

# 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.





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