at the national level, the three-year guidelines do not establish a framework of expected outcomes with indicators of performance; at partner country level, STREAM documents still fail to provide performance indicators for each expected result, accompanied by a calendar and targets. As observed in Albania, a chain of results is articulated within the project cycle management and supported by robust monitoring systems (Annex C). Italy is also encouraged to embed results and indicators in all its country programmes.

Overall, the link between projects and the country framework is unclear, with respect to Italy's general strategy and to the country programme in each partner country. Italy plans to turn the triennial guidelines into outcome-based documents starting with the 2014-16 guidelines. This positive step forward could then facilitate the integration of a detailed results matrix into each STREAM document and country programme. This approach would strengthen the overall Italian results policy.

**Systematise
use of partner
countries' data**

Italy is aware of the need to rely on partner countries' own data and systems to measure results. In Albania it makes use of the results framework and monitoring report of that country's National Strategy for Development and Integration (NSDI), using indicators derived from the NSDI in the logical frameworks of its interventions. This needs to be done systematically as Italy further develops its results-based approach at partner country level. This will help to identify Italy's contribution to partner country sector plans.

**Managing for
results in fragile
contexts is weak**

Managing for results is also weak in fragile contexts, where the same approach is used as in other partner countries. Projects are designed as stand-alone, quick-impact interventions with short-term timeframes. It is unclear how these projects take conflict sensitivity or "do no harm" approaches into account. A recent evaluation found that expected results and indicators were not set out in the planning process, and thus there was no way to monitor or measure progress (MFA, 2013).

Evaluation system

Indicator: The evaluation system is in line with the DAC evaluation principles

While Italy has established an evaluation office with a dedicated budget and has an evaluation policy, there is still a need to strengthen expertise, establish a medium-term evaluation plan, and build an evaluation culture. With the evaluation unit located in an office within DGCS that also addresses visibility, maintaining the independence of the evaluation function needs attention. It would be good practice to move the evaluation function outside of the direct reporting line.

**An evaluation
policy and unit
are in place**

As recommended by the 2009 peer review, DGCS developed guidelines on evaluation and set up a new evaluation unit in 2010 with three staff members including the head of the office, which is also responsible for communication. This unit works at policy level, developing strategic orientations and ensuring the quality of evaluations. It elaborated an evaluation strategy in line with the DAC evaluation principles. DGCS now plans to update the 2010 guidelines on evaluation.

The independence of evaluations needs attention

Evaluations are carried out by external consultants to guarantee their independence. However, the evaluation unit is located in Office IX “Visibility and Evaluation” and therefore subject to oversight by the direct line manager. Furthermore, as this office also deals with communication, the pressure to show good results (rather than accountability) may drive the evaluation programmes and weaken the focus on learning. Maintaining the independence of the evaluation function in this context may be challenging. It would be good practice to move the evaluation function outside of the direct reporting line, having it report to MFA's Secretary General or an evaluation committee, for example. Specific measures may also be needed to guarantee that accountability and learning drive the evaluation programme.

A need to establish a medium-term evaluation plan

The work of the evaluation unit is at an early stage.⁴ The unit still focuses on creating a baseline before setting clear strategic directions for the evaluation programme. This might explain why the first ever two-year evaluation programme (2010-11) was followed by annual evaluation programmes (for 2012 and 2013), with annual budgets of EUR 1 million. DGCS is reviewing strategic criteria for identifying evaluation needs and priorities in light of programming requirements. Building on this work, it should now elaborate an overall multi-annual evaluation plan and budget, and decide on an evaluation model which is feasible given the resources available. At the March, 2014 DAC peer review meeting, the committee was informed that Italy had recently adopted a three-year evaluation plan. DGCS is also encouraged to continue building an evaluation culture within the Italian system and strengthening expertise on evaluation.

Selecting evaluations strategically

In Albania, evaluations are planned in partnership with the relevant counterparts. These counterparts are thoroughly consulted, whether projects are implemented by multilateral organisations, NGOs, or the partner country's national or sub-national authorities. However, in recent years, among the evaluations planned by headquarters, only one evaluation has been conducted in Albania⁵ while four more are scheduled⁶. If this is the general practice, it is all the more important, when planning future evaluations, to select the most strategic projects or programmes that could provide useful lessons. DGCS is therefore encouraged to identify clear criteria to guide this process.

Institutional learning

Indicator: Evaluations and appropriate knowledge management systems are used as management tools

Italy still needs to build an effective management response to evaluations, so that findings from the evaluations inform strategic decisions and can be used as a forward-looking management tool. The Italian system does not widely disseminate the findings from evaluations or capture lessons at global and country levels in a structured way. A knowledge management system, which systematically takes lessons and experiences from monitoring and evaluation into account, would help to inform decision making and strengthen staff capacities at headquarters and in partner countries. In establishing the system, Italy could seek inputs from external stakeholders.

Lack of a follow-up system hampers use of evaluations as a management tool

In Albania monitoring systems help local steering committees to adjust the implementation of a project to ensure that it meets its objectives. It is less clear how evaluations inform decision making within the Italian development co-operation system. At headquarters level draft evaluations are discussed within DGCS. Once a report is final, however, there is no formal evaluation feedback mechanism or management response for follow-up and implementation of evaluation recommendations. For example, it was only “for information” that the *ex post* evaluation on soft loans was presented to DGCS’s Steering Committee. Discussing strategic evaluations in the Committee could help to draw lessons and influence future policies. Italy plans to address this issue when revising the 2010 guidelines on evaluation, which is positive.

Further disseminate evaluation results and lessons

In partner countries evaluation reports are shared with local counterparts, implementing entities and other relevant stakeholders, mainly through the organisation of mid-term or final workshops following completion of a project. Final evaluation reports are sent to headquarters, and some are made available through the DAC Evaluation Resource Centre (DEReC).⁷

DGCS recognises the need to disseminate the results of its evaluations more broadly. It is considering various modalities for achieving this, such as organising an “evaluation day”, widely circulating the abstracts of evaluation reports, or elaborating annual reports on evaluation activities (a first report should be issued in 2014). DGCS’s final decision on this should be guided by the overall objective of enabling key stakeholders to learn about what works and why.

Set up a knowledge management system to help deliver quality aid

The Italian system is not capturing lessons in an informed, useful way at global and field levels. Co-operation offices in partner countries are asked each year to provide inputs that feed into the annual report shared with parliament and inform Italy's dialogue with multilateral organisations. In Albania, the Co-operation office also put information related to its activities into a database. However, the office does not have enough resources and time to be able to capitalise on this information. Sharing of experience is therefore limited.

At headquarters level there is no formal framework for building on monitoring results, compiling and organising information from the field, and making it available to a large number of stakeholders.

Italy recognises the need to consolidate good practice from development co-operation. A knowledge management system, building on experience in different sectors and countries, would help to inform decision making, strengthen the capacity of staff throughout the system, and thereby improve the quality of co-operation programmes. This could take various forms, such as structuring the information in a database or putting in place platforms for discussion on thematic or sector issues. In establishing the system, Italy could also seek inputs from external stakeholders (other donors, research institutes and academia) and invest in international knowledge dissemination networks.

Communication, accountability, and development awareness

Indicator: The member communicates development results transparently and honestly

Italy has taken steps to increase transparency and comply with the Busan commitment to implement a common standard for aid transparency. A comprehensive database of ODA allocations covering all official assistance managed at national and sub-national levels would go a long way towards achieving this. Italy is taking a number of communication initiatives and could reinforce its strategic approach. With support for the aid programme declining, it could do more to raise public awareness of development-related issues, including in the context of Expo 2015 in Milan.

Italy is taking steps to increase transparency

Internal and external pressures have led Italy to strengthen transparency. It has published the timetable for implementing the new standard on aid transparency agreed in Busan and is establishing an open-data electronic platform to meet its commitment. While Italy is not part of the International Aid Transparency Initiative (IATI), it made a commitment at the 2013 G8 Summit in Lough Erne to publish in the IATI registry by 2015. To ensure full transparency, all ODA allocations managed by government departments as well as sub-national authorities need to be collected and put on line. The new tendering procedure for NGO projects, put in place to comply with the EU's and Italy's audit requirements, will also increase transparency, making criteria for the selection process public.

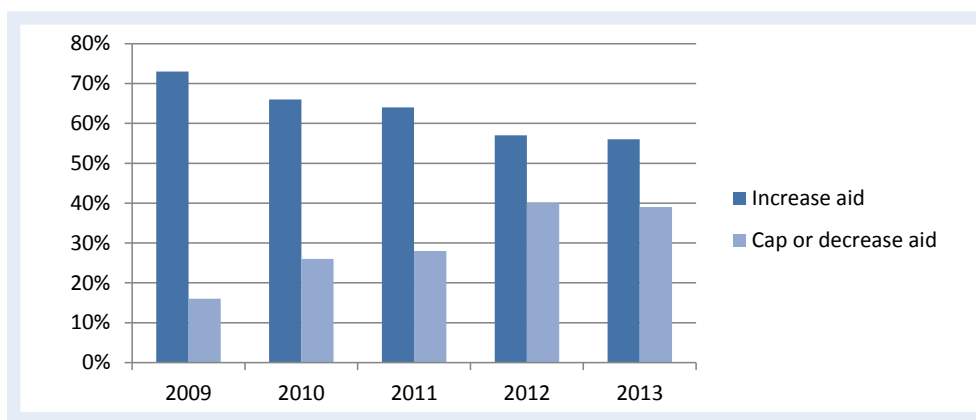
DGCS submits annually to parliament its proposal for the next ODA budget and, together with the Ministry of Economy and Finance, provides a report on development co-operation. Foreign Affairs Committees in the two chambers scrutinise the aid programme through questions, hearings or surveys. However, development co-operation does not seem to feature high on the parliament's agenda.⁸ As mentioned in Chapter 1, a new momentum could result from the creation of a cross-party parliamentary group on development co-operation in April 2013. This group could be a vehicle for strengthening awareness and widening support to development co-operation within parliament.

NGOs play a dynamic role in making government accountable. They are actively involved in Italian consultative and policy-making processes (e.g. the Inter-Institutional Table on Development Co-operation) and sensitise decision-makers on development co-operation issues, engaging with the government, meeting candidates before national elections and participating in parliamentary hearings.

Public support for development co-operation is declining

In spite of the current economic climate, 78% of Italians think it is important to help people in developing countries and slightly over half think that aid to developing countries should be increased. However, there has been a clear negative shift in Italian opinion over the last four years, with the number of those wishing to increase aid declining and the share who wish to cap or reduce aid increasing. In 2013, 56% of Italians would have liked to see aid increased to the level promised or beyond (compared to 73% in 2009) and 39% would have liked to see aid capped or reduced (compared to 16% in 2009) (Figure 6.1).

Figure 6.1 Italians' opinions on future development aid



Source: Eurobarometer (European Commission, 2009-2013).

**Italy's
communication
could be more
strategic**

Expanding communication and raising awareness on development co-operation is all the more important since the 2012 *Eurobarometer* shows that 44% of Italians do not know anything about where their country's development aid goes. At the same time, 71% think corruption and bad governance are the main obstacles which can prevent successful development in developing countries (EC, 2012).

The 2009 peer review recommended that Italy develop a well-targeted and resourced strategy to raise public awareness and the political profile of development co-operation. Recognising that information is not well disseminated to the public, Italy has since developed communication guidelines (DGCS, 2010) and established a communication unit, equipped with two seconded staff and six contractual staff. Since 2013 communication has a specific budget, amounting to EUR 1 million that year. Five staff in MFA's press office are also involved in communicating development issues.

With these resources, DGCS has developed closer relations with the media (including social media) and makes more use of new communication tools (e.g. publishing electronic bulletins, establishing a multi-media database in 2012 and renovating the development co-operation website). DGCS also promotes a new visual identity for Italian development co-operation and encourages co-operation offices to communicate on their projects, using their websites. To do so, some offices contract out work to communication experts – a move which headquarters encourages and which could be systematically emulated by all country offices.

DGCS has drafted a new communication strategy that aims to maintain a broad consensus on Italian development co-operation, increase political support and raise public awareness. The strategy identifies key messages and targeted audiences, as well as actors and tools for communicating. This strategy is a welcome step. DGCS could reinforce it by tailoring messages to each audience and considering how to communicate on risks and mitigation strategies. Italy could also develop a strategic approach to engaging with various groups of parliamentarians. Finally, monitoring the impact of communication and development education activities, using surveys and polls, could contribute to adjusting the communication strategy to evolving information needs.

**Enhanced efforts
needed to raise
public awareness**

Italy works with NGOs to raise public awareness. DGCS finances up to 70% of projects on information and education for development presented by NGOs and selected through a specific call for proposals.⁹ DGCS is also furthering its collaboration with the education sector. It is preparing an agreement with the Ministry of Education to introduce development co-operation and global citizenship awareness in school curricula. In addition, it is exploring ways to use blogs and forums on the internet to engage with students and youth. These are all positive steps.

Italy needs to strengthen efforts to raise public awareness on development-related issues in a more structured way, linking information, public engagement and development education. It could make more use of decentralised co-operation and its approach to local development. While looking at enhancing its approach to public awareness further, Italy will have opportunities to bring development issues up front, including at Expo 2015 (whose slogan is “Feeding the Planet – Energy for Life”) in Milan on 1 May-31 October 2015. This international exhibition will offer a good opportunity for Italy to invest in communication and public awareness before and after the events themselves. In a positive move, DGCS is bringing together universities, research institutes and NGOs to identify key themes and messages to convey at Expo 2015. The Italian presidency of the EU starting in July 2014 will offer other opportunities to raise awareness on development co-operation.

Notes

1. Decreto legislativo n°150/2009.
2. The MFA's performance plan for 2013-15 establishes the strengthening of geographic and sector concentration and articulating better bilateral and multilateral funding as strategic objectives for enhancing the quality of ODA. It also makes improving planning and budgeting processes a structural objective for DGCS.
3. This is the purpose of Section 5 of the STREAM document. STREAM stands for a “synthetic, transparent, realistic, exhaustive and measurable” country framework.
4. As of November 2013, the unit had commissioned 12 evaluations.
5. The Art Global Initiative (Articulation of Territorial and Thematic Networks of Cooperation for Human Development) Gold programme managed by UNDP.
6. At project level, final evaluations can also be foreseen in the project document or carried out according to the decisions taken by the relevant stakeholders. In Albania, two UN programmes and one NGO programme were evaluated following these principles.
7. As of November 2013, four evaluations were available on the DEREc website, covering the period 2011-13 (www.oecd.org/derec/italy/publicationsdocuments/all/).
8. The Memorandum submitted by Italy states that only 62 parliamentary questions related to development co-operation were submitted over 2008-13, compared with 2 548 concerning the Ministry of Foreign Affairs (and 84 parliamentary motions and/or resolutions related to development co-operation compared with 630 for the Ministry of Foreign Affairs) (OECD, 2013).
9. The budget allocated to development education activities by NGOs (Info/EaS) amounted to EUR 1.75 million in 2013. Priority issues identified for this call for proposals are: food security/Expo 2015; migration and development; and people with disabilities. For more information on Expo 2015, see <http://en.expo2015.org/expo-2015>.

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Chapter 7: Italy's humanitarian assistance

Strategic framework

Indicator: Clear political directives and strategies for resilience, response and recovery

Italy has finalised a new humanitarian policy, formally recognising the good humanitarian donorship (GHD) principles and other major developments in the humanitarian landscape. Recovery is supported through relatively flexible funding to multilateral agencies, and to Italian-designed rehabilitation projects, often implemented by Italian NGOs. Italy shares its expertise in disaster management with partner countries, an effective way to reduce disaster risks. The commitment to increase ODA should benefit the humanitarian budget, which currently suffers from limited resources. However, the new humanitarian policy does not provide strategic guidance on how to allocate funds or add value to Italy's funding decisions; it is also silent concerning Italy's position on major policy issues such as migration and food security.

A new policy recognising GHD, but no overall strategic direction

Italy has finalised a new policy for humanitarian assistance (MFA, 2012a) which formally recognises the Principles and Good Practice of Humanitarian Donorship (GHD, 2003); this meets the requirements the 2009 peer review recommendation (OECD, 2009). The new policy complements the legal framework for humanitarian assistance,¹ which dates from the 1980s and thus does not reflect the significant changes in the humanitarian landscape since that time.² Italian civil society actors were heavily involved in the policy drafting process.

The policy is accompanied by an ambitious implementation plan consisting of numerous input targets, and measures to improve the quality of Italy's humanitarian funding. These will be discussed throughout this chapter. However, it does not consider Italy's comparative advantage in humanitarian assistance or provide strategic guidance on how it should allocate funds or add value to funding decisions. The policy is also silent on humanitarian issues in which Italy has a clear interest, such as migration and refugees (Italy is one of the major entry points for migration to Europe³) and food security and nutrition (Italy is host to the major United Nations food and agriculture agencies⁴).

The approach to recovery varies by partner

UN agencies report that Italy's funding is flexible enough to allow for recovery programming, including support for livelihoods. Italy also designs bilateral rehabilitation projects, for example providing economic support and basic services for returnees in Lebanon.⁵ There is a separate budget for demining. However, much of Italy's humanitarian funding to NGOs is earmarked for specific projects and activities. Project amendments must be authorised by local Embassies if changes involve more than 15% of the budget, which can complicate efforts to adapt projects to evolving recovery situations.

Using civil protection to build the disaster management capacities of partners is good practice

The new humanitarian policy recognises the value of disaster risk reduction, stating that Italy will allocate 10% of its humanitarian funding to this important area (MFA, 2012a). Projects are often funded by the Ministry of Foreign Affairs and implemented in partnership with local civil protection authorities or by the Italian civil protection. Examples include building the capacity of national disaster management authorities in Afghanistan, Guatemala and Pakistan and adapting Italian forest fire early warning systems for use in partner countries, including in Albania. The OECD's review of Italy's civil protection system (OECD, 2010) recommended that Italy strengthen efforts to share expertise in disaster management with developing countries, and this remains a useful recommendation.

Limited financial resources restrict the scope and quality of Italy's humanitarian aid

The 2009 peer review recommended that Italy increase the volume of its humanitarian assistance to meet its international burden-sharing commitments, but this has not been done. Indeed, all three regular budget lines (multilateral, bilateral and demining) – have declined significantly during this peer review period, down from EUR 60.63 million in 2007 to a total of EUR 19 million in 2012, recovering to EUR 33 million in disbursements in 2013⁶ (OECD, 2013). Supplementary funds are available under the *Decreto Missioni*, the special budget allocation for countries where Italy has peacekeeping missions. While these extra funds are welcome, they are tied to a select number of conflict affected states. There are some more positive developments. For example, Italy has pledged to increase its ODA/GNI ratio significantly (Chapter 3); and to comply with the EU Consensus on Humanitarian Aid (EU, 2007) this increase should also benefit the humanitarian aid budget.⁷

Effective programme design

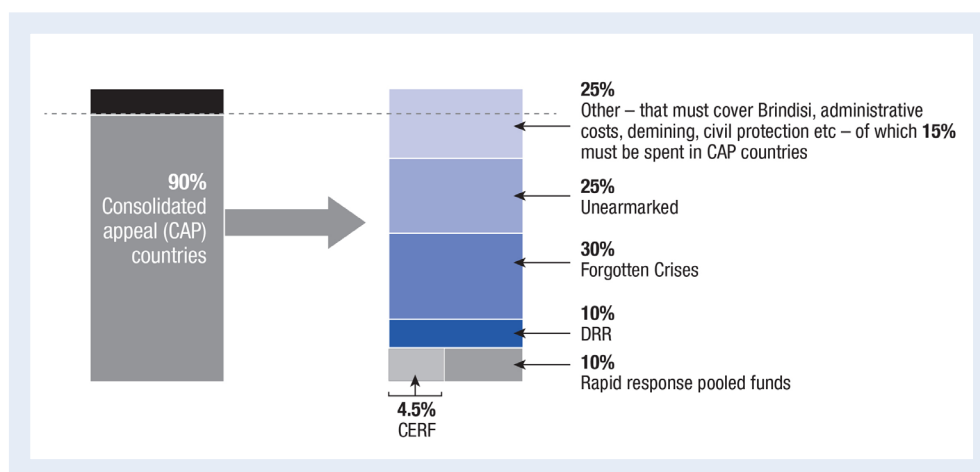
Indicator: Programmes target the highest risk to life and livelihood

While Italy's new humanitarian policy contains a large number of input targets, these targets do not appear to be sufficiently strategic or applied in practice. Instead, Italy's funding allocations are guided by the triennial guidelines, which are very broad, or by the countries where Italy has peacekeeping missions, which could lead to the misperception that Italy's aid does not abide by humanitarian principles. To guard against this risk, Italy would benefit from a review of its comparative advantage in humanitarian assistance and from clear, strategic and principled criteria to guide its future funding allocations.

It is unclear how Italy will meet new input targets

Italy's new policy has many input targets to guide where, what and whom to fund. There are targets of 90% funding to Consolidated Appeal Process (CAP) countries,⁸ 30% to forgotten crises, 10% to disaster risk reduction and 10% to pooled rapid response funds (MFA, 2012a). It is unclear how Italy will meet these targets, which appear very complicated (Figure 7.1). Further guidance is provided by the triennial guidelines, which commit to supporting UN and Red Cross appeals, but allow a wide range of channels and sector interventions⁹.

Figure 7.1 Input targets in Italy's new humanitarian policy



Source: Italian Humanitarian Guidelines (MFA, 2012a).

In practice, Italy reports that it seeks to co-ordinate its funding decisions with other donors and that it relies on input from its embassies, which co-ordinate needs assessments with EU humanitarian staff on the ground. However, partners agree that actual funding decisions appear to be closely aligned with Italy's national interest rather than with an objective assessment of need.

Italy confirms that funding decisions are made in consultation with its political leadership, with civil protection deployments dependent on an emergency decree issued by political bodies; the delivery of in-kind aid, and release of prepositioned funds, based mostly on requests from ambassadors in the field; and funding under the *Decreto Missioni* tied to areas where Italy has a peacekeeping presence.

Although the humanitarian programme appears also very fragmented (between 2009 and 2012, Italy funded 17 multilateral partners and more than 50 NGOs (OECD, 2013), a very large number given its limited funds), Italy says that 80% of its multilateral contributions went to 8 organisations and 60% of its NGO contributions went to 10 organisations between 2009 and 2012¹⁰. To ensure that humanitarian funds are well invested, Italy would benefit from a review of its comparative advantage in humanitarian assistance in order to help it develop clear, strategic, principled and non-political criteria to guide its future funding allocations.

No clear link between early warning and early funding

As in the case of most donors, there is no clear link between early warning and early funding. Italy relies on its network of 130 embassies for early warning information, supplemented by flash appeals,¹¹ and the EU's Working Party on Humanitarian Aid and Food Aid (COHAFA). The information may then be used to activate a rapid response mechanism; however, the approach does not guarantee early funding.

Onus on partners to involve beneficiaries

Italy relies on partners to involve beneficiaries in the programme cycle, and it verifies this during any programme evaluations that may take place. The military has a particular focus on involving women in their programmes, with a special female engagement team for that purpose.

Effective delivery, partnerships and instruments

Indicator: Delivery modalities and partnerships help deliver quality assistance

Italy has a solid set of tools for responding to rapid onset emergencies, with Italian civil protection especially appreciated for its effective responses. Multilateral partners appreciate their good relationship with Italy on grant-related matters, but regret Italy's unpredictable funding allocations and lack of broad policy input. Inflexible procedures, often prescribed by an outdated legal framework, hamper Italy's ability to provide quality funding to partners in complex emergency situations, especially NGO partners, which receive earmarked funds. Given Italy's limited resources, it could benefit from a cost-benefit analysis of its various rapid response mechanisms in order to decide where investing funds would be most effective. It could also do more to ensure that it consistently adds value to, and co-ordinates with, the international humanitarian response system. The current reforms of the Italian co-operation system could prove useful in this regard.

Mechanisms for complex emergencies suffer from inflexible procedures

Although Italy's focus is clearly on rapid response, there are mechanisms for funding complex emergencies. The Central Emergency Response Fund (CERF) and a dedicated trust fund with the International Committee of the Red Cross are used to support underfunded emergencies (OECD, 2013). NGOs can receive funds for complex crises through calls for proposals, which results in inflexible, earmarked funding – with 50% of the grant received soon after signature, and the rest dependant on interim and final reporting. NGOs say these funds can take a long time to arrive; Italy says this is because of poor reporting. Procedures could obviously benefit from review, to ensure they are effective for all parties. Additional funding under the *Decreto Missioni* has a strict timeframe of 12 months. Italy could benefit from adopting more modern procedures for its complex emergency tools, starting with multi-annual funding, which would increase predictability and thus partners' ability to plan for, and adjust to, evolving protracted crisis contexts.

A focus on rapid response, and solid civil protection responses

Rapid response is Italy's *forte*. It has three main mechanisms: prepositioned funds, in-kind stocks, and civil protection emergency response teams. Nine multilateral agencies benefit from prepositioned funds (OECD, 2013), which can be used throughout the year following Italian approval – an administrative fix that allows funds to be activated quickly through partner systems, but sees Italy retain the decision making responsibility. In addition, funds are provided to the CERF global rapid response mechanism (USD 0.65 million in 2012), which is good practice.

In-kind emergency stocks are held at the United Nations Humanitarian Response Depot in Brindisi, Italy.¹² Italy pays the costs of operating the site and has a separate budget for flights that deliver the in-kind goods. These goods are mostly used to respond to disaster situations and are often delivered by Italian staff, which then need to find a partner on the ground for distribution. Civil protection, with its proven ability to work effectively outside national borders, can deploy in a few hours (OECD, 2010). These deployments are funded by the MFA.

The forum on Italian development co-operation in Milan in 2012 called for a new rapid response mechanism (MFA, 2012b), presumably for Italian NGOs, which are not eligible for financial support in the emergency phase, although the MFA can facilitate the transport of their goods. Finally, Italy could review the cost-effectiveness of its various emergency tools to ensure that its rapid response mechanisms have the maximum impact.

Predictability of funding to partners remains an issue, and NGO grant procedures are still inflexible

The 2009 peer review recommended that Italy increase the predictability of its contributions to partners and streamline NGO grant procedures. Italy has been unable to implement this recommendation due to restrictions in its guiding laws and the volatility of its own budget. Under the new policy, 50% of funds should be allocated at the beginning of each year and 25% of all humanitarian funds should not be earmarked (OECD, 2013). Allocations to multilateral agencies broadly comply with these criteria, although core contributions are mostly targeted at the Rome-based institutions.

Italy is also considered a good partner to the multilaterals with respect to grant-related issues and food security, but is considered less active and engaged on broader policy matters. For NGOs the picture is less positive, as they must comply with tendering procedures (Chapter 5) which lead to tightly earmarked projects and they are not eligible for financial support for emergency relief. Consultations with NGOs should improve once the planned National Consultation Table for Humanitarian Aid is operational, as proposed under the new policy (MFA, 2012a) and recommended by the national co-operation forum (MFA, 2012b). Two roundtables have already been held on the Syrian crisis.

Concerns about co-ordination with the international response system

Italy states that it co-ordinates with EU humanitarian staff in the field, and with the EU Emergency Response Coordination Centre civil protection co-ordination system in Brussels for emergency response (OECD, 2013).¹³ However, the peer review team heard numerous concerns from partners about Italy's tendency to operate on its own without clearly considering how it should add value to, and co-ordinate with, the international humanitarian response system both in emergency response and in complex emergency situations.¹⁴ Meeting commitments to co-ordinate closely with EU operations, and reaching out to other donors, could be useful in this regard.

Organisation fit for purpose

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

Italy's organisational structure is set up to comply with its restrictive legislative framework. Co-ordination across government appears to work well, especially on emergency response. Civil-military co-ordination, an issue in the previous peer review, has improved through training of military personnel in humanitarian law, and Defense participation in humanitarian co-ordination mechanisms. Establishing a clear Italian protocol for civil-military relationships would be a useful next step. Providing training to all staff involved in humanitarian work in a more systematic way, would help ensure that the programme has the right people with the right skills in the right places.

Government co-ordination for emergency response works well

There are two systems for whole-of-government co-ordination on operational issues. Responses to disasters are co-ordinated by civil protection, under a civilian mandate from the President of the Council of Ministers. The OECD's review of this system noted that Italy stands out for its ability to co-ordinate different levels of public and security services (OECD, 2010). For other responses, Law 49 gives the lead mandate to the MFA, including co-ordination of contributions by the military and the *Carabinieri* (military police).

The proposed protocol for civil-military co-operation would be useful

Italian staff are aware of the potential for blurred lines in civil military relations, especially for funding under the *Decreto Missioni*, which ties projects to areas of Italian peacekeeping operations.¹⁵ Like many donors, Italy has encountered difficulties in the strict application of humanitarian principles in Afghanistan and Iraq, where it has provincial reconstruction teams led by military personnel. To counter these risks, all military personnel undergo a course in international humanitarian law before international deployments, and medium- to high-ranking officers are provided with further training in the principles of civil-military co-ordination (CIMIC).¹⁶ Italy's new humanitarian policy recognises international good practice in the use of military assets for humanitarian purposes.¹⁷ It also envisages the development of an Italian protocol for civil military co-ordination (MFA, 2012a), which would be a useful next step. The Ministry of Defense also participates in the National Consultation Table for humanitarian aid.

Providing training would help ensure that the programme has the right people with the right skills

The humanitarian programme is headed by a diplomat within the MFA, supported by 19 administrative officers in the central technical unit (CTU) (OECD, 2013). Civil protection, *Carabinieri* and military staff are housed within their own ministries. Staff in field co-operation offices also provide support to the NGO call-for-proposals process and monitoring. There is currently little humanitarian or language training for these staff members; more training could improve staff motivation and ensure that the humanitarian programme has the right people with the right skills. Italy could enquire about sending staff on United Nations training programmes, or to specialised humanitarian programmes,¹⁸ many of which are conducted by webcast.

Results, learning and accountability

Indicator: Results are measured and communicated, and lessons learnt

Italy focuses its monitoring efforts on verifying, and reporting on, partner progress. Grant decisions are transparent and publicly available. There are no plans to monitor progress against the new humanitarian policy or towards good humanitarian donorship more widely. Results are not actively disseminated, but lessons are shared with partners.

Performance monitoring could be better harmonised

There is a long and ambitious list of planned activities related to the new humanitarian policy, but it is not clear how Italy plans to monitor the implementation of these activities. There is, however, a monitoring of how the good humanitarian donorship principles are applied to bilateral humanitarian aid, based on qualitative indicators. Italy recognises that the monitoring system could be better harmonised.

New partner reporting formats

Monitoring of partner projects involves visits from field and/or Rome-based staff (subject to security restrictions) as well as formal project reporting. NGOs, and multilateral partners implementing multi-bilateral (earmarked) programmes, are required to submit detailed reports in a new Italian or English standard format each quarter, as well as a final report to close out the project. Partners are happy with the current reporting burden.

Grant decisions are published, but not results and lessons

Italy's development co-operation website¹⁹ provides a detailed breakdown of humanitarian grants by country and crisis, and it reports grants and in-kind decisions promptly to the United Nations Financial Tracking Service.²⁰ This is good practice. Decisions are also reported to the EU's EDRIS grants database,²¹ although this information was not completely up to date at the time of the peer review. There are no particular visibility requirements for partners in the field, and NGOs are also able to spend visibility budgets in Italy. This is also good practice. As in the case of many other donors, project results and lessons are not actively disseminated externally, however feedback on the project reports is provided to embassies and evaluation findings are shared with interested partners.

Notes

1. The legal basis for humanitarian assistance is included in Law 49 of 26 February 1987 and Implementing Regulation of 12 April 1988, approved by Presidential Decree No. 177. Law 80/2005 governs NGO access to funding, and Law 58/2001 governs the operations of the demining fund. Civil Protection Department operations are regulated by Law 152/2005.
2. Major developments in humanitarian assistance since the 1980s include efforts to set standards. Examples are the Sphere Project (www.sphereproject.org), changes to the operational architecture of the humanitarian system (enhanced disaster co-ordination, www.unocha.org/what-we-do/coordination-tools/undac/overview; the Humanitarian Reform process, www.terzomondo.org/library/essentials/The_humanitarian_reform-Four_Pillars.pdf; and the IASC Principals Transformative Agenda, www.humanitarianinfo.org/iasc/pageloader.aspx?page=content-template-default&bd=87); efforts to increase accountability and feedback loops to beneficiaries (Humanitarian Accountability Partnership, www.hapinternational.org); and the 1994 Guidelines on the Use of Military and Civil Defence Assets in Disaster Relief and the 2003 Guidelines on the Use of Military and Civil Defence Assets to Support United Nations Humanitarian Activities in Complex Emergencies (<http://reliefweb.int/report/world/guidelines-use-military-and-civil-defence-assets-disaster-relief-oslo-guidelines>).
3. There were 79 579 refugees resident in Italy in January 2013, with many more transiting through the country to other locations in Europe. Official information on refugees in Italy is available at www.unhcr.org/pages/49e48e996.html#.
4. They include the Food and Agriculture Organization (FAO), the World Food Programme (WFP) and the International Fund for Agricultural Development (IFAD), collectively known as the “Rome-based institutions”.
5. During this peer review period, Italy provided grants of EUR 2.35 million and EUR 9 million in support of the Rehabilitation, Occupation, Services and Development (ROSS) programme in Lebanon.
6. The total budget allocated by the Italian Parliament for humanitarian aid programmes in 2013 was EUR 55.7 million, this figure incorporates resources which have not yet been technically received or disbursed by the MFA, including the *Decreto Missioni* of October 2013 and the Prime Minister's pledge of EUR 15 million for the Syria crisis made at the G20 Summit in September 2013.
7. Under the EU Consensus (EU, 2007), Article 38, Member States should also consider increasing their bilateral humanitarian aid contributions within the increase in overall ODA.
8. The Consolidated Appeal Process (or CAP) produces appeals documents that combine the funding requests of most of the humanitarian actors operating in a particular crisis (www.unocha.org/cap).
9. The triennial guidelines provide two sets of guidance on humanitarian allocations: in the “primary emergency” phase to support UN and International Red Cross (sic) appeals, including through collaboration with the United Nations Humanitarian Response Depot system. In the “later emergency” and “post emergency” phases, the guidelines provide for support through multilateral, multi-bi, bilateral and NGO channels for food security and agricultural support, access to water and health services, protection of refugees and displaced people, the advancement of women condition, protection of vulnerable groups (children and people with disabilities), education, prevention and reduction of disaster risk. Provision is also made for humanitarian demining activities.
10. As the MFA does not report on contributions to NGOs, the OECD was unable to verify this figure.
11. Flash appeals are consolidated appeals issued for rapid onset or escalating emergency situations.
12. For more information on arrangements for the Humanitarian Response Depot at Brindisi, see www.unhrd.org/TA/LOU_WFP_Italian_Cooperation.pdf.

13. The ERCC was formerly the EU's Monitoring and Information Centre (MIC) (http://ec.europa.eu/echo/policies/disaster_response/mic_en.htm).
14. Italy has also been critical of the international humanitarian response system. For example, see G. Dinmore, "Italy weighs into spat over US Haiti effort", *Financial Times*, 25 January 2012, www.ft.com/cms/s/0/aa0ea5aa-09a8-11df-b91f-00144feabdc0.html#axzz2i6koa6i8.
15. For more information on Italy's peacekeeping operations, see "The UN and Italy's peacekeeping role" (updated 9 April 2013), MFA, Rome, [hwww.esteri.it/MAE/EN/Politica_Estera/Organizzazioni_Internazionali/ONU/UN_Italy_peacekeeping_role.htm](http://www.esteri.it/MAE/EN/Politica_Estera/Organizzazioni_Internazionali/ONU/UN_Italy_peacekeeping_role.htm).
16. For more information about the principles of CIMIC, see "United Nations Civil-Military Coordination (UN-CIMIC)", Peace Operations Training Institute, www.peaceopstraining.org/courses/un-civil-military-coordination-un-cimic/.
17. International guidance in this area includes the Oslo guidelines (OCHA, 2008) and the Military and Civil Defence Guidelines (IASC, 2007).
18. For example, Sweden's Advanced Training Programme on Humanitarian Action (ATHA) (www.atha.se).
19. See "Interventi de Emergenza", www.cooperazioneallosviluppo.esteri.it/pdgcs/italiano/Interventi/Interventi.asp.
20. See "Financial Tracking Service", <http://fts.unocha.org/>.
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Annex A: Progress since the 2009 DAC peer review recommendations

Key Issues: Towards a comprehensive development effort

Recommendations 2009	Progress in implementation
Italy should, through a whole-of-government policy statement, clarify mandates and responsibilities for promoting, arbitrating and monitoring policy coherence for development, and build required capacity. Italy should make demonstrable progress in promoting greater coherence across a set of priority policy areas within the EU framework on policy coherence.	Partially implemented

Key Issues: Policy vision and strategic orientations

Recommendations 2009	Progress in implementation
Approve new legislation on development co-operation as a matter of priority.	Not implemented
Prepare an overarching policy vision for development co-operation through broad consultation, which is endorsed at the highest political level and binds all institutional players. This should be backed by a clear performance and results approach.	Partially implemented
Develop clear criteria to distinguish between Priority 1 and Priority 2 countries, explain how it will engage with each category and prepare exit strategies for non-priority countries.	Partially implemented

Key Issues: ODA allocations

Recommendations 2009	Progress in implementation
Rebuild credibility of its intention to meet its aid commitments by outlining in a binding manner how, and by when, it will reach the targets.	Implemented
Develop a joint MFA-MEF strategy for multilateral assistance, outlining clearly the objectives of Italian multilateral aid, especially for priority multilateral organisations and consider concentrating its multilateral contributions further.	Not implemented
Give credibility to the agenda for concentrating bilateral aid in fewer partner countries by allocating 50% of its aid to Sub-Saharan Africa and adhering to the priority countries outlined in the Programming Guidelines and Directions.	Implemented

Key Issues: Organisation fit for purpose

Recommendations 2009	Progress in implementation
Acquire leeway to create competitive employment conditions to attract and retain specialist staff. Recruit new specialists with the skills to meet current needs.	Partially implemented

Key Issues: Delivery modalities and partnerships for quality aid

Recommendations 2009	Progress in implementation
Continue to disseminate the Aid Effectiveness Action Plan and its guidelines and decisions to all Italian Co-operation stakeholders, especially diplomatic staff, CTU experts, embassies, UTLs, decentralised co-operation and the MEF.	Partially implemented
Ensure urgently that DGCS has the necessary human and financial resources to implement the Action Plan on Aid Effectiveness and to promote behaviour change across Italian Co-operation, so that aid is delivered according to the new guidelines.	Partially implemented
Untie aid further and improve tied aid reporting to the DAC. Italy should implement its Accra commitments to untie remaining tied aid “to the maximum extent”. New legislation should reflect these commitments.	Partially implemented

Key Issues: Results, transparency and accountability

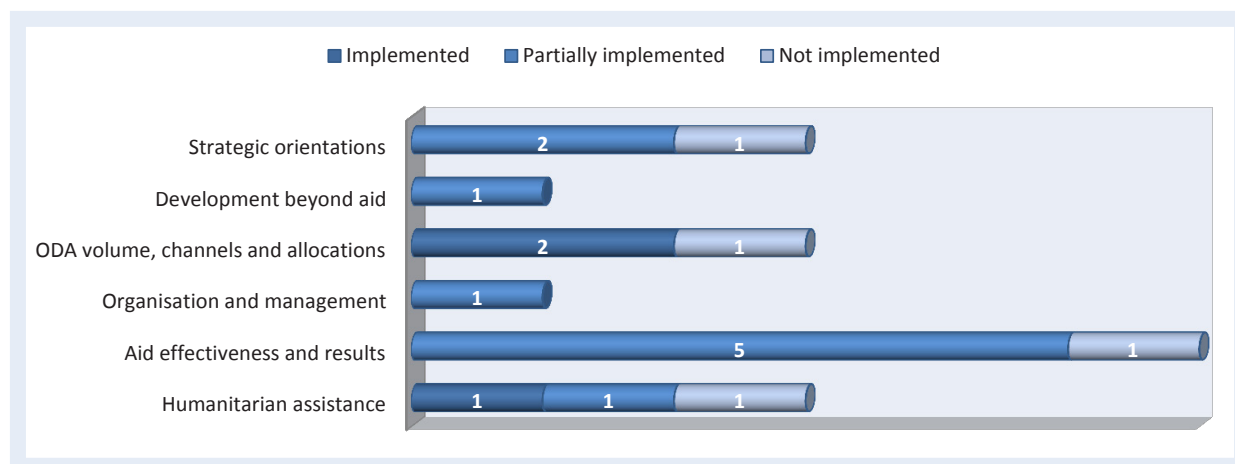
Recommendations 2009	Progress in implementation
Prepare and publish multi-annual country programmes for priority countries and establish formal, results-oriented and transparent mechanisms for allocating resources to country programmes, and train staff in results-based management.	Partially implemented
Provide the new evaluation unit with the mandate, budget and staff to implement a modern culture of evaluation and results monitoring. This unit should develop a system for integrating policy lessons, including in Italian humanitarian action.	Partially implemented
Define, approve and implement (in collaboration with civil society) a well-targeted and resourced strategy – linking information, public engagement and development education – to raise public awareness and the political profile of development co-operation.	Not implemented

Key Issues: Humanitarian Assistance

Recommendations 2009	Progress in implementation
Translate its global humanitarian commitments into a national implementation plan, clarify its approach to humanitarian protection and identify appropriate linkages between humanitarian and development assistance.	Implemented
Aim to explain the process for deploying Civil Protection Department assets as well as for applying GHD implementation and accountability standards in bilateral humanitarian activities.	Partially implemented
Increase the volume of humanitarian aid and the predictability of contributions to key partners in line with its ambitions as a key humanitarian actor. In particular, Italy should streamline grant approval processes for NGOs to enable swifter mobilisation in crises.	Not implemented

* Two recommendations of the 2009 peer review sector relate to specific themes (capacity development, and agriculture and food security) and are not monitored in the current peer review framework

Figure A.1 Italy's implementation of 2009 peer review recommendations



Annex B: OECD statistics on official development assistance

Table B.1 Total financial flows

USD million at current prices and exchange rates

Italy	Net disbursements						
	1997-2001	2002-2006	2007	2008	2009	2010	2011
Total official flows	1 815	2 746	3 710	5 269	3 225	2 846	4 112
Official development assistance	1 671	3 192	3 971	4 861	3 297	2 996	4 326
Bilateral	484	1 408	1 270	1 838	875	759	1 703
Multilateral	1 186	1 783	2 700	3 022	2 423	2 237	2 623
Other official flows	145	-446	-261	408	-72	-151	-214
Bilateral	145	-446	-261	408	-72	-151	-214
Multilateral	-	-	-	-	-	-	-
Net Private Grants	36	59	63	105	162	150	111
Private flows at market terms	6 805	890	649	207	2 181	6 612	7 689
Bilateral: <i>of which</i>	6 805	890	649	207	2 181	6 612	7 689
Direct investment	1 510	811	1 353	1 544	129	4 366	7 530
Export credits	244	1 885	2 843	2	463	882	1 234
Multilateral	-	-	-	-	-	-	-
Total flows	8 656	3 694	4 422	5 581	5 569	9 608	11 912
<i>for reference:</i>							
ODA (at constant 2011 USD million)	2 916	4 274	4 291	4 863	3 347	3 185	4 326
ODA (as a % of GNI)	0.15	0.20	0.19	0.22	0.16	0.15	0.20
Total flows (as a % of GNI) (a)	0.77	0.23	0.21	0.25	0.27	0.47	0.55
ODA to and channelled through NGOs							
- In USD million	75	60	182	116	119	96	112
- In percentage of total net ODA	5	2	5	2	4	3	3
- DAC countries' average % of total net ODA	5	7	5	5	5	7	7

a. To countries eligible for ODA.

ODA net disbursements
At constant 2011 prices and exchange rates and as a share of GNI

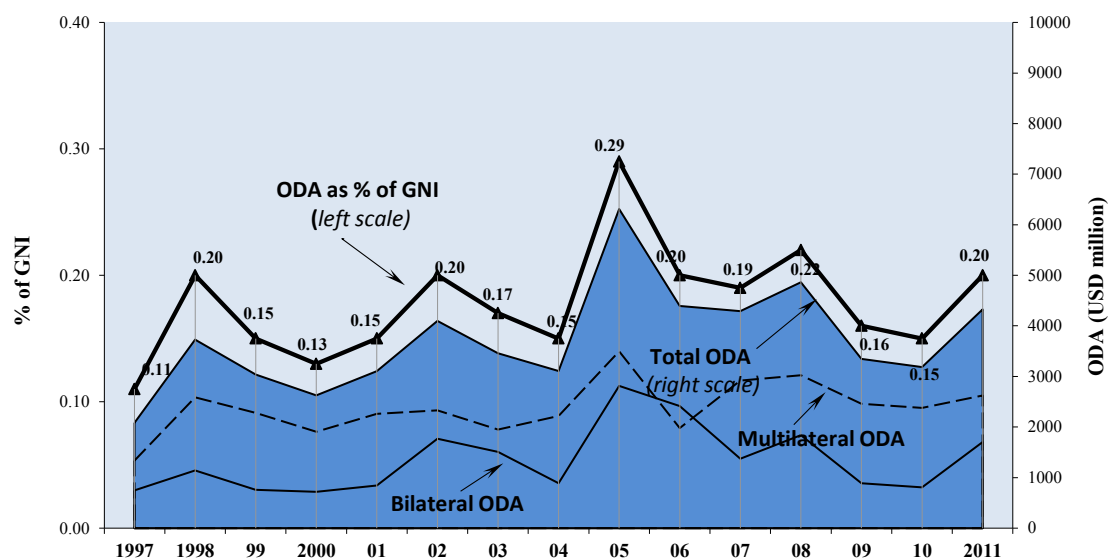
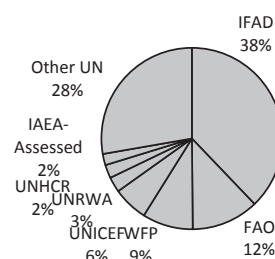
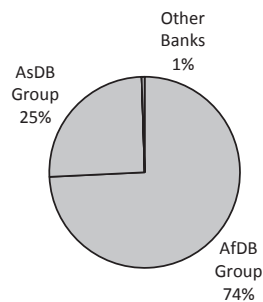


Table B.2 ODA by main categories

Italy	Constant 2011 USD million					Disbursements					Total DAC 2011%
						Per cent share of gross disbursements					
	2007	2008	2009	2010	2011	2007	2008	2009	2010	2011	
Gross Bilateral ODA	1 718	2 075	1 069	1 002	2 003	37	41	30	30	43	73
General budget support	14	55	10	6	1	0	1	0	0	0	1
Core support to national NGOs	-	0	0	16	0	-	0	0	0	0	1
Investment projects	480	307	215	138	448	10	6	6	4	10	14
Debt relief grants	634	901	173	264	810	14	18	5	8	18	4
Administrative costs	53	67	60	45	53	1	1	2	1	1	4
Other in-donor expenditures	37	15	5	6	526	1	0	0	0	11	3
Gross Multilateral ODA	2 918	3 024	2 459	2 378	2 623	63	59	70	70	57	27
UN agencies	519	210	208	181	150	11	4	6	5	3	4
EU institutions	1 615	1 714	1 889	1 655	1 924	35	34	54	49	42	9
World Bank group	112	645	274	467	236	2	13	8	14	5	7
Regional development banks	10	351	24	6	206	0	7	1	0	4	3
Other multilateral	662	103	64	69	107	14	2	2	2	2	4
Total gross ODA	4 637	5 099	3 528	3 380	4 626	100	100	100	100	100	100
Repayments and debt cancellation	- 345	- 236	- 181	- 195	- 300						
Total net ODA	4 291	4 863	3 347	3 185	4 326						
<i>For reference:</i>											
Free standing technical co-operation	153	153	91	123	63						
Net debt relief	634	901	181	264	810						
Imputed student cost	-	-	-	0	-						
Refugees in donor countries	37	3	-	4	525						

Contributions to UN Agencies
(2010-11 Average)Contributions to Regional Development
Banks (2010-11 Average)

ODA flows to multilateral agencies, 2011

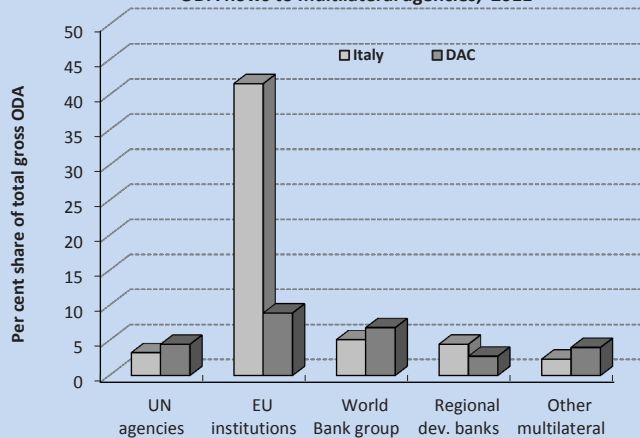
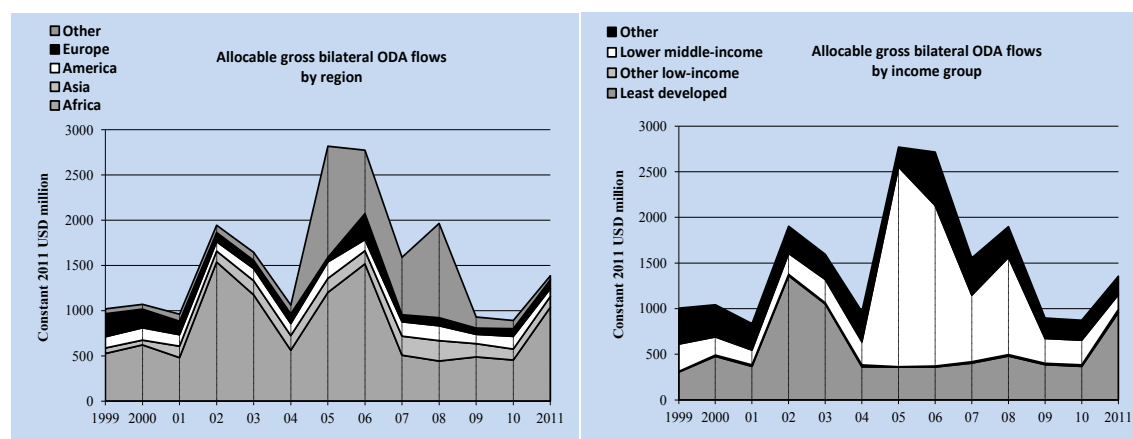


Table B.3 Bilateral ODA allocable by region and income group

Italy	Constant 2011 USD million					Per cent share					Total DAC 2011%
	2007	2008	2009	2010	2011	2007	2008	2009	2010	2011	
	<i>Gross disbursements</i>										
Africa	507	442	488	454	1 038	32	23	53	51	75	44
Sub-Saharan Africa	350	385	438	397	958	22	20	47	45	69	39
North Africa	155	43	49	54	74	10	2	5	6	5	4
Asia	211	225	147	121	119	13	11	16	14	9	33
South and Central Asia	77	165	109	93	104	5	8	12	10	7	20
Far East	134	58	37	28	16	8	3	4	3	1	12
America	159	165	103	140	87	10	8	11	16	6	11
North and Central America	91	68	26	81	22	6	3	3	9	2	5
South America	68	97	77	57	62	4	5	8	6	4	5
Middle East	635	1 040	122	90	44	40	53	13	10	3	6
Oceania	0	2	0	-	0	0	0	0	-	0	2
Europe	78	89	69	85	97	5	5	7	10	7	4
Total bilateral allocable by region	1 589	1 964	929	891	1 385	100	100	100	100	100	100
Least developed	403	481	386	368	958	26	25	43	42	71	44
Other low-income	15	15	14	16	34	1	1	2	2	2	3
Lower middle-income	730	1 066	273	270	163	47	56	30	31	12	34
Upper middle-income	407	336	223	218	200	26	18	25	25	15	18
More advanced developing countries	1	0	0	0	-	0	0	0	0	-	-
Total bilateral allocable by income	1 556	1 898	897	872	1 355	100	100	100	100	100	100
<i>For reference:</i>											
<i>Total bilateral</i>	1 718	2 075	1 069	1 002	2 003	100	100	100	100	100	100
<i>of which: Unallocated by region</i>	129	111	140	111	618	8	5	13	11	31	24
<i>of which: Unallocated by income</i>	163	177	172	129	648	9	9	16	13	32	30



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.

Table B.4 Main recipients of bilateral ODA

Italy	2000-04 average				2005-09 average				2010-11 average				Memo: DAC countries' average %
	Current USD million	Constant 2011 USD mln	Per cent share	Memo: DAC countries' average %	Current USD million	Constant 2011 USD mln	Per cent share	Memo: DAC countries' average %	Current USD million	Constant 2011 USD mln	Per cent share	Memo: DAC countries' average %	
Mozambique	103	178	11		556	629	29		374	375	25		
Congo, Dem. Rep.	96	136	10		260	317	14		59	62	4		
Tunisia	33	52	3		78	87	4		55	57	4		
Ethiopia	30	49	3		61	65	3		55	57	4		
China	29	43	3		51	57	3		33	35	2		
Top 5 recipients	290	458	31	42	1 005	1 156	53	54	576	585	39	36	
Tanzania	28	49	3		42	45	2		29	30	2		
Uganda	26	48	3		38	44	2		27	29	2		
Afghanistan	25	39	3		55	40	2		27	27	2		
Albania	23	38	2		32	34	2		23	23	2		
Eritrea	22	39	2		31	34	2		23	23	2		
Top 10 recipients	415	670	44	56	1 183	1 353	62	64	704	719	48	52	
West Bank & Gaza Strip	21	33	2		31	32	2		22	23	2		
Cameroun	15	27	2		28	32	1		22	23	1		
Guinea-Bissau	14	20	2		27	31	1		19	20	1		
Serbia	14	25	1		21	24	1		16	16	1		
Algeria	14	20	1		21	23	1		16	16	1		
Top 15 recipients	493	796	52	63	1 311	1 496	69	69	799	816	54	60	
Egypt	13	20	1		19	23	1		15	16	1		
Rondras	13	21	1		16	17	1		15	15	1		
Somalia	13	21	1		15	15	1		12	12	1		
Angola	13	20	1		15	17	1		12	12	1		
Bosnia-Herzegovina	11	20	1		14	15	1		12	12	1		
Top 20 recipients	555	897	59	68	1 390	1 585	73	73	865	884	59	65	
Total (121 recipients)	802	1 285	85		1 746	1 973	92		1 094	1 120	74		
Unallocated	143	227	15	12	159	175	8	5	379	383	26	25	
Total bilateral gross	945	1 512	100	100	1 904	2 148	100	100	1 473	1 502	100	100	

Table B.5 Bilateral ODA by major purposes
at constant 2011 prices and exchange rates

Italy	Gross disbursements - Two-year average						
	2000-2004 average		2005-09 average		2010-11 average		2010-11 Total DAC per cent
	2011 USD million	Per cent	2011 USD million	Per cent	2011 USD million	Per cent	
Social infrastructure & services	281	21	410	18	302	21	39
Education	80	6	74	3	80	6	8
of which: basic education	5	0	11	0	13	1	2
Health	59	4	114	5	77	5	5
of which: basic health	33	2	42	2	37	3	3
Population & reproductive health	7	1	11	0	10	1	7
Water supply & sanitation	30	2	87	4	41	3	5
Government & civil society	30	2	82	4	58	4	13
of which: Conflict, peace & security	-	-	12	1	7	1	2
Other social infrastructure & services	74	5	41	2	37	3	3
Economic infrastructure & services	37	3	183	8	47	3	16
Transport & storage	7	1	58	3	25	2	6
Communications	2	0	6	0	11	1	0
Energy	17	1	98	4	3	0	6
Banking & financial services	6	0	16	1	6	0	2
Business & other services	5	0	6	0	2	0	1
Production sectors	96	7	117	5	70	5	8
Agriculture, forestry & fishing	37	3	78	3	39	3	5
Industry, mining & construction	55	4	36	2	27	2	1
Trade & tourism	4	0	3	0	4	0	1
Multisector	145	11	132	6	65	5	12
Commodity and programme aid	108	8	73	3	16	1	3
Action relating to debt	506	37	1 147	51	538	38	4
Humanitarian aid	115	8	99	4	80	6	9
Administrative costs of donors	62	5	62	3	43	3	5
Refugees in donor countries	14	1	8	0	264	19	3
Total bilateral allocable	1 365	100	2 231	100	1 425	100	100
<i>For reference:</i>							
Total bilateral	1 566	42	2 287	45	1 502	38	74
of which: Unallocated	201	5	56	1	78	2	1
Total multilateral	2 133	58	2 775	55	2 501	62	26
Total ODA	3 700	100	5 063	100	4 003	100	100

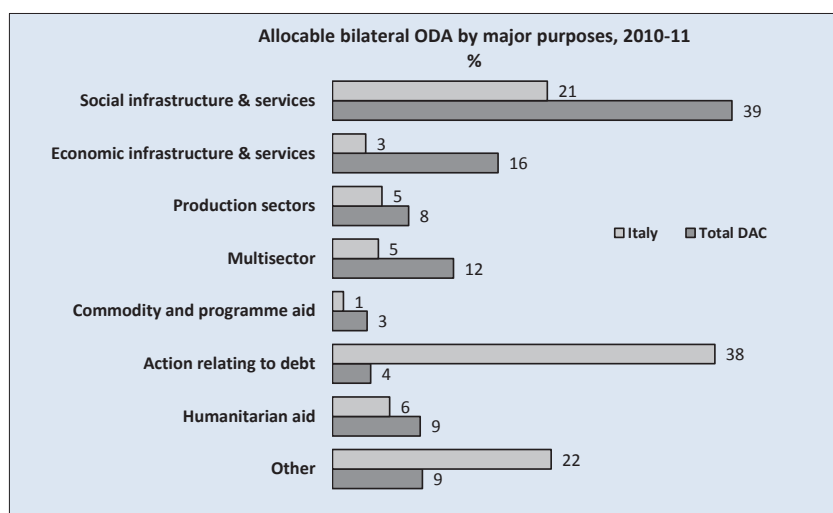


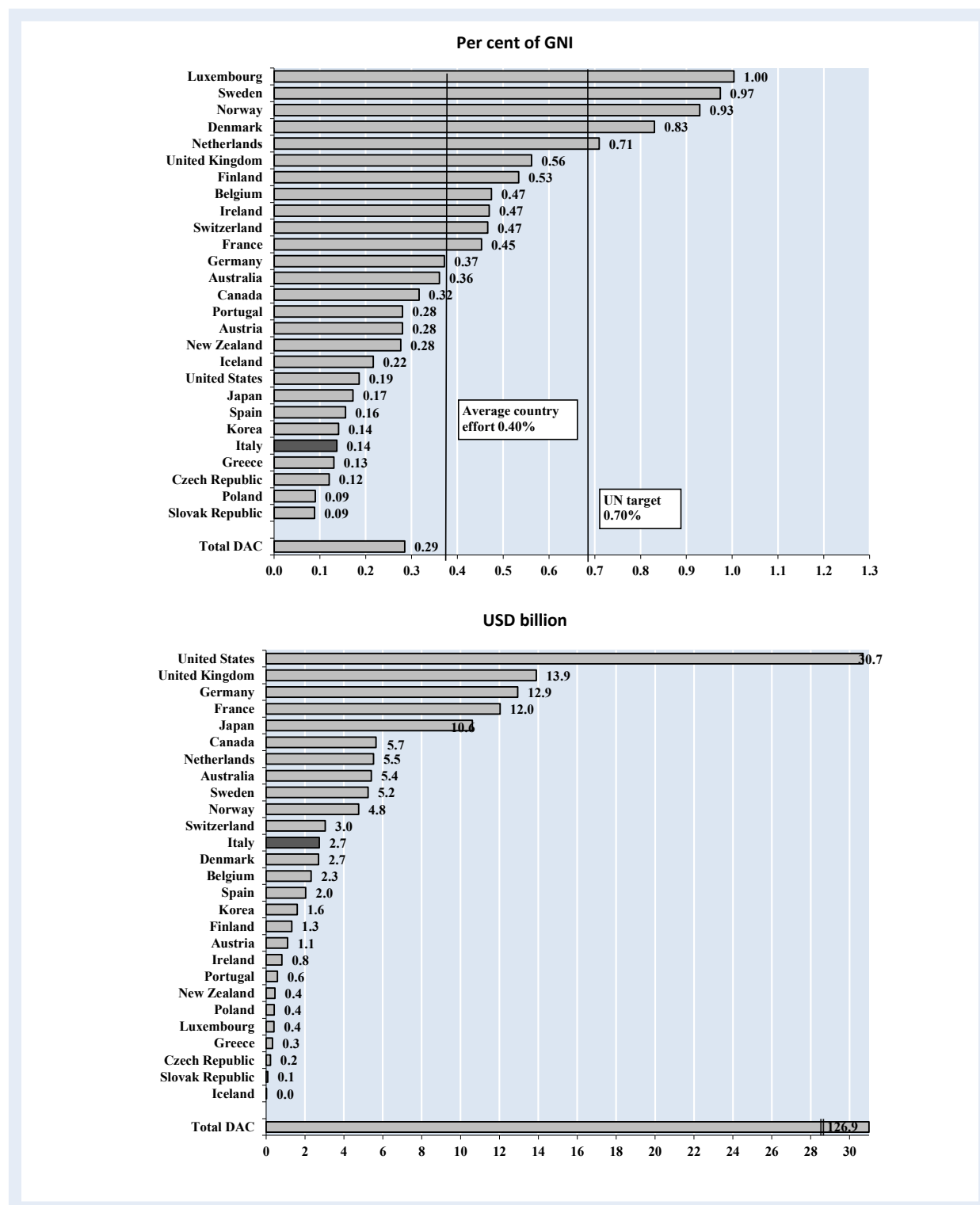
Table B.6 Comparative aid performance

	Official development assistance			Grant element of ODA (commitments) 2011 % (a)	Share of multilateral aid				Net disbursements	
	2011		2005-06 to 2010-11 Average annual % change in real terms		2011				ODA to LDCs Bilateral and through multilateral agencies 2011	
	USD million	% of GNI			% of ODA		% of GNI		% of ODA	% of GNI
					(b)	(c)	(b)	(c)		
Australia	4 924	0.34	7.7	99.8	13.1		0.04		27.9	0.09
Austria	1 111	0.27	-8.6	100.0	55.9	27.6	0.15	0.07	29.1	0.08
Belgium	2 807	0.54	4.3	99.9	38.0	19.4	0.20	0.10	39.6	0.21
Canada	5 459	0.32	2.1	100.0	24.7		0.08		35.6	0.11
Czech Republic	250	0.12	3.8	100.0	69.3		0.09		30.2	0.04
Denmark	2 931	0.85	1.6	100.0	26.8	17.5	0.23	0.15	38.0	0.32
Finland	1 406	0.53	5.7	100.0	40.3	25.1	0.21	0.13	34.1	0.18
France	12 997	0.46	1.2	85.1	34.6	16.0	0.16	0.07	29.5	0.14
Germany	14 093	0.39	2.9	90.9	38.0	18.8	0.15	0.07	27.8	0.11
Greece	425	0.15	-1.3	100.0	63.8	3.4	0.09	0.01	21.1	0.03
Iceland	26	0.21	-0.4	100.0	21.6		0.05		45.4	0.10
Ireland	914	0.51	0.7	100.0	33.9	17.2	0.17	0.09	53.9	0.28
Italy	4 326	0.20	-6.8	100.0	60.6	16.2	0.12	0.03	39.1	0.08
Japan	10 831	0.18	-6.6	89.2	35.9		0.06		39.4	0.07
Korea	1 325	0.12	15.6	93.9	25.3		0.03		35.8	0.04
Luxembourg	409	0.97	2.8	100.0	31.6	22.8	0.31	0.22	37.9	0.37
Netherlands	6 344	0.75	0.7	100.0	31.6	20.8	0.24	0.16	23.9	0.18
New Zealand	424	0.28	2.0	100.0	22.3		0.06		28.9	0.08
Norway	4 756	0.96	3.3	100.0	25.1		0.24		32.1	0.31
Portugal	708	0.31	8.3	86.5	32.6	7.1	0.10	0.02	50.9	0.16
Spain	4 173	0.29	4.8	99.2	45.3	17.6	0.13	0.05	28.2	0.08
Sweden	5 603	1.02	2.8	100.0	35.0	28.3	0.36	0.29	35.2	0.36
Switzerland	3 051	0.45	2.3	100.0	22.2		0.10		26.5	0.12
United Kingdom	13 832	0.56	3.6	100.0	38.7	25.0	0.22	0.14	38.8	0.22
United States	30 783	0.20	1.4	100.0	12.0		0.02		37.6	0.08
Total DAC	133 908	0.31	1.1	95.8	29.7	0.09			34.2	0.11
Memo: Average country effort		0.48								

Notes:

- a. Excluding debt reorganisation.
b. Including EU institutions.
c. Excluding EU institutions.
.. Data not available.

Figure B.1 Net ODA from DAC countries in 2012



Annex C: Field visit to Albania

A team of examiners and the OECD Secretariat visited Albania in October 2013 as part of the peer review of Italy. The team met Italian development co-operation professionals, partner country civil servants, other bilateral and multilateral partners, and representatives of Italian and partner country civil society organisations, the private sector, and local and regional authorities as well as parliamentarians.

Context: development and an EU integration agenda

Albania is an upper middle-income economy (per capita GDP was USD 4 909 in 2013) with a moderately high level of unemployment (13%). It ranks 70th in the 2012 Human Development Index (UNDP, 2013). Since 1991 Albania has experienced rapid transition from a centralised and authoritarian state towards a democratic system with a market economy, as well as high GDP growth (until 2011). Notwithstanding these achievements, 1.4% of Albanians live in extreme poverty, 7.4% are vulnerable to poverty, and gender inequality continues to be a sensitive issue (UNDP, 2013).

Albania is driven by a combined development and integration agenda. It embarked on the process of joining the European Union (EU) by signing the Stabilisation and Association Agreement in 2006. These aspirations have provided an impetus for reforms, and raised expectations among the population of rapid development. Albania has made good progress towards fulfilling the political criteria and delivering on a number of substantial reforms with respect to the key priorities identified by the EU. In October 2013 the European Commission recommended Albania to be granted EU candidate status, subject to completion of measures in key areas including the fight against corruption and organised crime, human and property rights, public administration and judicial reforms. However, in December 2013, the EU Council postponed its decision until June 2014. In 2013 Albania ranked 116th in Transparency International's Corruption Perception Index (TI, 2013).

Box C.1 Donor co-ordination mechanisms in Albania

Since 2005 the Government of Albania has increasingly taken a lead role in co-ordinating external assistance. With the support of the World Bank, it developed an Integrated Planning System that provides a policy planning framework, a monitoring system, and a mechanism to align donor assistance to national policies. The Department of Strategy and Donor Co-ordination (DSDC), located within the Council of Ministers, co-ordinates and monitors the National Strategy for Development and Integration (NSDI) for 2007-13 and the Medium-Term Budget Programme. Moreover, in support of its multi-faceted mandate for strategic planning, policy analysis, monitoring, evaluation and donor co-ordination, DSDC is also leading the design and development of the External Assistance Management Information System. DSDC is the government's point of contact for donors. Following the June 2013 elections, the new government nominated a Vice Prime Minister in charge of donor co-ordination.

A Donor Technical Secretariat (DTS) was also established to facilitate a structured donor-to-donor and donor-government dialogue. It co-ordinates up to 29 sector and sub-sector working groups composed of government and donor representatives and covering the five key areas of the NSDI. To revitalise the system, the EU Fast Track Initiative on the Division of Labour (launched in 2010) identified a lead donor for each priority sector, with a three-year mandate. However a number of working groups are still dormant. Enhancing line ministries' leadership in the process could be efficient. Annual donor-government roundtables are held at a political level, complemented by quarterly high-level meetings and monthly meetings at a technical level.

Source: Interviews in Albania, October 2013, and DSDC website (DSDC, 2013).

Towards a comprehensive Italian development effort

Italy's whole-of-country approach to Albania

Geographical proximity, historical ties, and economic, cultural and social exchanges contribute to making Albania a priority country for Italy's development co-operation. Italy's political commitment in Albania reflects its broader strategy in the Western Balkans aimed at supporting the EU's enlargement policy (Italian Embassy in Tirana, 2013). In so doing, Italy also implements its foreign policy objectives focusing on ensuring security in the region and managing migration flows (Box 1.1), as well as its development objectives for Albania's socio-economic progress, and its trade objectives aimed at facilitating the penetration of Italian businesses in Albania and in the region. These efforts contribute to implementing Italy's whole-of-country approach while at the same time helping Albania to become a candidate for EU membership.

There is scope to develop economic development-friendly policies

Around 500 000 Albanians live in Italy. Italian is widely spoken in Albania. Italy is Albania's first trading partner, with more than 400 registered Italian enterprises, and one of the most important foreign direct investment (FDI) shareholders. In 2010, 15% of Albania's FDI stock was of Italian origin. In addition, 31% of Albanian imports come from Italy and 51% of Albanian exports are directed to Italy. Italian investors provide important financing in the manufacturing (textile and footwear), construction and energy sectors and usually also provide Italian know-how and technology. These investments are often part of Italian companies' offshore and outsourcing strategies and benefit from relatively cheap factors of production. As a result of Italy's highly fragmented productive structure, Italian investors are mainly SMEs (between 4 and 50 employees).

This strong economic co-operation is reflected in Italy being chosen as the lead donor for the private sector in the EU Initiative on Division of Labour launched in 2010. Italy's development co-operation for Albania's private sector "aims to support

Albanian entrepreneurs in the acquisition of innovative technology of Italian origin and improve production standards in order to strengthen their competitiveness in the local and international market” (Italian Embassy in Tirana, 2013). There is scope for Italy to support development-friendly joint ventures and encourage further trade with Albania and between Albania and its regional partners. In the context of the 2014 -2020 EU Instrument for Pre-accession Assistance, IPA (II), Italy may wish to explore matching soft loans and EU funding and help Albania in building its trade-related capacities, so that it may compete effectively in the global economy.

A whole-of-government-approach can increase the coherence of Italian policies

The General Agreement for a Strategic Partnership signed in 2010 by the two governments constitutes Italy’s overall country strategy in Albania. The strategy encompasses seven areas for Italian-Albanian relations (subject to change if the parties agree): the EU integration process; development co-operation; co-operation with the UN system, NATO and the World Bank; cultural, scientific, legal, and economic co-operation; the fight against corruption and organized crime; and dialogue with civil society organisations and with local authorities.

The Italian Embassy in Tirana has responsibility for co-ordinating the activities carried out by the various Italian institutions represented in Albania as part of Italy’s whole-of-country approach. A programme for technical assistance among institutions brings ministries, regions, NGOS and municipalities together to exchange information and foster synergies. The ambassador’s co-ordinating role is widely viewed as indispensable. The ambassador consults representatives of Italian institutions and local authorities represented in Albania twice a month on average and periodically hosts meetings with representatives of the private sector and civil society, as appropriate. While orienting the choices of the different actors of the Italian system is not an easy task, Italy could go further to raise awareness of policy coherence for development (PCD) issues among Italian actors. To do so, it could formulate an Italian approach to PCD in Albania, drawing on good practice in the case of migration, which involves different administrations from both countries (Box C.2).

Box C.2 Migration: a case for implementing the whole-of-country approach

In Tirana the many institutions that constitute the “Italian system” include NGOs, Catholic organisations, regions and municipalities, as well as the private sector. As concerns migration issues, a co-ordination group involving the Italian embassy, the Italian Ministry of Labour and Social Welfare, Albania’s Ministry of Labour and Youth and the International Organization for Migration (IOM) meets once a month.

This offers a unique opportunity for the Italian ambassador to stimulate greater institutional awareness of the relationship between migration and development and engage these actors in exploring approaches, for example to train transnational entrepreneurs, provide bonuses for returnees, link vocational training with return plans and capacity building in Albania, and support Albanian students with appropriate measures on their return to Albania from Italy. One promising area has been the “neighborhood partnerships” between regions of origin and destination to promote spontaneous development of circular migration patterns and forms of migratory “commuting” (Chaloff, 2008). Italy could go further and encourage public institutions and the private sector to invest in training activities targeting Albanian returnees seeking jobs in Albania.

In the context of Albania’s action plan on remittances, the IOM, Italian NGOs, Banca Etica and the Centre for International Political Studies (CeSPi) set up a database to help migrants compare money transfer costs and encourage service suppliers to improve the quality of the financial products they offer to migrants. In parallel, the Italian Ministry of Labour and Social Welfare launched a programme supporting the establishment of 26 migration offices for departing Albanians, as well as information services for potential migrants. The programme also finances vocational training and provides job mediation within the Italian labour market to facilitate the entry of qualified workforce in Italy.

Italy's policies, strategies and aid allocations

Italy's development co-operation is adaptable to new circumstances and opportunities

Italy is a respected partner in Albania, and its development co-operation has a good image with Albanian actors. It has adapted its co-operation to Albania's changing requirements, facing emergency needs in the 1990s, supporting modernisation of public infrastructure and promoting institutional strengthening and democratisation thereafter, and fostering socio-economic development. Italy is a fervent supporter of Albania's accession to the EU.

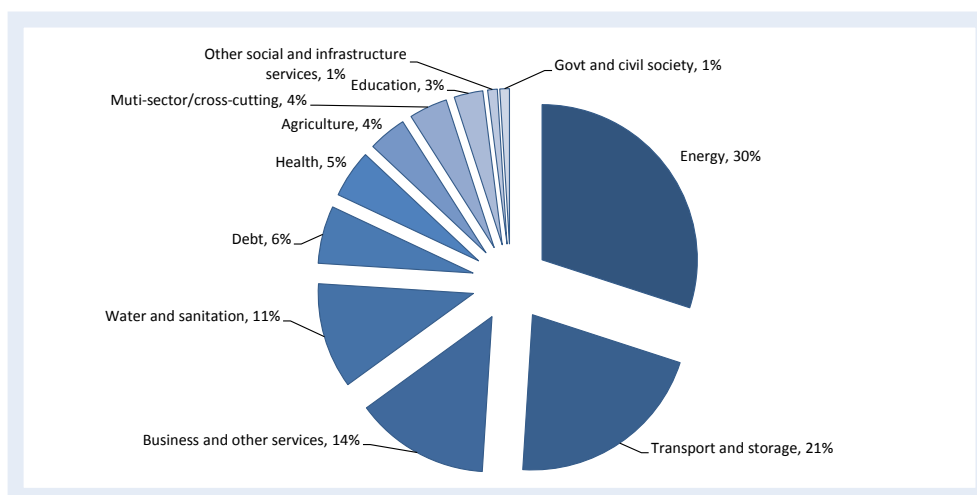
Italy and Albania signed a Framework Agreement on Italian-Albanian Co-operation in 2008 and a Protocol on Italian-Albanian Development Cooperation 2010-12 in April 2010. The protocol lacks a results orientation and does not cover all official interventions, which makes it difficult to promote the cohesion of Italy's development co-operation system. Albania's next National Strategy for Development and Integration (NSDI), as well as the second phase of the EU Instrument for Pre-accession Assistance, IPA (II), provide an opportunity for Italy to examine how to plan its future co-operation with a more inclusive and focused approach. The Albanian results framework that will accompany the revised NSDI is also an opportunity for Italy to strengthen its results orientation, with a stronger focus on outcomes.

Alignment is respected, but the programme is overly fragmented

Italy's current portfolio of planned and ongoing projects in Albania amounts to EUR 305 million, of which EUR 255 million for soft loans (including undisbursed moneys from previous programmes), EUR 30 million for grants and EUR 20 million dedicated to the debt for development initiative. Italy's multi-bi contributions finance mostly pilot projects aimed at strengthening institutional capacities at decentralised level, and projects related to environmental protection and food security.

The choice of sectors and projects for delivering Italian development co-operation reflects the priorities of Albania's 2007-13 NSDI. Bilateral agreements for each project include provisions for regular review mechanisms in order to respect alignment and respond to emerging needs. Nevertheless, Italy's programme in Albania is spread thinly across 11 sectors (Figure C.1), and fragmented into a large number of projects (42), which involves high administrative costs. In spite of the EU Code of conduct on the division of labour, the 2013-15 STREAM document confirms Italy's continued investment in many sectors as a result of the commitments carried over from past country programmes.¹ Italy could be more effective by scaling up its interventions, but it lacks an explicit exit strategy for non-priority sectors.

Figure C.1 2013 portfolio of Italian development co-operation in Albania by sector



Source: Italian development co-operation in Albania: financial overview (updated: 15 October 2013).

Support and guidance are needed for mainstreaming gender equality and the environment

Italy conducts a number of gender- and environment-related activities at project level, mostly through Italian NGOs and decentralised co-operation. There are no designated focal points or specific budgets for mainstreaming these themes. The debt swap programme has three outputs related to gender equality and women's empowerment, and the programme supporting SMEs also promotes environment-friendly production investments. Moreover, the agriculture programme specifically promotes climate change adaptation measures. While DGCS has developed a specific strategy for each of these cross-cutting themes (Chapter 2), they are not reflected in the current STREAM document but should be addressed in the 2014-2016 country programme. Both gender and the environment are part of Albania's NSDI and cross-cutting Strategy on Social Inclusion.

Staff, including project managers, need assistance in mainstreaming gender and the environment in overall programming and in the project cycle. They also need relevant tools (e.g. a gender action plan, accountability mechanisms for reporting on results) and procedures, as well as training for their application.

Organisation and management

More authority could be delegated to the co-operation office

Tirana's co-operation office falls under the responsibility of the Italian ambassador and is part of DGCS's central technical unit. The director of the co-operation office combines programming, management, co-ordination, monitoring and consultative functions, notably as concerns national partners, Italian actors and other donors. The ambassador is responsible for monitoring the overall impact of Italy's presence and certifying that each project within the development co-operation programme has reached its objectives. Financial and administrative management of development funds also falls under the embassy's responsibility, and the ambassador approves staff contracts, procurement and other payments related to Italy's development co-operation. Delegating more financial authority to the co-operation office (e.g. for NGO projects up to an agreed amount) would streamline and shorten approval procedures and give the co-operation office some financial autonomy.

Communication flows between staff from the embassy and the co-operation office appear to be fluid. Nevertheless, there is room for more structured exchanges between them and with headquarters, particularly on sharing experiences and institutional learning.

Human resources are a challenge

Italy does not have a critical mass of core development professionals in Albania. Budget cuts imposed throughout the public administration have severely impacted its development co-operation: the co-operation office lost human resources up until 2013, with a corresponding impact on the pace and delivery of development interventions. At present, the office includes one director (from the central technical unit), one fellow from UNDESA as well as seven local administrative staff and four Italian technical experts under fixed-term contracts. These are renewed yearly according to available resources, which creates unnecessary administrative costs and tend to affect staff morale. With overall budget increases in 2013, the situation has begun to improve, with positive impact on the quality of the programme. Legal conditions permitting, Italy should consider recruiting qualified nationals, as needed. This has numerous advantages including facilitating engagement with local communities of practice, bringing in experts with good knowledge of the context and contributing to building an institutional memory and learning.

Partnerships, results and accountability

Further engage in approaches using country systems and joint funding mechanisms

Italy's development co-operation financed through grants is delivered as project type interventions implemented by Italian NGOs, consultants, regions and municipalities as well as universities and vocational training centres. In the context of soft loans, Italy's aid is delivered mainly through line ministries, using technical support units in some cases. In the case of the debt swap initiative, the programme makes full use of country systems². A joint steering committee manages the funds and a technical support unit carries out the screening of proposals for individual projects in the social sectors and assists the Albanian authorities in implementing, monitoring and evaluating the projects. Though lengthy, these procedures contribute to minimising the risks of corruption and increasing transparency.

Italy has stated its intention to move towards sector-wide and programme approaches, using basket funding and other joint analysis and arrangements (including delegated co-operation) whenever possible. This would allow Italy to better harmonise its activities with other donors. Concurrently, Italy should strengthen its risk management approach which up until now, falls within the responsibility of the governance mechanism established for each project.

Italy is actively involved in donor co-ordination mechanisms and has agreed to take the lead on the private sector. The mission heard that its expertise had had positive outcomes in this respect.

Aid predictability and flexibility remain challenging

Italy scored poorly in the OECD survey concerning aid predictability to Albania. Only 32% of its aid disbursements were on schedule and recorded by the Albanian Government in 2010. Italy's financial situation did not encourage medium-term financial commitments in the period leading to the survey. However, the Italian budget system itself does not encourage aid predictability and flexibility. Being able to reallocate funds across sectors would enable Italy to better respond to, and align with, Albanian needs.

Soft loans are tied

In Albania, 40% to 70% of Italian loans are tied to Italian goods and services. While the mission learnt that Italy's strategic approach had contributed to bringing competences in SMEs and agriculture in particular, the impact of its tied aid policies on further development would need to be monitored. Italy plans to untie its soft loans in the 2014-2016 country programme in line with OECD rules on officially supported export credits.

Valued approach to working with local actors

Italy promotes ownership at the national and sub-national levels, where it builds capacity through twinning, scholarships and training. In supporting local development, it uses both its bilateral programme (e.g. the debt swap initiative focusing on social inclusion at local level) and the multilateral channel, with its support to the ART programme managed by UNDP and involving regional, municipal and local authorities to promote sustainable development. Italy also strengthens the capacity of Albanian civil society, building on tight and continuous relations with Italian actors.

Strengthen the focus on results and learning

Italy does not have a systematic approach to results-based management. While monitoring and evaluation systems seem to be robust at the project level, the link with the overall country framework is unclear.

Italy has set up a database to collect information on its development co-operation activities in Albania. Building on this, Italy could go a step further in managing knowledge by documenting good and bad practices and capitalising on experiences to improve the quality of development co-operation. In this context, it could seek inputs from external stakeholders (other donors, research institutes and academia).

Notes

1. These include the transport, energy and water sectors, as well as environment, natural resources management, local governance, gender equality, disability, and child protection in addition to the three priority sectors.
2. In the 2010 OECD monitoring survey, Albania was rated “C” on the reliability of its public financial management systems and procurement. Actions have been taken to digitise the government financial system and to make donors more aware of public financial management and procurement systems, and Albania has an obligatory electronic procurement system for 100% of all public sector procurements above a threshold of EUR 3 000. However, budgetary planning is still at an early stage although the situation is improving.

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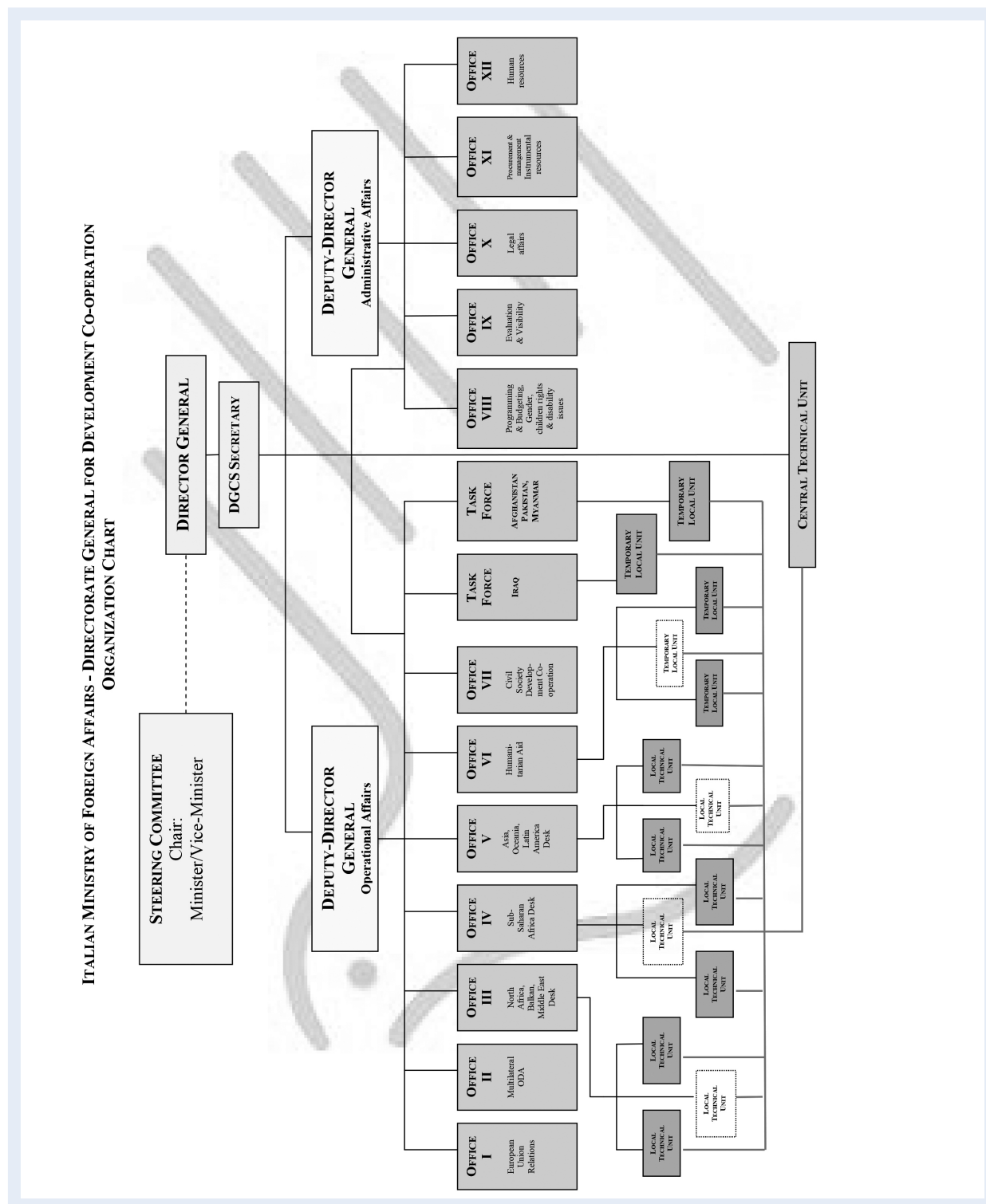
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Annex D: Institutional and organisational structures



OECD Development Co-operation Peer Review

Italy 2014

The OECD's 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 years. 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.

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