

**ITALIAN AID POLICIES AT A GLANCE
AUGUST 2008**

**FEATURES:
ODA FORECAST FOR 2008
&
INITIAL DISCUSSION OF THE 2009 G8 SUMMIT**

ODA AFTER THE TOYAKO G8 SUMMIT ON THE EVE OF THE FINANCIAL BILL

- Estimates for 2008 ODA are difficult to forecast, as ODA budgeted resources are scattered and hidden within many financial headings in different Ministries. According to estimates by the Minister of Finance, the Italian ODA for 2008 is at 0.22%, on the rise from its 2007 level – 0.19%. However it will fall short from the Government commitments tabled in the 2008-2011 Financial perspective when 2008 ODA/GDP was to reach 0.33% - the Barcelona target with a 2 year delay. There was high concern over the 2008 ODA level as it will be the aid percentage visible during the Italian G8 presidency. In early 2008, the Ministry of Finance had estimated that the Democratic Republic of Congo Debt cancellation (400 million euro) – would have helped to reach a 0.28% peak. In the view of the G8 Presidency, different government departments have been calling on for additional and extra-ordinary financial allocations (1.6 billion euro).
- Unlike last year, the first financial perspective 2009-2013 by Berlusconi does not include any reference to ODA targets and, more worryingly, at the end of July a Government decree reduces ODA allocation under Ministry for Foreign Affairs by 25% (-170 million euro) from 2009-2011. This move was part of a general cut to budget expenditures including health and defence budgets, with the Ministry of Defence facing a 23% reduction but an 10% increase for international military operations. The Parliament had no chance to redress the cut, as the government went for a confidence vote. In principle, the government could change its decision during the budget cycle, starting in September.
- The last year- June 2007 -, the Italian Government included a road-map to meet the EU ODA commitments, in particular the 0.51% by 2010, in the financial perspective - in 2008 (0.33%) and 2009 (0.42%). The same Financial perspective acknowledged that under the current financial allocations, Italy ODA would have stalled at 0.20% in 2008 and 0.16% in 2009.
- In his first Parliamentary speech, Prime Minister Berlusconi declared that development cooperation had to contribute to promote Italian exports abroad. During the Japanese G8, Minister for International Trade, Adolfo Urso, announced a multi-year initiative -“Africa Plan” 2010 - to promote Italian foreign direct investments in sub-Saharan Africa. The Plan has three objectives: to secure African commodities, to develop new markets, and enhance the tourism sector in Africa. Beyond official declarations, there is no public nor complete document available to better understand what role aid is playing in this trade package. Official delegations of Italian officers and business sectors are scheduled to visit Mozambique, Senegal, Tanzania, Mauritania, Nigeria and Cape Vert.

- **The Italian Sherpa office is already shaping the 2009 G8 thematic agenda, with an expected focus on education in conflict, health, agriculture and water and sanitation. G8 key people are:** Amb. Massolo, Mr Monticelli, finance sherpa; Min La Tella, Foreign Affairs sherpa; Min Sanguini Special African Representative.
- The Berlusconi Government did not appoint any deputy-minister or under-secretary to specifically deal with Development cooperation. Minister for Foreign Affairs, Franco Frattini, kept the development cooperation and the African dossiers under his responsibility at least until the G8. In his first hearing to the Parliament, he focused on the need to reform the ODA Law with a broad parliamentary majority and to re-launch bilateral cooperation. However, so far, he has given little time and attention to development cooperation specific events, such as attending the Accra Conference. He is unlikely to provide the needed leadership for kicking-off the ODA reform process. However, the current President of the Foreign Affairs Committee in the Senate declared that the government is to table a ODA bill for discussion. The last terms Parliamentary debate on ODA reform method is unanimously praised and its conclusions might be the starting point. Yet pro-government think tank claims to have been appointed to work on a brand new text.
- During the **2008 General elections campaign**, unlikely in the last elections (2006), no reference to international development was made in the right wing or in the left wing electoral manifesto, though the left wing candidate personally committed to reform development cooperation.
- In 2007, significant financial extra-resources for development cooperation – 1 billion euros – were allocated during the financial year, via special decrees, thanks to an expected windfall in budget revenues – 13 billions euro. Since the approval of the first road map for aid increase (2002), included in the 2003-2006 Financial perspective, Italy summed up 4.5 billions euros in aid arrears - the gap between commitments and actual disbursements. Between 2000-2006, Italy disbursed 83% of its commitments, withholding about 2.8 billion dollar from developing countries, while improving its disbursement performance - in 2003 the commitment disbursement ratio was below 70%.
- Shaky economic macro economic performances are said to be the very limit of the Italian aid quantitative performances. Yet, according to an ActionAid econometric study on donors economic factors' influencing aid allocations, government revenues, the presence of a development agency, growth, current deficits, political orientation of the government, and exports have a positive influence on aid allocations, with public debt having a negative influence and, surprisingly, per-capita having almost no influence. However taking the relations into the Italian economic context, Italy is underperforming. Following other donors paths, **under the current economic situation Italian ODA should be at 0.29%.**
- The findings of March 2008 survey by the Ministry of Foreign Affairs show that 46% of the Italian public support an increase in aid, against a 28% favouring a reduction. According to a 2007 CSO survey, hunger is considered the most urgent development problem to be addressed. As for 88%, debt relief is the main instrument to remove barriers to development, though to be granted only if human rights are respected.

HIV AND HEALTH COMMITMENTS: WIDESPREAD SUPPORT TO THE GLOBAL FUND TO FIGHT AIDS, TUBERCULOSIS AND MALARIA

- At the G8 Summit in Toyako, Mr. Berlusconi pledged 500 million dollar over the next five year to fund the global response against pandemics. In 2007, at Heiligendamm, Mr. Prodi committed 400 million dollar a year over ten years to fund the same global response.
- National budget regulations allow for international multi-year commitments to be accommodated in the budget. The 2008 Financial Law, disciplined the 40 year Italian participation to two G8 initiatives: the advanced market commitments and the multilateral debt relief initiative.
- According to the G8 Toyako Framework, the Italian aid investment in global health amounted to 286 million euro in 2007, raising from 189 euro in 2006. Italian bilateral contribution to malaria is at 32 million Euro, stable since 2005, while for tuberculosis, it equalled 23 million. Italian ODA in support of health systems and human resources development is provided to almost all African countries, mainly in collaboration with NGO, faith based organization and Italian local Administrations. According to the text, major investments, often in the form of sectoral budget support, are made in 6 African Countries, yet details are not provided.
- In 2008, Italy disbursed 410 million euros to the GFATM, the first donors to honour 2008 financial pledge (130 million euro till 2010). At the 2007 GFATM replenishment conference Italy pledged no increase, but confirmed “at least” 130 million euro a year till 2010. Civil society had demanded a doubling or at least a 150 million euro pledge.
- Following the 2006 failure to disburse its contributions, two special Bills to ensure the predictability of the Italian contribution to the GFATM were tabled in the Parliament. In the lower House, discussions enjoyed wide range political support. Eventually, the bill got stuck in the Budget Committee. Yet, thanks to last year pressure from NGOs, now there is a wide support for the GFATM ranging from civil society, member of parliaments and the media. Italy has a bad record on disbursement to the GFATM, though. In 2004 and 2006, the pledged contributions were not timely disbursed. In January 2005, resources were made available to partially meet 2004 and 2005 funding gaps (180 million euros in total). Contributions were not always additional to the current development budget. Currently, Italy is the third largest donors to the GFATM.
- Since the G8 Genoa Summit, the Global Fund against AIDS TB and Malaria has been one of the most innovative elements of the Italian aid policies. Since the GFATM establishment, Italy contributed by 1 billion dollar to the Fund.
- According to ActionAid analysis, during 2000-2006, Italy committed 550 million euros to specifically finance the response to HIV/AIDS, mainly via the GFATM (84%). The bilateral interventions are almost entirely focused on Sub-Saharan Africa (95%).

FOOD SECURITY COMMITMENTS

- On the occasion of the World Food Summit +5, held in Rome in 2002, Italy pledged 100 million euros to the FAO Food Security Special Fund, but till January 2008 it had only disbursed 70 million, while in June, announcing a quick disbursement for other 14 million. Italy is also part of the Food Aid Convention, with an actual contributions of 54 million euros out of a 108 million euros pledge.
- According to the G7 statements in 2008, Italy has increased food and emergency aid from 60.33 to 130.22 million euro in 2008 (98.22 are related to the Italian contribution to the Food aid convention awaiting confirmation by the Parliament). At the FAO Summit

on early June 2008, Minister Frattini announced an additional 30 million euro - 20 million to agricultural development programmes and 10 to WFP.

- Between 1994 and 2006 Italy contributed almost 330 million dollars to fund more than 200 FAO projects, by a 10 million euro voluntary contribution. In 2007, Italy committed 51 million dollars to the seventh IFAD replenishment — increasing its funding share from 6.3% to 7.9% for the 2007-2009 period.
- During the FAO conference Minister Frattini sketched the establishment of a “world food bank” to manage food stock and provide quick loans in case of future food shocks. The 2008 G8 food security communiqué underlines the need to further analyze the feasibility of any virtual mechanism to manage food stocks.

AID REFORM: PROACTIVE GOVERNMENT LEADERSHIP AND DEADLOCK

- On January 2007, the Prodi government had presented a proposal to **reform the Italian ODA architecture**, aimed at replacing a 20 year old law (Law 49/87). With this move the Government took a leading role on the reform, as part of the implementation of its electoral manifesto. The key changes and features of the proposal were:
 - a single political responsibility within the Ministry for Foreign Affairs for the whole development actions, including the IFIs;
 - no reference to the 0.7% ODA;
 - excluding ODA from supporting military and trade activities (even indirectly) while favoring the use of good and services from developing countries;
 - international development cooperation policy as an “integral” part of the Italian foreign policy;
 - no mention to the appointment of any “Deputy Minister for development cooperation”;
 - the Ministry of Finance was to keep the development cooperation resources but needing the political approval by the Foreign Affairs on how to use them;
 - no mention to the need to ensure policy coherence between international cooperation activities and other external relation activities;
 - creation of a public Agency responsible to carry out development cooperation activities, mainly those under the Ministry of Foreign Affairs responsibility;
 - a single financial "Fund" – gathering the many financial flows now scattered under various Ministries – to fund the Agency activities. This “Single Fund” was not to control the Ministry of Finance’s resources. The Agency could also act as a fund-raising body to the general public;
 - the bill only hints at the possibility for southern CSOs to have direct access to the Italian development cooperation financial resources;
- The Government ODA Reform Bill was sent to the Senate, where the ruling coalition could count on a hair-thin margin and many MPs - even within ruling majority - didn't not want to

use the government proposed bill. The Government also faced strong criticism from other quarters. Local authorities criticized the proposed reform for the predominant role of the Ministry of Foreign Affairs. Some NGOs did not support the Agency as it looked too strong in terms of implementing capacity. The diplomats within the Ministry of Foreign Affairs argued that Agency field offices could undermine and duplicate Embassies' role. Therefore, the government decided that the Foreign Affairs Committee of the Senate had to play a leading role by drafting a new consensual text taking into account different perspectives.

- After a six month long discussion, the Senate informal working group (WG) on the reform, consisting of a wide range of MP, had not been able to table a consensual text. Many feared a deadlock as the WG's work was completely independent from the working schedule in the Foreign affairs committee. Despite good working relations, the WG had not managed to dispel the initial concerns on the implementing agency. During the discussion of the 2008 Financial Bill, six months later the discussions had begun in the WG, the government attempted to break the Parliamentary stalemate on the reform and presented an amendment to establish the Agency using the speedy approval of the financial bill. Following harsh reactions and promises to quicken Parliamentary discussions on the reform, the Government withdrew the amendment. In the Senate Committee for Foreign Affairs a ODA reform bill was officially presented for discussion in mid-December 2008. It is unclear whether the new Parliament will decide to resume discussions from the last bill text.
- The Senate ODA bill sketched some positive elements: clear reference to partnership; aid activities not necessarily tied; reference to the Deputy Minister for development cooperation, sitting in the Cabinet; Minister for Foreign Affairs responsible for development policy; initial reference to policy coherence for development.

Unfortunately, there are limits and contradictions within the institutional structure the bill sets:

- Interministerial Committee for Development Cooperation mandate is too similar to the Minister for Foreign Affairs, especially on planning, control and coordination.
- The Single fund for development cooperation does not include all budget resources.
- No reference to the main body responsible to implement the development cooperation strategy, as the Minister for foreign affairs is responsible for the whole development policy while the implementing agency is only tasked to carry out limited initiatives.
- The Agency is simply one among other implementing actors within the development system. Agency tasks are too limited.
- No reference to independent evaluation.

BASIC FACTS ABOUT ITALIAN ODA

HOW MUCH?

- **The 2007 Italian ODA/GNI reached 0.19% - 0.16% excluding debt** – slightly decreasing from 0.20% of 2007¹, while recording a 44% increase by discounting debt. Italy planned to meet the 0.33% target in 2008. Current forecast estimates almost no increase in 2008 (0.22%), despite extra budget cycle contributions in 2007, that were disbursed in 2008.
- According to the Directorate General for Development Cooperation, only 22% of the financial resources for development cooperation is managed by the Ministry of Foreign Affairs² under Law 49/87, while the Ministry of Finance estimates the share of the Foreign Office in ODA at 38%. According to AA estimates, the 2008 financial Bill allocates 1.2 billion euro for development cooperation, almost the same level as last year. Any forecast on ODA levels

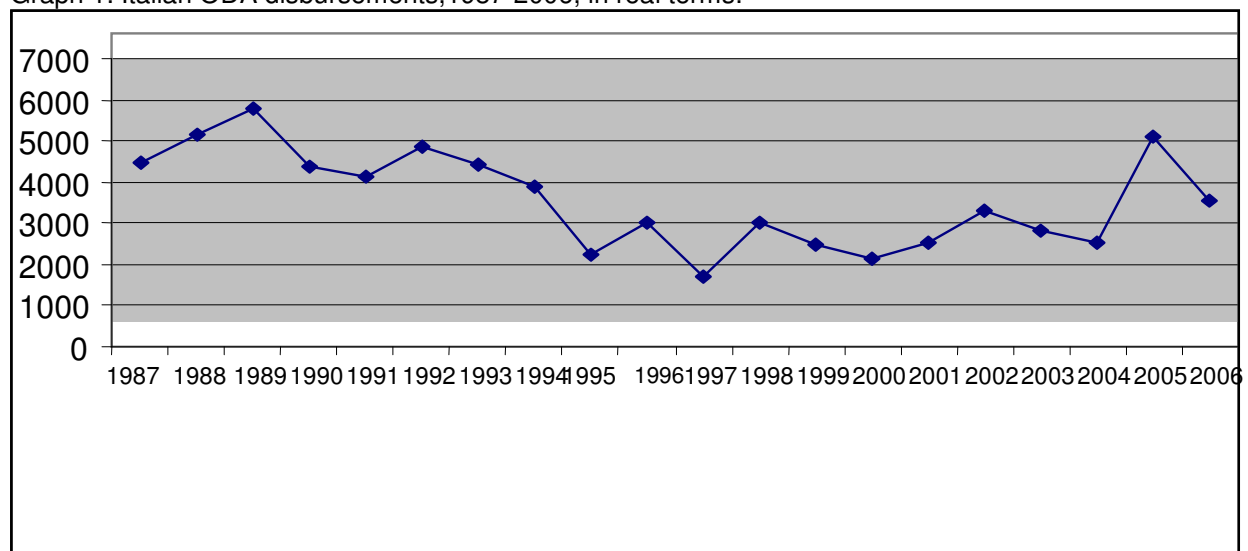
¹ Source: OECD-DAC, 2006 figures.

² Viceministra Sentinelli, Cooperazione italiana: attività e risultati del primo anno di Governo, June 2007.

has to take into account the facts that: 1) ODA is calculated on disbursements; 2) debt relief is not listed in the budget; 3) additional extra budget cycle ODA allocations generally are approved.

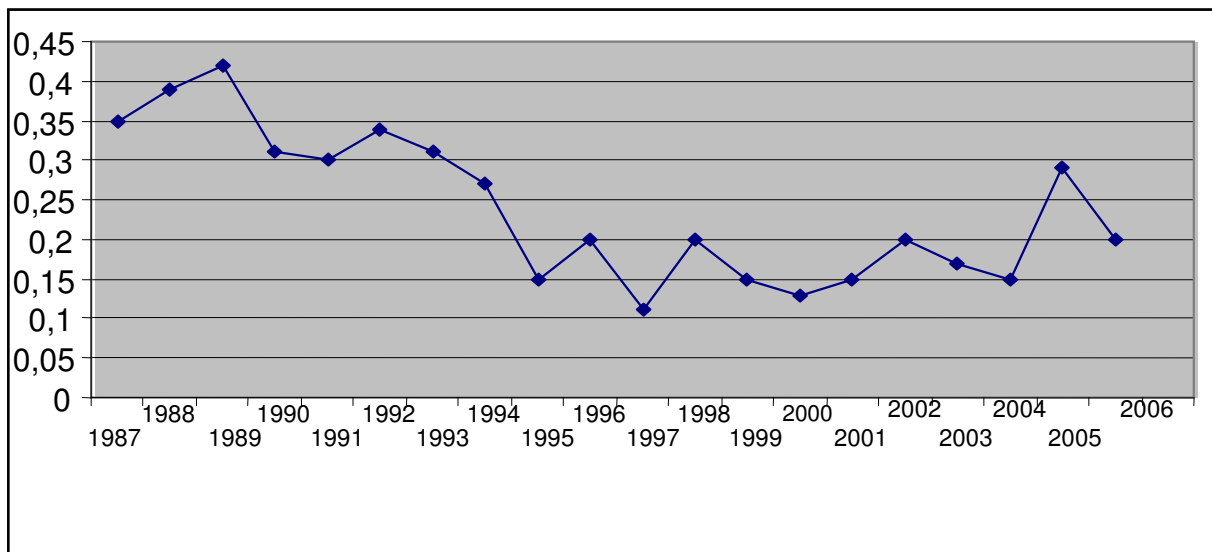
- The 0.51% target equals to 8.7 billion euros - that is Euro daily contribution per family over one fiscal year. According to the 2006 European Commission forecast, Italy is going to be the only EU country not meeting the 0.51% target for 2010– stuck at 0.24%. According to AA estimates, the EU 0.56% ODA/GDP collective target is going to be missed if Italian ODA is not reaching 0.44%, even if all other EU MS comply with the EU target.
- The Budget Bill for 2008 allocated 732 million euros to MFA grant pot – under Law 49/87 - (a 15% increase) – the highest level since 2000, even in real terms.
- The Budget law for 2006 - the last approved by the 2001-2006 Berlusconi Government - had cut development cooperation allocations down to a minimum of 392 euros, while the Directorate General for Development Cooperation was demanding € 1.400 billion. In 2006, Italy did not pay 55 million euros in contributions to UN agencies core budgets.

Graph 1: Italian ODA disbursements, 1987-2006, in real terms.



Source: OECD-DAC, on-line stat.

Graph 2: Italian ODA/GNI allocations, 1987-2006



Source: OECD-DAC, on-line stat.

QUALITY

- **According to the 2006 DAC survey on aid effectiveness**, the Italian bilateral cooperation scores below DAC members' average. Its main weaknesses are: tying of aid, too many parallel implementing units, lack of alignment to national strategies, duplication of analytical work and field missions.
- On co-ordination of technical assistance (Paris indicator 9), Italy scores best in South Africa (100% aligned), Egypt (97%) and Vietnam (91%).
- According to an ActionAid study, between 2000-2006 Italian aid was the third most volatile among OECD countries.
- On June 26th, the Deputy general director for the Italian development cooperation partially unveiled the Italian priorities for Accra. Italy is supporting a greater role for civil society within the Paris Declaration. As for the EC sponsored division of labour, Italy is willing to increase its engagement in fragile States, while volunteering to play a role in health, education, and rural development. At the beginning of June, Italy had selected its field units to be involved into the European Commission Division of Labour Fast Track exercise: in Bolivia, Ethiopia, Kenya, Mozambique, Senegal, Sierra Leone and Uganda. In Albania, Italy will be one of the EU MS to chair the division of labour exercise.
- The Italian cooperation system is still too centralised with projects and budget proposals to be approved by the Rome headquarter. It is important to note that each communication on division of labour is between Rome and Brussels, not at field level. Italy requested this specific centralized communication arrangement, as the Italian cooperation field offices do not have enough power to independently decide where actually to get engaged. The current centralized structure is preventing Italy from taking part into the "delegated cooperation" experiments. Italy is participating into a budget support exercise only in Mozambique. Some development cooperation officers are looking for other countries to replicate the Budget support instrument and to pilot budget support experiences for local authorities.
- When in 2001 Italy signed the DAC Declaration on "**aid untying** to the Least Developed Countries (**LDC**)", only 30% of Italian ODA to LDC was untied. The untied percentage increased to 80% in 2004, when data transmission on LDC-untying had stopped, till now. When debt relief is discounted, the tied share to LDCs is still at the same level as in 2001.

2005 and 2006 data are not available as Italy did not report them to the DAC-CRS, due to lack of staff capacity.

- Italy also failed to report on its bilateral tied aid status between 2002-2004. The 2006 DAC figures report that 13% of the Italian bilateral aid is still tied, a poorer result in comparison to 2005 – only 7.9% - but still a significant improvement from 92%, reported in 2001. More worryingly, after discounting debt relief – untied-by-definition – 71% of the Italian assistance is still tied - up from 38% in 2005 - the highest percentage in Europe. Tied concessional loans account for up to 73% of the tied aid. This is due to article 6 in the current ODA law, compelling to issue special waivers to un-tie concessional loans. NGO allocations might be responsible for the main share in the tied aid grants. **According to the DAC tied-aid definition, 100% of Italian NGOs committed-funds, are tied, due to administrative procedure for aid allocations.** The 2005 UNDP Human Development Report estimates that 14% of the Italian aid to Ethiopia is allocated to buy Italian good and services.
- There is no institutional setting to specifically tackle the issue of policy coherence for development, as the body to supposedly in charge to tackle it – the Interministerial Committee on Economic Planning – has a too broad mandate. According to the Commitment to Development Index, a rough measure of the coherence of technological, trade, migration, environmental policies towards development policies objectives, Italy scores **the third worst donor**.
- in 2007, the Ministry for Foreign Affairs (MFA) gained some control over the development activities by the Ministry for Environment and Ministry of Finance. The tabled ODA reform mentions the issue of coherence to be dealt with by an interministerial committee for development cooperation. In 2007, Italy withdrew from a World Bank special project on public private partnership for water systems, as the initiative was supporting water management privatization. Moreover, the Prodi's Deputy Minister was appointed as Italian focal person for the European Partnership Agreements negotiations.

DEBT RELIEF

- Italy has heavily relied on debt relief - 22% between 2000-2006 - as well as on contributions to the EC – 32% between 2000-06 - to boost its aid volumes. In 2007, debt relief accounted for 14% of the total ODA; in 2006, debt relief accounted for 32% of the total ODA. In 2006, the contributions to EC accounted for 48% of the total ODA.
- During the Prodi's government, the Italian development cooperation was planning to increase the use of **concessional loans** – using the revolving fund – focusing on the Mediterranean and Balkans areas. At the end of 2007 the revolving fund had 1.2 billion euro available, net of previous commitments. In 2005 a 220 million euros loan at 4% interest rate was disbursed to Ethiopia. Italy loans heavily targets post-HIPC countries (41% in 2006). Over 2000-2006, the top ten recipients for concessional loans were respectively, Tunisia, Ethiopia, Morocco, Albania, Argentina, China, Honduras, Algeria, Jordan, Eritrea. However, since the end of 2006, Italy reviewed its concessional loans guidelines, and established a “grant only” policy for HIPC pre-completion point countries, while for other HIPC, the concessional rate ranges too broadly between 50-80%, with a “zero” interest rate.
- Italy is one of the countries where the Jubilee movement was most effective, as it is among the countries writing off 100% of bilateral credits under the HIPC initiative. Bilaterally, Italy cancelled a total of 6,3 billion euros from 2001 to June 2007 - 61% benefited Africa and 50% HIPC. A large majority - 87% - of the Italian cancelled debt stems from commercial loans. The 2007 financial bill expanded the use of the “Debt cancellation Law” to allow further

bilateral cancellations in non HIPC countries. According to the estimates by the Ministry of Finance, the new text allows to cancel bilateral credits worth up to 1.5 billion euros.

- Italy has 3.1 billions euro out standing debt, 1.6 billion covered by the HIPC initiative, while 1.5 billions with other countries, including China, Morocco and Argentina.
- Italy is part of the World Bank Multilateral Debt Relief Initiative (MDRI) – under 2008 Financial Bill - allocating 20 million euros to annually fund the initiative over 40 years. The Italian G-CAP called for an increase in the Italian contribution (MDRI) - 35 million per year over forty year - to meet the Italian current share in World Bank.

GEOGRAPHICAL & SECTORAL ALLOCATIONS

- In 2007, for the first time since 1994, the Italian bilateral aid share - 54.9% - accounts for more than multilateral share - 45.1%. In 2006, bilateral aid to Sub-Sahara Africa accounted for 52% - 56% by discounting debt - reversing decreasing trends since 2000. As a matter of fact, in 2004, Sub-Sahara Africa accounted for 43% of the bilateral aid and only 38% in 2005. The EU 2005 May agreement requires all Member States to allocate 50% of the aid increases to Africa. According to the last Deputy Minister for development cooperation, in 2007 the financial bilateral allocations to Sub-Saharan Africa had a 100% increase, with 150 million euro specifically earmarked to the region, according to the 2007 General Accounting Officer report.
- According to ActionAid estimate, in 2008 and till the end of May 2008, less than 25% of 2008 aid commitments were targeted to sub-Saharan Africa.
- The top 10 partner countries in 2006 (respectively, Iraq, Nigeria, Serbia, Ethiopia, Cameroon, Zambia, Lebanon, Afghanistan, Mozambique, Albania) accounted for 86% of total bilateral aid. The ranking changes by discounting debt, with the main recipients including respectively, Nigeria, Ethiopia, Lebanon, Afghanistan, Mozambique, Albania, Argentina, Tunisia, Iraq, accounting for 85% of bilateral ODA.
- Due to limited and fragmented bilateral country allocations, in 2005-2006, Italy is the first donors only in Argentina and Montenegro, while ranks as second in Suriname and Rep. of Congo and then shifts at the fifth place in Albania, Eritrea, Iraq, Lebanon, Iraq, Nigeria and Tunisia. Italy ranks among the first 10 donors only in 22 partners countries.
- Bilateral aid allocations to the Least Developed Countries (LDCs) have stably accounted for around 280 million dollar since 2000, while constantly decreasing in the share of bilateral aid - from 30% in 2000 to 21% in 2006.
- **Sectoral allocation.** In 2006, debt relief (65%) is the main sector of the Italian bilateral aid, followed by technical cooperation (8,65%). Over the last seven years, technical assistance was the main funded sector after debt relief - 10,5%. In 2006, for the first time, support to transport jumped at 5.9%. In the past, the Italian share in bilateral aid to support transport had always been below 1%. Support to health scores at 3.75%. Over the last seven year, Italian bilateral support to the energy sector accounted for 3.92% of the total bilateral and above the EU average share. Bilateral aid committed to basic social services (BSS) was at 3.35%, below its 5% level in 2006. The EU States allocated on average 11% of aid commitments to BSS in 2006.
- **The NGO budget line** peaked at 149 million euro in 2008 quickly recovering from the 2006 minimum level of 39 million euro. In October 2006, new rules for the approval of NGOs projects entered into force with the aim of shortening the approval process to 365 days,

maximum. In 2007, 95% in NGO budget appropriation – 100 million- was committed, showing a significant scale up in administrative absorption capacity. In fact, in 2004, only 72% was committed out of a 73 million allocation. 60% of the arrears due to NGOs was paid off in 2007. NGO proposed initiatives mainly focuses on agriculture (38%) and health (19%).

NEW FINANCING TOOLS

- Italy supports the **IFF pilot for immunisation** till 2025. The financial Bill for 2006 allocated 3 million from 2006 to rise till €27.5 from 2008 over a 25 year time period. In August 2007 the international rating agency Fitch forecast that Italy would not meet its pledges by 104 million euros.
- Since February 2005, the Italian Ministry of Finance has played a leading role in promoting the **Advanced Market Commitment (AMC)**. After the 2006 G8 summit, AIDS was dropped from the AMC mandate. The AMC was officially launched in Rome on 9 February 2007, a 1 billion dollar scheme to initially develop the pneumococcus vaccine. The Italian contribution will total 634 million dollar over the next 40 years. The AMC multiyear commitment, together with the extension of the Italian participation to the Multilateral Debt Relief Initiative, was included in the 2008 Financial bill, turning the political commitment into a binding budget norm.
- In September 2006, the ruling coalition representative in the lower House of Parliament proposed to **tax each text message up to 1 cent** as to mobilize resources to be specifically earmarked for development cooperation. The *sms* tax was estimated to be able to raise up to 600 million euros, but the proposal sparked widespread critics, and was never made official.
- In 2002 the Italian government presented the **De-tax project** by which the State earmarked 1% of the VAT to some solidarity initiatives. The de-tax pilot project was supposed to last between 2003 and 2005. The initiative was never implemented. However, in 2006 the 5/°° scheme was introduced with the State renouncing to the 5/°° of people income taxes that are earmarked by individual to CSOs, including NGOs. The first 5/°° scheme raised 800 million euros for solidarity projects, that were disbursed in 2008.
- The 2008 financial Bill established the “**universal access to water**” fund financially supported by a 0,05 cent/euro additional tax on every plastic bottle of drinkable water. The fund is to support initiatives to ensure access to water but its lacking a ministerial decree to be fully operationale. The Fund is expected to annually raise up to 30 million euro, at maximum.
- Italy has become part of the pilot group on “solidarity contributions for Development” but it is not a supporter of the French sponsored air flight tax to fund development.
- Berlusconi is continuously calling on to **reform the EU Stability Pact**, in order to discount the ODA from the budget deficit calculation. This call was reiterated during the June 2008 FAO Summit. Yet not move was officially made, despite the reformed stability pact could allow some manoeuvre on ODA expenditures.

AID GOVERNANCE

- There is no Parliamentary committee on development co-operation serving as a specific institutional space to discuss development issues. Development issues are discussed by the Parliamentary Commissions on Foreign Affairs and Migration. During the 2001-2006 Berlusconi Government, there was neither an Undersecretary for development cooperation nor any appointed person to specifically deal with development issues, so that development issues were split among five geographical undersecretaries. The 2001-2006 institutional arrangement also contributed to the political marginalization of development cooperation.

- The Prodi Government had appointed, for the first time, a Deputy Ministry– Hon. Patrizia Sentinelli - for Development cooperation and Sub-Saharan Africa within the Ministry of Foreign Affairs, comply with the 2004 DAC peer review recommendations.
- During the last year, the Development Cooperation engaged in a significant effort to increase transparency and cut the red tape: web site for development cooperation was regularly updated with aid commitments and a new magazine focussing on development cooperation was published. The Directorial Committee, responsible to approve over 1 million budget initiatives, met more frequently than in the past. However, there is no clear open information policy and officers can act differently. There is no dedicated statistical unit, all DAC data are dealt with other administrative and budget issues by the Policy and planning unit, consisting only of five people. Recently, due to high level staff turn over, the Directorate General for development cooperation faced a significant leadership.
- There is one understaffed and underfunded evaluation unit, within the Development Cooperation Department. The Unit mainly works to assess project proposals before they are submitted for approval. Yet, the Unit has just an advisory role, with the Director General being able to sign development initiatives in spite of disagreement by the Unit. No ex-post comprehensive impact evaluation was carried out in last 7 years. The Unit work the unit is over-dependent on the Director will and decision, even in setting its working agenda. The last DAC peer review hinted to the risks of political pressures blurring the independence of the evaluation work. The evaluation unit staff is on temp contract.
- In the case of any substantial increase in fresh resources to reach 8.7 billion euro by 2010, there is no administrative absorptive capacity in place, with development cooperation staff needing at least a 5 time increase. Currently the total staff employed by the Italian development cooperation has the similar size to Portugal and Austria, with a constant loss in staff since 1999. According to the 2006 EU donors Atlas, Italy is the only member State not employing local staff in its development cooperation local offices.

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