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**DEVELOPMENT CO-OPERATION DIRECTORATE
DEVELOPMENT ASSISTANCE COMMITTEE**

Peer Review

Mid-term Review of Italy

The mid-term review of Italy was conducted in 2022 following the 2019 peer review.

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DEPUTY DIRECTOR

DEVELOPMENT CO-OPERATION DIRECTORATE

Director's office

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19 July 2022

To: DAC Delegates and Observers

Italy Mid-term Review, 13-14 June 2022, Rome

Dear Colleagues,

On 13-14 June 2022, I conducted the mid-term review of Italy, together with Rahul Malhotra and Emily Bosch of the Development Co-operation Directorate (DCD). I would like to thank Director General Fabio Cassese and officials at the Ministry for Foreign Affairs and International Co-operation (MFAIC), as well as Director Luca Maestripieri and colleagues at the Italian Agency for Development Co-operation (AICS) with whom we held very constructive meetings. I would like to also thank Ms. Alessandra Pastorelli, Counsellor and DAC delegate; Ms. Silvia Santangelo, Counsellor; and Mr. Jacopo Martino, Counsellor, for their close co-operation in the lead up to the review. In addition, we had rich and frank discussions with senior officials from the Ministry of Economy and Finance (MEF), *Cassa depositi e prestiti* (CDP), civil society, co-ordinators of the National Council for Development Co-operation, and delegations from the Senate and Chamber of Deputies. We thank them for taking the time.

The mid-term review focused on the DAC's 2019 peer review recommendations, and the significant positive developments that have taken place since. We are very impressed by the fact that Italian Development Co-operation has made progress on all 11 recommendations, all of which were integrated into the [2021-23 Programming and Policy Planning Document \(PPPD\)](#). Specifically, Italy continues to champion multilateralism and has started to increase official development assistance (ODA) as per its roadmap to increase levels each year for the next five years, ensuring that humanitarian and development support to Ukraine and Italy's commitment to triple climate finance remain additional. We were pleased to note that Italian public and political support for development co-operation remains high. The next year will be critical for the finalisation of some key policies and their implementation.

Italy's development co-operation policy is more strategic, reinforced by a policy coherence action plan

Italy presented its National Action Plan for Policy Coherence for Sustainable Development (PCSD) as part of its [Voluntary National Review report](#) at the UN High-Level Political Forum in July 2022. The Action Plan, annexed to the 2022 National Sustainable Development Strategy (NSDS), sets out a collaborative path with all stakeholders that is both procedural – allowing for interaction through institutional co-ordination mechanisms – and substantive – with the collection of opinions and contributions at different times of implementation. Two mechanisms exist to help change ways of working in and with the public administration: the NSDS / PCSD Policy Alignment and Integration group, and the Implementation and Assessment group.

Coherence matrices and fiches are some of the tools used to identify the contribution of new policies and investments to the NSDS targets/indicators, in the process highlighting synergies and trade-offs across actions. The National Action Plan guarantees high-level political involvement: transboundary effects that intersect with the PPPD are brought to the attention of the inter-ministerial committee for international development (CICs). The proactive effort of Italian development co-operation actors to address PCSD is remarkable and one other DAC members could emulate.

The aforementioned [2021-23 Programming and Policy Planning Document](#) is a three-year standing document that no longer requires annual revision and approval of the Council of Ministers, as recommended in the last peer review. As such, it offers a medium-term vision and strategy – adopted by civil society organisations (CSOs), Parliament and to some extent other ministries and subnational governments and by all other stakeholders of Italian development co-operation – that favours multi-year planning and aligns with the revised NSDS. As it nears

the end of the three-year cycle, it will be important to introduce a mechanism to monitor and evaluate progress against the policy's strategic objectives.

New policies are highly relevant, but take a long time to finalise

Italy recently published policies on gender equality and women's empowerment, and childhood and adolescence. Long-awaited policies on migration and development, and the humanitarian-development-peace nexus, will soon be finalised. Italy's migration and development policy aims to make migration a cross-cutting issue in development co-operation activities; guarantee assistance and protection of vulnerable people; improve the governance of migration in partner countries; value the positive contribution of migration to the development of partner countries; and finally, promote a responsible and informed narrative on migration and the migration-development nexus at national and international levels. Italy's experience on migration and development is one from which other DAC members can learn.

I was pleased to see all the hard work that has gone into the clear and detailed anti-corruption strategy, action plan and ethics code, as well as several trainings on preventing sexual exploitation, abuse and harassment (PSEAH) for Italian development co-operation actors. PSEAH has a central role in Italian development co-operation and dedicated funds to raise awareness. In addition to raising awareness, we look to Italy to also lead through policy leadership and programming going forward. The next peer review will look to see that they are generating data (case management) in terms of corruption cases, ethics issues that get raised, and alerts through the whistle-blower mechanisms.

The long time for approval of policies and guidance is a sign of constant collaboration and ownership by stakeholders but may also have trade-offs. Planned policies on sustainable agriculture and food security and demining are in the pipeline and offer an opportunity to consider the time invested in designing and putting policies in place, through extensive consultation, versus the imperative to provide quick and useful guidance to programme managers and subsequently course correct.

Public and political support for ODA increases are welcome in times of great need

MFAIC and AICS have worked to integrate global citizen engagement linked to the Sustainable Development Goals (SDGs). A specific budget line in MFAIC and the triennial National COOPERA conference that brings together all Italian development co-operation actors illustrates the participatory process and importance Italy attaches to raising citizen awareness. A Global Citizenship Education Action Plan was developed through a very participatory process and will work to reinforce global citizenship education through the Ministry of Education's focus on national school curricula. The next peer review will be an opportunity to measure progress and reflect on the division of labour between the Directorate General for Development Co-operation (DGCS) and AICS on communication and development awareness.

Efforts to help citizens understand the importance of development assistance may have played a role in Italy's ODA increase of 2021, reaching USD 6.0 billion, representing 0.28% of gross national income (GNI). Further increases are set out in the 2022 Budget Law: EUR 349 million per year through 2025, and a EUR 349 million annual increase from 2026. The ODA roadmap and progressive increases will help move Italy closer to its European and international commitments as outlined in Law 125/2014. At the time of our mission, we were assured that support for Ukraine, in-donor refugee costs and climate finance are *additional* to these ODA increases set out in the budget law. This is commendable and sets a strong standard amongst DAC members.

We encouraged Italy to find ways to ensure they do not decrease support to least developed countries (LDCs) due to competing priorities including its focus on the Mediterranean. We noted that many of Italy's priority partner countries are LDCs suffering negative consequences from the food and fuel crisis. We take note of the fact that predictability remains challenging for Italy's partners because the international missions' decree for peacekeeping and humanitarian aid is approved by parliament separately from the annual Budget Law, often at least six months into the calendar year.

Applying the development effectiveness principles to bilateral co-operation and partnerships is ongoing

The increase in Italian funding for bilateral co-operation through AICS is a positive sign. In tandem with more comprehensive country strategies for priority partner countries, starting with Tunisia and Jordan, this gives AICS some additional room for manoeuvre. A Coordination Committee between AICS, CDP and DGCS can be an opportunity to create greater synergies across government, but it is too soon to tell if this more comprehensive

approach signals a change for partners at the country-level. As a practical next step, a more strategic whole-of-Italian government approach could be cemented through multi-stakeholder partnerships across private sector and civil society using the flexibility afforded in the law, and where relevant drawing on examples from other DAC members such as the Netherlands.

A [2022 Corte dei Conti \(National Audit\) report](#) commends AICS and the fact that it was able to take over solid partnerships and projects from DGCS with civil society, administrations, regions and municipalities, plus European Union delegated co-operation. The report also cites some challenges, such as the excessive fragmentation of initiatives, multiplicity of competitive grant procedures, lack of policies or guidelines, and weak monitoring and evaluation systems. These conclusions reinforce some of the findings from the [2019 DAC Peer Review of Italy](#). For example, the next peer review will look at the extent to which new country strategies allow for the more programmatic approaches, rather than more fragmented project-type interventions that correspond to the modalities in place. Data from 2019 and 2020 combined show that 38% of bilateral ODA is project-type assistance, and less than half (17%) is provided through specific programmes or pooled funding arrangements.

Like other DAC members, Italy finds itself increasingly working in fragile or conflict-affected states with authoritarian regimes where its values may not fully align with the partner governments, but where needs – humanitarian and otherwise – are immense. One way to navigate this tension would be to adopt a more political and comprehensive definition of country ownership. To do so requires systems that can build on Italy's solid partnerships and deep networks that are already engaged in processes of co-planning and co-programming and provide longer-term strategic funding. This would give partners the space and resources to fully implement results-based management outside of calls for proposals, which are administratively burdensome and time-consuming for AICS to manage.

We heard from CSOs that they are satisfied with more frequent and productive dialogues with MFAIC and AICS in the past two years. They highlighted the pragmatic approach during COVID-19 to top-up existing projects, and the speed with which Co-ordination tables (and sub-tables) were convened for Afghanistan and Ukraine for government and CSOs to jointly address these crises both in Italy and abroad. We were encouraged by soon-to-be approved simplified procedures for humanitarian non-governmental organisations (NGOs) and the fact that direct assistance to local NGOs is possible for humanitarian assistance. We also recognise that Italy continues to channel the bulk of its ODA through multilateral entities, which can be an indirect way of funding Italian CSOs.

Italy has forged its own path to manage for results and AICS and DGCS should continue collaborating in this area

AICS has worked tirelessly to plot out a path to managing for development results since 2019. A joint AICS-DGCS policy paper on results-based management was approved in December 2021 and aligns well to the [OECD Managing for Sustainable Development Results guiding principles](#). AICS is building up the evidence and helping to bring about a cultural change, and advocating for procedures to be a function of development results rather than the other way around, which remains challenging. We were impressed to see the effort that has gone into the first draft on a theory of change on inclusive development and leaving no one behind. Through this effort, AICS country offices have worked with technical and thematic teams, to identify indicators that align to country and national results frameworks in priority countries. Developing theories of change should lead to further autonomy and contextualisation of interventions, while simultaneously allowing for a minimum level of standardisation in the monitoring of results, data collection and analysis.

Regular support to Embassies and partners is required to encourage this new way of managing for results. At the headquarters level, it is important for both AICS and DGCS to allocate sufficient time to work together to develop a reliable results system of quality management and data collection and analysis with some common standards. This is even more important since DGCS is responsible for monitoring and evaluation of Italy's development co-operation. In the future, I look forward to seeing further progress and how information features in digital platforms like [SIStake](#), which was designed to connect officials, partners and stakeholders with information and evidence on development co-operation activities in Italy and abroad.

Additional human resources for AICS offer renewed opportunities

Since AICS was created in 2014, it has been extremely difficult for the Agency to have the right people with the appropriate skills for development co-operation and with flexible mobility, within the rules and regulations of Italian public administration. The staffing gaps it has carried has affected the quality of development co-operation and the speed at which it has been able to operate. Until now, Italian development co-operation relied on senior experts in

DGCS and AICS initially hired through a modality that no longer exists (most of whom are now retiring) and very capable secondees from other Ministries for Director-level positions that do not typically stay with AICS. After years of waiting, including a pause in hiring due to COVID-19, the recruitment of a new wave of AICS civil servants has concluded; 60 new staff will join AICS in September 2022. The DAC secretariat would be pleased to work with AICS to see how its learning platform [Development Co-operation TIPs - Tools Insights Practices](#) might support the on-boarding of new staff by assisting with the translation of learning material into Italian (if necessary) and helping to identify OECD experts on topics of particular interest. The recruitment of these officials based in Rome and in country offices will help accelerate backstopping of country programmes.

CDP requires further support to realise its expanded roles and responsibilities

Since the 2019 peer review, a small number of blended finance operations were approved in Tunisia, the Philippines and Viet Nam, including in partnership with multilateral development banks such as the Asian Infrastructure Investment Bank. Such operations blend CDP's own resources and that of the *Fondo rotativo* (revolving fund) that CDP manages on behalf of the MEF. Amendments to Law 125/2014 recognise private entities as a full actor in development co-operation and therefore legally permit the rotating fund to extend finance to private sector entities. Although such a transaction has yet to take place, it will be even more important for CDP to collaborate with SIMEST S.p.A., the part of CDC Group that supports the growth of Italian companies, in the lead up to such transactions, and to guarantee that development impact is at the heart of these investments.

A state guarantee of EUR 50 million is expected to help CDP against first loss and could also have the knock-on effect of improving CDP's credit rating, an important challenge to-date. The guarantee may also offer an opportunity to consider how MEF can help incentivise investments in Italy's 20 priority countries. As before, ensuring appropriate human resources – staff with experience in developing countries and in extending a diverse palette of financial instruments – is important not only for CDP in Italy, but even more so in partner countries where feasibility studies and technical assistance help identify and prepare projects to attract and support private investment in development. Recently CDP was given the authority to administer the new Italian Climate Fund, which aims to disburse EUR 4.2 billion over five years, consisting of EUR 800 million in loans plus EUR 40 million in grants per year. Given the low number of CDP transactions for development finance to date, this level of ambition should be followed closely. Partnerships with AICS and bilateral and multilateral development finance institutions (DFIs) will be essential for CDP to be successful in its blending operations and for the credibility of Italy's new climate fund.

Conclusion

I was extremely encouraged by the progress made by Italy to address the DAC's 2019 recommendations, and the widespread attention given to the OECD DAC peer review process across all actors of Italian development co-operation. The next peer review in 2026 gives Italy some time to implement new policies and show how greater flexibility and higher ODA volumes have been bolstered by a new corps of public servants for development. I look forward to hearing more about how Italy is continuing to lead on important development issues at this critical juncture and how it is continuing to work in areas where it faces on-going challenges.

Yours sincerely,

A handwritten signature in blue ink, consisting of a stylized 'M' followed by a large, circular flourish and a horizontal line extending to the right.

Mayumi Endoh

CC: Ms. Susanna Moorehead, DAC Chair
Ms. Kerri-Ann Jones, OECD Deputy Secretary-General and Acting Director, DCD
Mr. Rahul Malhotra, Head of Division, Reviews, Results, Evaluation and Development Innovation, DCD
Ms. Emily Bosch, Policy Analyst, DCD