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 budgets[2]. 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 STREAM[4] (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.

Bibliography

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