

# 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 Assembly<sup>1</sup> 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.<sup>2</sup> Italy's 2013 Memorandum, and the triennial guidelines for development co operation, also point to a number of poverty-related global challenges.<sup>3</sup>

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.<sup>4</sup> 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,<sup>5</sup> 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.

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**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.<sup>6</sup> 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 Planning<sup>7</sup>, 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),<sup>8</sup> which has a working group on PCD, and/or the inter-ministerial technical working group on ODA,<sup>9</sup> 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).

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**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.<sup>10</sup>

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### **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 2012<sup>11</sup> 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.<sup>12</sup>

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**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.

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**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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