

# Low scores for the chair of G8 Africa

As the holder of the G8 presidency, Italy will host the next G8 summit in July. The members will pledge support to developing countries to ease the impacts of the economic crisis. But with its poor aid record, does Italy have the legitimacy to chair the G8 Africa dialogue?



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Italy's previous centre-left government, led by Romano Prodi, took several small but important steps towards improving Italian aid efforts, including the appointment of a deputy

minister for development cooperation. The current centre-right government – a coalition of Prime Minister Silvio Berlusconi's brainchild, the Freedom Party, and the Northern League – came to power in May 2008. Berlusconi made no reference to development cooperation in his party's electoral manifesto. Italy's poor record on policy coherence is unlikely to be reversed soon. But ahead of the G8 summit in July, the country will be closely scrutinized by the international public in the coming months. Moreover, the Development Assistance Committee of the Organization for Economic Co-operation and Development (OECD/DAC) is scheduled to conduct a peer review of Italy's aid policies later this year.

## Budget cuts

With regard to the budget for aid as a proportion of GDP, Italy is, together with Greece, the worst performer in Europe. As one of the world's largest economies, Italy is a member of the G20 and currently holds the presidency of the G8. But it has never contributed more than 0.2% of its GDP to development aid. In 2007, Prodi's government established a timeline for increasing aid in order to meet the 0.51% EU

## Summary:

- Italy is one of the two lowest-ranking EU countries in terms of its aid contribution as a proportion of GDP.
- The quality of its aid also scores badly, with policy incoherence and tied aid identified as major flaws.
- As the president of the G8, the approaching summit in July and a planned peer review by the OECD/DAC later this year, Italy is under considerable pressure to improve its aid efforts.

target by 2010. But despite budget increases, aid spending remained at 0.2% in 2008. And it only gets worse: the 2009 budget includes a drastic cut (by 56%) in the aid budget. In January 2009 development allocations reached their lowest level ever, at €321 million – less than the amount collected privately by NGOs. A broad coalition of NGOs and trade unions staged a public campaign to push the government to reduce the cut in aid, but it never seriously reconsidered its decision.

The government's new 2009–2011 plan for Italian aid states that the 0.51% goal needs to be 'achieved more gradually'. This is a euphemism for the government's intention to postpone meeting the EU target. Italian aid will probably reach 0.13–0.16% of GDP in 2009. The country's annual obligatory contributions to the European Development Fund and to the EU budget (currently around €1 billion) ensure that there is a 'guaranteed level' of 0.07% of GDP as long as Italy remains a member of the EU.

## Debt relief and vaccines to boost aid

Debt cancellation accounted for as much as 22% of total Italian aid between 2000 and 2008. However, according to international agreements, debt relief should be additional to a country's development aid budget.

By **Iacopo Viciani**, aid policy officer at ActionAid Italy, and coordinator of an NGO task force on aid effectiveness with the Italian Ministry of Foreign Affairs.



Senator Emma Bonino is a former European Commissioner for Humanitarian Aid, Fisheries, Consumer Policy, Consumer Health Protection and Food Safety, and is now vice president of the Italian Senate. She is a member of the Italian Radicals, a political party that supports economic and social libertarianism, and human rights.

The Italian government has been looking for other ways to boost its aid budget. New taxes have been regularly proposed for this purpose, including a migrant tax, a weapons tax and a plastic bottle tax, but so far none has been approved. Yet Italy participates in two international initiatives that use donor funds for purchasing, or for enabling future purchases of, vaccines for developing countries: the International Finance Facility for Immunisation (IFFIm) and the advanced market commitment (AMC), to which Italy contributes roughly €50 million each year. 🇮🇹 NGOs are concerned, however, that the AMC does not address issues of innovation and intellectual property rights. At the same time it risks becoming a channel for state subsidies for big pharmaceutical companies.

It is evident that neither future debt cancellation nor Italy's participation in the vaccines initiatives will significantly increase Italian aid. This is why Italy is pushing the 'whole of country' development approach to the other G8 countries, and to remove the distinction between public and private aid. It wants all financial transfers to developing countries originating in Italy – including migrants' remittances and funds provided by NGOs – to contribute to the country's aid ranking, and not just public aid flows

alone. Although they acknowledge that this argument may enhance the G8 debate on policy coherence, NGOs view the Italian rush towards this new approach as a smokescreen to cover up its small aid budget.

### **Multilateral funds**

Since the early 1990s, the percentage of Italian aid going to multilateral organizations has been among the highest among donor countries, and is currently around 65%. In 2004, the DAC asked Italy to regard multilateral aid as not merely an administrative opportunity to provide quick resources, but to start using it as a strategic investment. It took Italy five years to draft a strategy for the selection and concentration of Italian contributions to multilateral organizations. One of the selection criteria is whether the particular international organization has its headquarters in Italy – such as the Food and Agriculture Organization (FAO) and the World Food Programme (WFP). The criteria do not include the assessment of the effectiveness of individual organizations.

### **Geographical and sectoral priorities**

Between 2000 and 2004, sub-Saharan Africa received almost half of Italian aid. The Mediterranean region was the second ➤

largest recipient. Although the current government has said it wants to maintain the geographical focus on sub-Saharan Africa, since 2005 the quota of bilateral aid allocated to sub-Saharan Africa has been reduced – to just 30% in 2008 – while that to the Mediterranean region has increased.

This geographical prioritization is linked to Italy's interest in immigration control. It is well illustrated by a recent government proposal that favours cooperation with countries willing to control migration, such as Tunisia or Libya, which are transit countries for migrants and traffickers. The idea of considering migration flows as a selection criterion for Italian aid is also promoted by the Centro Studi di Politica Internazionale (CeSPI), a think-tank. CeSPI's focus, however, is not on immigration control but on South–South and regional migration, and on establishing synergies between migrants and development cooperation, for example, by maximizing remittances, promoting the financial inclusion ('bankarization') of migrants and encouraging knowledge transfer through migrants returning home.

Over the last five years, the Italian government has slightly reduced the number of partner countries receiving aid. The new plan indicates a further cutback over the next three years, from 88 to 35 partner countries. The top 10 partner countries (not taking into account debt relief) have remained practically the same since 2000, with Morocco, Afghanistan, Ethiopia, Lebanon and Mozambique always in the top five.

Also over the past five years, there has been a shift in focus. Investments in education, humanitarian aid, agriculture and reproductive health have decreased. The priority areas between 2005 and 2007 were energy, transport, health, humanitarian aid and water. It is important to note that the large investment in energy is due mainly to one project: the construction of a power plant in Ethiopia funded by a tied aid loan.

### NGOs and civil society

More than 230 NGOs are entitled to funding from the Ministry of Foreign Affairs. Many more civil organizations are engaged in international solidarity projects, but they are not interested in, or are not eligible to apply for official funding. According to the National Institute of Statistics (NIS) there were more than 1000 such organizations in 2004.

Italian NGOs privately raise around €400 million per year, most of this is raised by the top ten NGOs that have the funds to invest in advertising. These NGOs are relative latecomers, and are linked to international NGO networks such as Doctors without Borders, Save the Children and ActionAid. The more traditional NGOs rely heavily on public funds, which is a major weakness undermining the political independence and advocacy role of Italian civil society. The 2004 DAC peer review noted that Italian NGOs have generally refrained from taking on the advocacy activities like their counterparts in other OECD countries.

### The quality of aid management

The high incidence of tied aid is one of the major flaws of Italian cooperation. In fact, apart from Italy's lack of generosity measured against its high national income, more serious questions concern the quality and effectiveness of its aid. Italy's international cooperation legislation, which dates from 1987, does not allow for flexible, predictable and decentralized aid management in line with the new international aid context laid down in the Paris and Accra Declarations. During the last months of the Prodi government in late 2007, the Commission on Foreign Affairs proposed a new law requiring the untying of Italian aid and the creation of an independent agency to implement aid policies.

However, no agreement on the bill was reached during Prodi's time in government. With a centre-right government now in power, the chances that the progressive elements of the bill will be implemented are back to zero. In May 2008, Berlusconi told parliament that 'we must ensure that Italian development cooperation policy will enhance our bargaining power in world commodity markets'. In other words, development cooperation will be intricately linked to the country's domestic trade policy. Untying aid, as Prodi had proposed, was off the table. Moreover, no new deputy minister for development cooperation was appointed, much to the disappointment of the NGOs that had collectively called for it. The Minister of Foreign Affairs, Franco Frattini, was given full responsibility for international cooperation and for policies regarding sub-Saharan Africa.

### Policy incoherence and lack of evaluations

The 2004 DAC peer review recommended that policy coherence should be a key objective for the Italian government, with special attention to the monitoring of sensitive policies such as tied aid and migration. In the five years since, however, not one ministerial declaration on policy coherence has been approved.

In 2008, the Commitment to Development Index (CDI) listed Italy last among European donors, an even lower ranking than in 2007. Italy was specifically reprimanded for its high percentage of tied aid (the highest in Europe), its limited involvement in international initiatives aimed at fighting corruption in partner countries, its imports of protected animal species and its high level of arms exports to poor and autocratic governments. Improving its tied aid score is particularly problematic, because the current legislation obliges all loans and NGOs funds to be tied. So the administration can deliver no radical progress on this issue unless parliament reviews the legislation.

The DAC review also pointed out that Italy had not commissioned evaluations of any of its development work since 2002. No budget was made available to allow the evaluation unit (a staff of five) within the Ministry of Foreign Affairs to do its work. The monitoring reports that have been produced are not publicly accessible, and so have no impact on subsequent planning. An assessment system

### Research capacity

The Centro Studi di Politica Internazionale (CeSPI) in Rome is Italy's only think-tank with a long tradition of research into development issues, including migration and remittances, decentralized cooperation and the climate change and poverty nexus. There are two other think-tanks on international relations – the Istituto Affari Internazionali (IAI) and the Istituto per gli Studi di Politica Internazionale (ISPI) – but they focus on security and trans-Atlantic issues (including NATO), and on European issues and international trade.

Italy has no centre of excellence on international development cooperation, and only two universities (Rome and Florence) offer PhD programmes. More universities are now offering courses on development-related issues, but their work reflects the fact that there is no tradition of research on development cooperation or aid as such, or of multidisciplinary approaches to development. Each university has its own specific focus, such as development economics, agricultural economics, tropical medicine or humanitarian affairs. Because research focusing on aid is limited, so too is its impact on national policy; most Italian researchers who publish internationally are working abroad. Civil society organizations and the media therefore rely heavily on development research carried out elsewhere in Europe.

was finally set up at the end of 2008, however, with a budget to commission external assessments.

### Red tape and transparency

There are two more flaws that limit the ability of Italian cooperation to respond promptly to the requirements of its partner countries and to coordinate with other donors: the complexity of its procedures and centralized decision making. Personnel shortages and inadequate staff management are serious problems. In 2004, the DAC congratulated the Ministry's Directorate General for Development Cooperation (DGCS) on its plan to hire 60 additional staff. But the tender announced in 2004 has still not been accepted, although the latest plan again states a commitment to do so quickly. The current staffing level is only just over half of what was planned back in 1987. More progress has been made in implementing the DAC's recommendations on the deconcentration of decision making: the number of local offices has increased from 20 to 25. The complex procedures for approving NGO projects have been simplified, but those for authorizing loans and bilateral agreements are still awaiting similar action.

Institutional communication has improved with the launch of a web portal that provides access to many official records, and publishes daily press releases on the latest developments in international cooperation. Since early 2008, all approved development initiatives funded by the government must state the Millennium Development Goal (MDG) they are contributing towards and whether the funds are tied. All the documentation is in Italian, however, thus limiting accessibility and assessment by partners.

### Tentative investments in effectiveness

Under pressure because of its G8 presidency and the upcoming DAC peer review, the DGCS has recently stepped up the pace of reform of its aid management structures, in order to comply with international aid effectiveness criteria. Improving Italy's aid effectiveness, however, will be a major challenge. A recent evaluation showed that Italy scored below the EU average on all internationally agreed indicators of aid effectiveness, particularly with regard to the proliferation of parallel implementing units, the use of country systems and the untying of aid. In September 2008, the DGCS set up a group to approve a national aid effectiveness plan, and NGOs are supporting this effort by providing expertise and staff. However, the late timing of the plan means that its potential results will not be included in the 2009 DAC review, leaving the implementation of the plan to a time when there will no longer be an external push.


### Questioning the chair

At the G8 summit in July, member countries will be called upon to pledge contributions to help low-income countries deal with the current economic crisis. According to a number of Italian parliamentarians – despite the fact that development cooperation has long been a residual item on their agenda – this G8 summit will provide an opportunity to tackle the long-standing problems in the quantity and quality of Italian development cooperation. They made a first move by setting up an all-party group for the fight against poverty and a Millennium Goals Committee, although it is too early to assess the effectiveness of these initiatives.

As the G8 summit approaches, civil society protests are expected, but in a form less forceful and vocal than during the last Summit held in Italy (2001) or the European Social Forum in 2002. Italy's anti-globalization movement has lost its initial momentum and unity. However, a group of trade unions and NGOs is in regular dialogue with the government and is organizing the outreach to international civil society. Other groups are planning protest marches, but they are fragmented, poorly organized and lack the clear messages of political parties on the left.

It is clear that there are large doubts about Italy's legitimacy in hosting the G8 Africa dialogue at the July summit. Although the DGCS has recently tried to improve the quality of aid – for example, by setting up a working group on aid effectiveness – the only real change so far has been the reduction in the aid budget. In reducing its aid allocations, like Ireland and Lithuania, Italy is acting like a small economy rather than as president of the G8. ■

*The author would like to thank Paolo de Renzio (ODI/University of Oxford) and Marco Zupi (CeSPI/Roskilde University, Denmark) for their comments on an earlier draft of this article.*

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