

**ITALY AND THE FIGHT AGAINST POVERTY IN THE  
WORLD –**

**2010: The curtain comes down**

June 2010

**ActionAid** is an independent international organization involved in the fight against the causes of poverty and social exclusion. It has worked with the communities in the southern hemisphere for over thirty years to ensure them better living conditions and the respect of fundamental rights. ActionAid has worked in Italy since 1989; it is an ONLUS accredited with the Ministry of Foreign Affairs. The headquarters of ActionAid are in Johannesburg, South Africa, and has national offices in the northern and southern hemisphere. For the complete and durable development of the communities it works with, ActionAid has long-term programmes in Asia, Africa and Latin America. Its main areas of intervention are the right to food, the fight against HIV/AIDS, proper and democratic governance, education, women's rights and safety in conflicts and emergencies. The organization also involved citizens, businesses and institutions in the richer countries, with proposals manifesting their solidarity and responsibility towards the more emarginated communities in the southern hemisphere. ActionAid operates thanks to the commitment of thousands of people who contribute towards its activities and make donations.

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## ITALY AND THE FIGHT AGAINST POVERTY IN THE WORLD 2010: THE CURTAIN COMES DOWN

“ITALY AND THE FIGHT AGAINST POVERTY IN THE WORLD”, now in its fourth edition, aims to assess Italy’s progress in maintaining the commitments undertaken in the fight against global poverty, with the contribution of experts and authoritative representatives of the political world.

This publication intends to provide an overview of the national and international debate on the fight against poverty during the last year, assessing in this context the role of Italian cooperation through the analysis of its performance with respect to the international goals and strategies. “Italy and the fight against poverty” is also aimed at highlighting the principal and most urgent shortcomings in the cooperation system and identifying the best performing areas.

One year on from the Italian G8 summit in L’Aquila, this research aims to assess the role and credibility of Italy in Europe and within the G8, in terms of the fight against poverty.

The 2009 edition of “Italy and the fight against poverty” highlighted some signs of improvement in Italian cooperation, which however remained below the levels of both the international goals and the average of other European partners and G8 members. These positive signs were countered by the worries expressed in the light of the choices made in the 2009 State Budget, which provided for a reduction in the resources allocated to cooperation and, in the year of the Italian presidency of the G8, risked limiting Italian capacity to successfully manage the Summit Africa agenda.

The twelve recommendations in the 2009 edition were based on the request to the Government not to interrupt the recovery process for cooperation implemented in the previous biennium, while making the necessary financial resources available to enable Italy to fairly contribute to the global recovery.

Unfortunately, one year on, the only ActionAid requests to have been partially satisfied concern the payment of some of the arrears to development banks and funds, the allocation of an increased quota of aid to Sub-Saharan Africa and the approval of a plan for the management modernisation of international cooperation, aimed at ensuring improved effectiveness. In 2010, ActionAid has restated the validity of the majority of the recommendations made in 2009. If Italy wants to participate in the shaping of the new architecture of *international governance*, it must show that it can be a reliable partner as regards the themes of development cooperation. These are becoming increasingly essential dimensions for global stability. This is why the Italian idea of development cooperation must be updated and fine-tuned.

In 2010, on the basis of ActionAid research, Italian cooperation has improved under certain aspects: those not implying costs for public sectors, ranging from aid allocations to effectiveness. A sector specialisation process has been started, the proportion of aid tied to national tenders has been reduced, random micro-initiatives have been reduced and the aid quota to basic essential services has increased. Italy seems to have found a geographical niche in terms of interventions in “fragile countries”.

The lack of financial resources has a negative effect on some areas which are apparently at “zero cost” and on all those areas more directly affected by the financial cuts. The negative consequences for the former are: the decreased predictability of disbursements, fragmentation in the distribution of resources, less transparency and a reduction in bilateral aid to least developed countries. In addition, there is also the worsening of all the areas more directly involved in financial commitments, first and foremost that of the resources transferred to Sub-Saharan Africa. Unless there is a significant u-turn, these results risk deteriorating further in coming years.

In 2010, the zero cost areas of improvement probably achieved the best results possible in the current regulatory and financial framework. The positive results could be maintained and expanded to cover the few areas still excluded, but the overall investments made will in any case remain minimal. These good results can be credited to the activism and reorientation of international development administration and officials in recent years. However, without adequate financial investments, it will be difficult for the Italian aid system to go much beyond a continuous floating, remaining below the levels deemed adequate. Conversely, a deterioration of the results achieved in the “zero cost” areas may be an indicator of certain trends: the minor management reforms of 2009 were merely public relations exercises; the alliance of reformers within the current administration has dissolved; financial levels and political focus are so low that they are not sufficient to guarantee any result at all.

The punctual and proper implementation of the actions outlined in the effectiveness plan will be the most significant test for the administrative structure of Italian cooperation. The efforts made in 2009 led to recognition by the DAC that Italy was showing good will. The aid effectiveness plan is the main tool on which the technical experts will base their opinion of the good faith of this country. In this context, it is important to underline the fact that, of all the actions proposed, the availability of resources for evaluation, percentages of tied aid and the publication of individual strategies for international organizations and countries are crucial aspects to measure the genuine efforts to achieve internal reforms.

In 2010, the efforts required for the implementation of mini-reforms and to overcome internal physiological resistance should be greater still. In 2009, the process was linked to a specific coincidence of internal and external pressures. The movement for transformation in 2009 has not become institutionalised and has lost its external stimuli. It is important to highlight the fact that this transformation did not affect the International Relations Department of the Treasury, although the majority of the resources for development cooperation are included in its budget. Conversely to the Directorate General for Development Cooperation in the Ministry for Foreign Affairs,<sup>1</sup> The Ministry of Finance did not implement any “zero cost” reforms to increase the transparency of the decision-making processes, reinforcing dialogue with civil society and improving external communications and the accessibility of the multi-annual planning in terms of Development Banks and Funds.

The quantity of official development aid (ODA) Italy provides is an international indicator of its reliability, and unfortunately, Italy is certainly not the best in this regard. In 2009, Italy was the last OECD donor in terms of generosity, even behind countries with more unstable public finances, such as Greece and Portugal. During the G8 Presidency, Italian aid reduced in overall terms by 34% compared to the 2008 levels, allocating a mere 0.16% in the GDP to aid, less even than Malta and Cyprus. In 2010, Italy will held chiefly responsible for the shortcoming of 15 billion dollars required to meet the European goal in aid – 0.56% of the GDP. This Italian inertia is also affecting the overall performance of the G8 countries. In Gleneagles in 2005, the leaders of the G8 countries had undertaken to allocate at least 25 billion dollars to Sub-Saharan Africa by 2010.<sup>2</sup> For this goal to be achieved, Italy should allocate 5 billion dollars to Sub-Saharan Africa this year alone, an amount which it would be impossible to obtain even if it were decided to allocate all cooperation resources to this region only.

Italy's unreliability is also affecting the multilateral system. Over the years, the list of organizations towards which Italy is “in arrears” (1.3 billion Euros at the moment) risks increasing. During the second half of 2010, when the General Assembly of the United Nations will report on the progress being made towards achieving the Millennium Development Goals, the limitations of Italy will be exposed to the international community, highlighting the inconsistency of the actions carried out and of the Italian declarations made during the Italian Presidency of the G8.

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<sup>1</sup> DAC, Peer review of Italy, 2010. The multi-annual strategies for 2009-2011 and 2010-2012 plan about 300 million expenditure, compared to the billion for development banks and funds managed by the Ministry of Finance (Ed.).

<sup>2</sup> Values to 2008, DATA report, 2009.

The reduction in Italian aid in the last year could be read as a sign of a lack of interest towards developing countries (DCs) facing the consequences of the global crisis. 2009 was a year of international economic crisis, with the worsening of the conditions of poverty on a global scale. The worldwide recession has placed and is still placing a heavy toll to the progress made by many DCs over the last ten years: at the end of this year, the number of poor people will have increased by 64 million in one year,<sup>3</sup> 350,000 more children will not be able to complete their primary school education and 100,000 more people will not have access to drinking water.<sup>4</sup> In an attempt to mitigate the human cost of the crisis, one-third of the least developed countries approved fiscal stimuli, managing to maintain their social expenditure more or less unchanged for all of 2009, avoiding a social collapse. Once the financial reserves are finished in 2010, many countries with low income will be forced to cut expenditure, just a short time after the first signs of recovery emerged. Once the crisis is over, Italy could be considered as a country that has not exercised its role responsibly and has not contributed equitably in dealing with an exceptional situation.

In 2009, during the L'Aquila Summit, the Italian government had formally committed before Parliament and in the face of international public opinion to honour its international commitments in favour of health and food security before the end of the year, to implement new financial aid instruments, such as de-taxing, and to present a national plan for the quantitative realignment of Official Development Aid (ODA). None of these commitments was maintained. Parliamentary recommendations and international reminders were not enough to translate promises into action.

Again during the course of 2009, thanks to the opportunity provided by the Italian G8 Presidency, Parliament had increasingly debated the themes related to the Millennium Development Goals, in a bipartisan spirit. In 2010 there is a risk that the theme of "the fight against world poverty" will be marginalised in Parliamentary discussions. In order to maintain a Parliamentary focus on the theme and gather consensus on development cooperation, ActionAid has once again ranked the members of Parliament according to their commitments towards development cooperation.

The financial limits of Italian ODA can only be dealt with in an organic manner, combining the various proposals debated in the past in a single legislative project. What is needed is a "compulsory" timeline for aid increases. In 2009, Italian civil society had asked Italy for an ODA realignment plan, and a year later, the European Commission itself made the same request: implement this plan by mid-September, before the United Nations Summit.

If Italy wants to maintain its role in the new geopolitical environment, it must re-establish its credibility as a reliable partner for all developing countries. 74% of Italians believe it is important to respect the pledges in aid increase to DCs despite the economic crisis. In their view, resources for development cooperation are not considered as charity but an investment in terms of global stability.<sup>5</sup>

Italy can make the most of the EU debate to solve an internal problem and to reiterate its full commitment towards the European development cooperation project. The support and publication of an "Italian realignment plan" with resources allocated to development cooperation through legislative means would enable Italy to be among the protagonists of the re-launch of Europe on the international scene.

Part of the financial resources required could be obtained in an innovative manner. This would enable Italy to take a leading role in the G8/G20 once again, especially if new resources for development cooperation could be obtained through the implementation of a financial transaction tax. There is already consensus among certain countries as regards this proposal. At the end of

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<sup>3</sup> World Bank, *Protecting progress: the challenge facing Low income countries in the global recession*, 2009.

<sup>4</sup> World Bank, *Global monitoring report 2010*, April 2010.

<sup>5</sup> Eurobarometer, *Aid in times in crisis*, 2010.

June, the G20 will discuss the possibility of approving an international financial tax. France and Belgium have already similar laws in place.

In Italy, the only successes that have led to the legislative approval of mechanisms for obtaining the financial resources inderogably planned over a period of several years have been those leading to the implementation of the initiatives discussed by the G8.

Table 1: summary of trends in Italian cooperation and comparison with EU and G8 averages.

Area	Previous trend	Trends in latest figures	Ita cor
ODA/GDP percentage	worsening <sup>^</sup>	<b>improving</b> *	
Percentage of “expendable” ODA (net of debt and EU compulsory contributions)	<b>improving</b> <sup>^</sup>	worsening*	n
% bilateral ODA for Sub-Saharan Africa	worsening <sup>^</sup>	<b>improving</b> *	
ODA/GDP for Sub-Saharan Africa	<b>improving</b> <sup>^</sup>	worsening*	
% bilateral ODA net of debts for Sub-Saharan Africa	worsening <sup>^</sup>	<b>improving</b> *	
ODA/GDP net of debt relief for Sub-Saharan Africa	<b>improving</b> <sup>^</sup>	worsening*	
% ODA for Least Developed Countries	<b>improving</b> <sup>^</sup>	worsening*	
ODA /GDP for Least Developed Countries (LDC)	<b>improving</b> <sup>^</sup>	worsening*	
ODA /GDP net of debts for Least Developed Countries (LDC)	<b>improving</b> <sup>^</sup>	worsening*	
% bilateral ODA net of debts for Least Developed Countries (LDC)	<b>improving</b> <sup>^</sup>	worsening*	
% bilateral ODA for Basic Social Services	<b>improving</b>	<b>improving</b>	
Predictability of aid, as the ratio between annual commitments and disbursements	<b>improving</b>	worsening	
Tied aid	<b>improving</b>	<b>improving</b>	
Coherence	worsening	<b>improving</b>	
Response to humanitarian emergencies	<b>improving</b>	worsening	n
Country prioritisation	<b>Improving</b>	worsening	
Micro flows of aid (cooperation initiatives involving less than 250,000 dollars)	<b>Improving</b>	<b>improving</b>	
Sectoral prioritisation	<b>Improving</b>	<b>improving</b>	

Source ActionAid processing.

<sup>^</sup> estimated figures for 2009; \* estimated figures for 2010

## **Italian cooperation seen from abroad: viewpoints from Afghanistan, Lebanon and Mozambique**

Analyses on development cooperation often originate from the same donor countries and from international organizations, such as the World Bank and the OECD. The opinion on the effectiveness and efficiency of a donors country cooperation is almost always based on numerical data, while the opinions of partner countries and, even more so, civil society, are not taken into account by decision makers, contributors and, especially, the citizens of donor countries. The donor countries are much more focused on highlighting the results of their initiatives rather than giving any weight to the opinions of their partners.

The first step to be taken in ensuring better communication to improve the quality of interventions and creating direct solidarity links between citizens is to guarantee full access to information, also by new communication technologies. Unfortunately, the information available concerning Italian interventions is fragmented on the various websites of the local technical offices and the communications and decisions made are often only available in Italian. The Italian plan for aid effectiveness is aimed at partly solving these problems by developing a communication programme to increase access to information in partner countries and communities. More innovatively, this plan also aims to start a survey on the perception of Italian cooperation among its various partners. Unfortunately, the implementation of the communications plan is not progressing and the proposal to conduct the survey has not been considered a priority, mainly due to limited financial resources.

The 2010 edition of “Italy and the fight against poverty” has deemed it indispensable to assess Italian cooperation from a viewpoint of the civil society in those partner countries where Italy has invested the most in recent years: Mozambique, Lebanon and Afghanistan.<sup>6</sup> In these three countries, the overall opinion depends upon the seize of investments and the type of relations between NGOs and civil society organizations with the Italian cooperation. There are common critical areas highlighted by the survey: the lack of punctuality in making payments, aid being tied to Italian tenders and limited transparency.

### **The perception of civil society in Afghanistan<sup>7</sup>**

Afghanistan is the country which has received most aid from Italy since 2001, with resources increasing annually, reaching a peak of 94 million dollars in 2008, then reducing in 2009 due to the financial cuts. The Italian cooperation has focused on supporting the central State budget, financing the governmental programme for national solidarity, the development of infrastructures and supporting the legal system and the private sector. In addition to the government financing, civil society organizations and Italian NGOs also receive financial contributions, especially in the district of Herat, where the Italian military contingent is based.

The Italian cooperation channels 37% of its aid multilaterally and the remaining 63% bilaterally. Despite the significant financial efforts made, Italy remains a modest donor when compared to the other donor countries, not even among the top ten. This is a quantitative limitation which is also reflected in sectoral commitments. In supporting infrastructures, the Italian contribution represents 10% of the total international aid for the sector, followed by support to the private sector (3.7% of the total). From 2010, Italian commitments will be limited to two areas: health and agricultural development in Herat, through the support of the central budget.

The interviews were conducted with the organizations financed by Italian cooperation, mainly Italian NGOs, but also involved those which do not receive financing from Italy. In the opinion of

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<sup>6</sup> The country consultations were conducted by ActionAid offices, in consultation with local Italian development cooperation offices, sharing questions and preliminary results. The complete results are available on request from [jacopo.viciani@actonaid.org](mailto:jacopo.viciani@actonaid.org)

<sup>7</sup> ActionAid Afghanistan, *Aid accountability- Italian development cooperation*, background paper available on request (Author's note).

those interviewed, Italian interventions support the development priorities identified by the government, but receive modest scores when compared to its commitment towards the poorer communities in the country. The choice to concentrate on Herat goes some way towards explaining this: the district has higher levels of literacy and access to sanitary structures and water than other districts. The scores concerning the tying of aid and coordination with donors are also worse than those. Afghan NGOs have explicitly stated that access to and direct dialogue with Italian cooperation is difficult and is always mediated by Italian NGOs, which is also due to difficult security conditions. There is hardly ever any possibility of directly accessing the programmes, even for the training of local capacities, unless locals are in with an Italian counter party. On the other hand, the Italian NGOs do not have any obligation to have Afghan partners.

The transparency of Italian cooperation appears to be possible only in financial partnership terms, without a wider ranging communication strategy. Many of those involved in the new Afghan civil society are not aware of the initiatives of the Italian cooperation because they are not involved in these projects. In Herat, there is consolidated collaboration with the military teams involved in civil activities (PRT). The former build the infrastructures and the NGOs provide the services. Although recognising that this is a risk to their safety, it is inevitable for the NGOs, as they depend upon the PRT in the case of evacuation. As regards the Afghan NGOs, they perceive no difference between the NGOs and the military. The main criticism of the PRT by the NGOs interviewed is that they implement interventions that are not sustainable over time.

### **The perception of civil society in Lebanon<sup>8</sup>**

According to the DAC peer review, Italy was the fourth largest donor to Lebanon in 2009, after the United States, France and the European Commission, with an annual financial commitment of approximately 50 million Euros as of 2006. The main sectors of investment are the environment (financed through concessional credit), local development and sanitation. The DAC acknowledges that Italian cooperation has good planning capacity and unusual financial resources available. However, the survey highlights the excessive unpredictability of its financial commitments, which are too dependent on the financial resources provided by the international military mission decrees. In addition, aid, which is provided directly in support of the government budget, is channelled to Italian implementers.

In Lebanon, the Lebanese NGOs which are supported financially by Italian cooperation were interviewed, as was a local NGO which is not. Italy is considered a reliable partner which is well aware of the local reality, given that it has been active in the country since 1983. It has also been recognised as active in the poorest areas. The opinion of the not financed NGO was different, as it believes that the interventions by Italian cooperation benefit the middle classes. As regards relations with its partners, Italian cooperation is considered to be easily accessible and transparent. As regards the strategic flexibility of Italian cooperation, there are still delays in payments. The conditioning of finances to partnerships with Italian NGOs or the preferential use of Italian experts rather than local ones are considered to be limitations to Italian interventions. It is acknowledged that in some cases, it has been possible to access resources directly without the intermediation of an Italian partner. The final judgement is extremely positive, the only request made by those interviewed being direct access to the funds.

### **The perception of civil society in Mozambique<sup>9</sup>**

Italian cooperation is active in Mozambique with 51 projects and investments doubling between 2008 and 2009, reaching approximately 41 million dollars annually, then halved again to 20 million in 2010. More than 50% of available resources are dedicated to initiatives in water and sanitation.

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<sup>8</sup> ActionAid MS, *Assessing Italian aid from a CSO perspective*, internal paper available on request. (Author's note).

<sup>9</sup> ActionAid, *Mozambique Informed perception on the Italian development cooperation in Mozambique*, internal paper available on request. (Author's note).

In terms of geographical presence, Italian interventions are concentrated in the district of Sofala, around Maputo and in nationwide programmes. These are not the poorest areas of the country, where Italian interventions have not been implemented.<sup>10</sup> In Mozambique, Italy also contributes to the State general budget. Mozambique government assesses and publishes the performance of the 19 donors annually. In the opinion of the Mozambican government, the quality of Italian interventions is in 13<sup>th</sup> place<sup>11</sup> in terms of quality, partially penalised by the delays in payments.

13 of the most representative civil society organizations in terms of commitments to the development of the country in the last ten years were involved in the ActionAid survey. None of them receives financial support from Italian cooperation.<sup>12</sup> The most interesting feature is that most of those interviewed did not feel able to give an answer to the questions they were asked. This was also the case in Afghanistan and in line with an opinion poll conducted by ActionAid in Ethiopia.<sup>13</sup>

As regards questions to which the percentage of “I don’t know” replies was below 50%, the majority of those interviewed believe that Italian cooperation finances the country’s priorities, in line with the national development strategy, and ensures significant support to public administration. Italy is deemed to also be involved in the sectors of most importance to the poorer communities. The level of transparency of the Italian cooperation is considered to be less than the donors average. Mozambican civil society acknowledges the added value of the Italian cooperation in infrastructures and sanitation. Italian scores in terms of “tied aid”<sup>14</sup> are considered worse than the donors average.

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<sup>10</sup> Only 2% of the total investments in Inhambane, but no investments at all in Zambesia and Nampula. Italian cooperation has recently supported the construction of the first bridge over the Zambesi, joining Zambesia and Sofala regions (Author’s note).

<sup>11</sup> Performance Assessment Framework for Mozambique in 2008.

<sup>12</sup> The consultations also attempted to involve local entities working directly with Italian cooperation, but they declined to be interviewed (Author’s note).

<sup>13</sup> Civil society organizations in Ethiopia were unable to express any opinion on the activities carried out by the Italian cooperation, in ActionAid, “Italian aid in Ethiopia”, January 2010.

<sup>14</sup> See the second part of the research conducted (Author’s note).

## Recommendations

In 2010, ActionAid has divided its recommendations into two groups: 1) vision recommendations, aimed at the political sector, focussing on overcoming the current limits, including financial limits, and 2) “zero cost” recommendations which the State administration must continue to show its genuine commitment to guarantee the best possible improvements to the cooperation system in the context of the current legislative framework.

To overcome the financial and legislative limitations of development cooperation, realigning it with its European partners and re-launching Italy’s multilateral and bilateral roles, ActionAid recommends that the Parliament and Government:

- Present the “plan for the European realignment of Italian aid”, aimed at automatically allocating part of the State revenues to development cooperation;
- Present a draft law indicating a minimum percentage for budget expenditure to be allocated to the fight against poverty in the world of not less than 1%, following the example of the United Kingdom, Belgium and the Province of Trento;
- Present a draft law for a tax of at least 0.05% on international financial transactions, dividing the resources generated between Italy and DCs to finance the response to the crisis;
- Increase the capital gain on financial products up to VAT levels, as recommended by the International Monetary Fund and the G20;
- Acknowledge the urgent need to restore the debate on legislative reform of the development cooperation system, basing the discussions on the consensus reached during the last legislature;
- Ensure that the Council of Ministers approves a system to ensure the coherence of its foreign relations policy with the development cooperation goals, defining the roles of the various institutional bodies involved;
- Draft an annual summary of parliamentary activities concerning “the fight against poverty in the world”, which also includes parliamentary missions, hearings and discussions on draft and project laws.

Simultaneously, to support the improvement of efficiency and maintain the credibility of current reform process undertaken in 2009, ActionAid recommends that the Government:

- Increase the quota of bilateral allocations net of debts to less developed countries up to at least 40%,<sup>15</sup> making explicit reference to this in its new triennial strategy;
- Call an “Inter-Ministerial Round Table” presided over by the Ministry of Foreign Affairs to coordinate all public players in development cooperation.
- Increase the public transparency of cooperation activities, especially those by the Treasury Office for International Relations, making the strategic documents more accessible and improving consultations with civil society;
- Expand the triennial planning system, producing a document grouping together the main official aid players, so as to indicate the strategic orientation of the Ministry of the Economy and the Civil Protection and Environment Department;
- Bring the number of experts back to 120, as originally provided by law 49/87;
- Finance the development cooperation evaluation plan with clear and predictable resources;
- Finalise and make public the triennial planning for countries and multilateral organizations, including financial aspects;
- Expand the untying of food aid, favouring local or regional purchases, in alignment with the EU orientation.

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<sup>15</sup> This is the average percentage of bilateral aid net of debts allocated by Italy to these countries in the last five years (Author’s note).

