

## ITALY


**WHAT WAS THE DEVELOPMENT ASSISTANCE COMMITMENT IN 2005?**

Italy committed to reach at least 0.51% of its GNI as ODA by 2010 and 0.7% of its GNI as ODA by 2015. This commitment was made as part of the 2005 EU commitment on development assistance, which also stipulated that 50% of the increases would be directed to sub-Saharan Africa.<sup>1</sup>

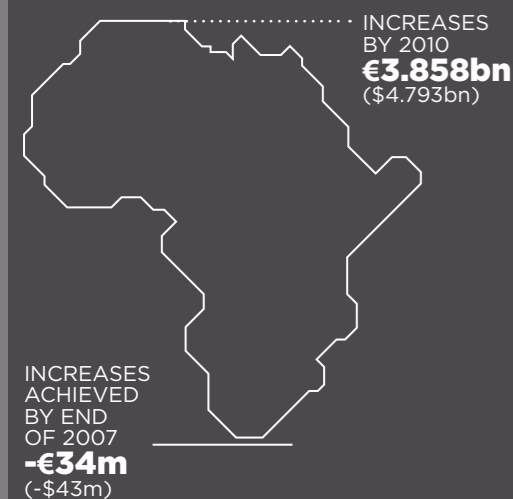
**STATEMENT FROM HEAD OF STATE**

**‘It’s the time to act, to do what we want to do: to eliminate hunger from the face of the earth.’**

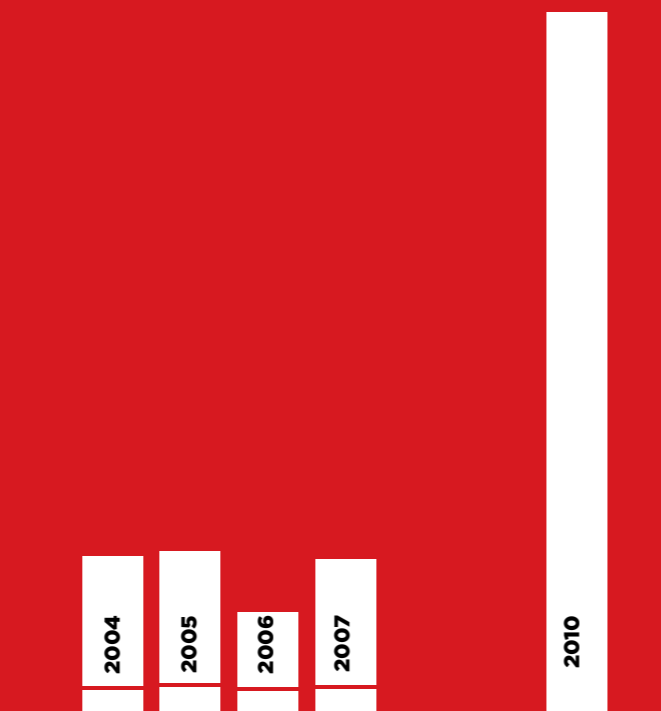
**PRESIDENT SILVIO BERLUSCONI**  
JUNE 2002, EU SUMMIT, BARCELONA

**-1% OF THE COMMITMENT HAS BEEN DELIVERED**

ITALY’S PROMISED INCREASE


**OVERALL ASSESSMENT**

Italy’s commitment is hugely ambitious but the country is hugely off track based on DATA’s trajectory. Although the progress made in 2007 to restore previous cuts in assistance to Africa and the 2008 pipeline reveals a solid increase, Italy needs to ensure that these are sustained increases and not one-time payments. Since 2005, much of its ODA has been used to replenish arrears owed to multilateral funds but, beyond that, activity is unclear because of weak reporting on expenditures. Along with other members of the EU, Italy has failed to deliver pro-development trade reform.


**HOW DOES DATA INTERPRET ITALY’S COMMITMENT AND CALCULATE THE TARGET?**

DATA uses OECD projections of GNI to estimate the value of 0.51% of GNI in 2010. The 2010 target is calculated by adding half of the global increase to total ODA for sub-Saharan Africa provided in 2004. Such estimates reveal a target for Italian ODA to sub-Saharan Africa of €3.858 billion (\$4.793 billion) in 2010.

Though the 2007 budget notes annual increments that would lead to the 2010 target, Italy did not commit itself to firm interim annual targets. In lieu of such targets, DATA tracks progress against a projected straight-line trajectory between the most recent year for which data are available and the 2010 target. To measure progress toward this commitment, The DATA Report tracks ODA to sub-Saharan Africa net of bilateral debt relief. Debt relief is immensely important to development, but bilateral debt relief as recorded by the DAC misrepresents the true value to the recipient, as well as the true cost to the donor. Though donors did not explicitly make commitments in real terms, the data in this report are recorded in 2004 prices to ensure that the full value of the commitment made in 2005 is delivered by 2010.

**IS ITALY ON TRACK TO MEET ITS OWN COMMITMENTS ON DEVELOPMENT ASSISTANCE TO SUB-SAHARAN AFRICA?**

**2010 TARGET €3.858bn** (\$4.793bn)

**2007 ODA €883m** (\$1.097bn)

**CHANGE 2006-07 €335m** (\$417m)

**CHANGE 2004-07 -€34m** (-\$43m)

**% OF INCREASE ACHIEVED -1%**

Italy’s total ODA to sub-Saharan Africa, net of bilateral debt relief, rose by €335 million (\$417 million) between 2006 and 2007 to reach a total of €883 million (\$1.097 billion), representing an increase of 61% in one year. In order to be on track towards its 2010 target, Italy should have increased its ODA to the region by €973 million (\$1.207 billion) in 2007. However, this increase does not fully compensate for past performance. Despite a strong 2007 performance, Italy actually cut development assistance by €34 million (\$43 million) between 2004 and 2007.

The DATA Report is focused primarily on monitoring commitments to sub-Saharan Africa but these commitments occur within the context of fluctuations in global ODA levels. Italy’s global ODA increased in 2007 but not by as much as ODA to sub-Saharan Africa. Global ODA increased by €733 million (\$910 million) between 2006 and 2007 – an increase of 47%, net of bilateral debt relief.

FIGURE 1

## WHAT HAVE ODA FLOWS BEEN SINCE 2004?

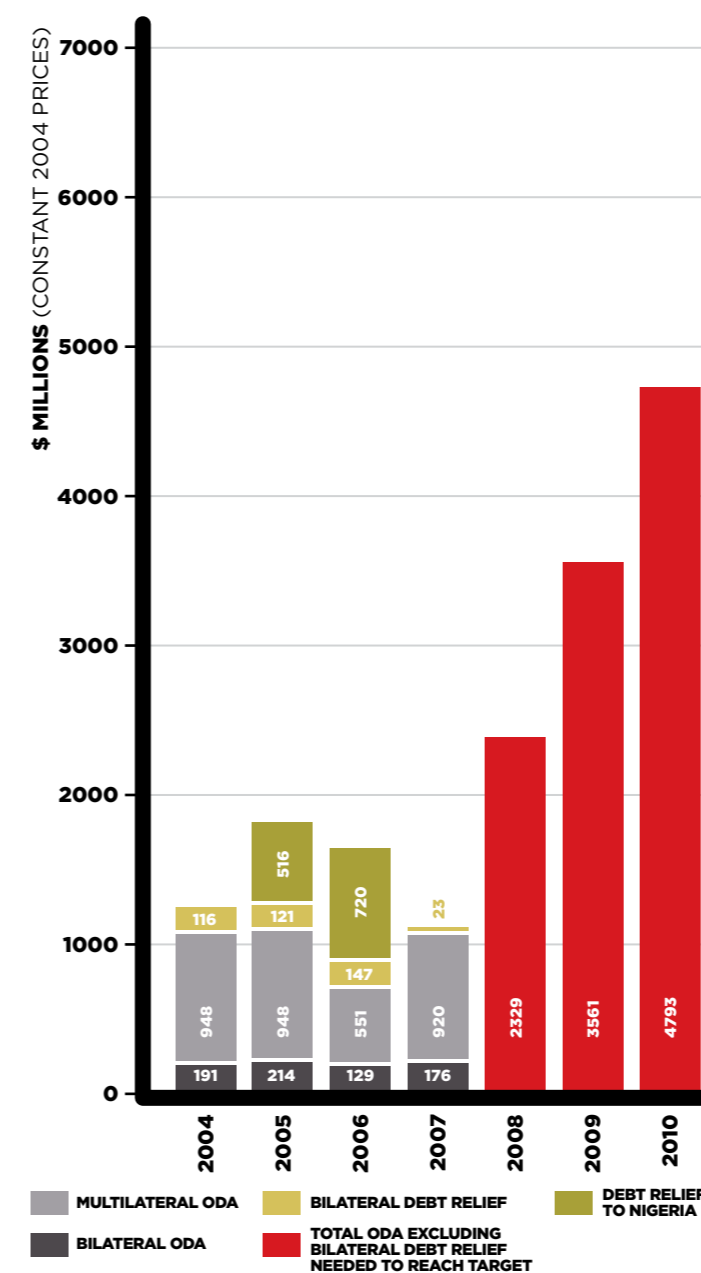
IN \$ MILLIONS, 2004 PRICES (IN EUROS, 2004 PRICES)	2004	2005	2006	2007
<b>TOTAL GLOBAL ODA</b>	2462 (1981)	4958 (3990)	3441 (2769)	3316 (2669)
BILATERAL DEBT RELIEF (Global)	117 (94)	1632 (1313)	1516 (1220)	481 (387)
<b>TOTAL GLOBAL ODA (net of bilateral debt relief)</b>	<b>2345 (1887)</b>	<b>3326 (2677)</b>	<b>1925 (1549)</b>	<b>1835 (2282)</b>
<b>TOTAL SSA ODA</b>	903 (726)	2153 (1733)	1547 (1245)	1120 (901)
BILATERAL DEBT RELIEF (SSA)	117 (94)	637 (513)	867 (697)	23 (18)
MULTILATERAL ODA TO SSA	595 (479)	1302 (1048)	551 (444)	920 (741)
BILATERAL ODA TO SSA (net of bilateral debt relief)	191 (154)	214 (172)	129 (104)	176 (142)
<b>TOTAL SSA ODA (net of bilateral debt relief)</b>	<b>786 (633)</b>	<b>1516 (1220)</b>	<b>680 (547)</b>	<b>1097 (883)</b>

WHAT PROGRESS DOES ITALY  
NEED TO MAKE ON AID TARGETS  
TO AFRICA?

All figures in this section are provided in Euros in 2007 prices and US dollars in 2004 prices for the purposes of comparing these figures both with the current Italian budget and with the DAC figures given elsewhere in The DATA Report that are in 2004 prices.

In order to get on a linear trajectory to reach its sub-Saharan Africa target of €4.148 billion (\$4.793 billion in 2004 prices) in 2010, Italy would need to increase ODA by €1.066 billion (\$1.232 billion in 2004 prices) in 2008, to reach a total of €2.016 billion (\$2.329 billion in 2004 prices) net of bilateral debt relief. This increase would represent an increase of 112% over 2007.<sup>3</sup>

FIGURE 2

ITALY'S ODA TO SUB-SAHARAN AFRICA  
AND TRAJECTORY TO 2010 TARGET

**ESTIMATED INCREASE 2007-08**  
€168m (\$195m IN 2004 PRICES)

**INCREASE NEEDED 2007-08**  
€1.066bn (\$1.232bn IN 2004 PRICES)

Based on current budget estimates, DATA estimates that Italy will increase its global ODA by €994 million in 2008 to reach a total of €2.92 billion (\$3.374 billion in 2004 prices). Italy has allocated approximately 38% of global ODA to sub-Saharan Africa in recent years (average for 2004–07). Based on this average, DATA estimates that approximately €1.118 billion (\$1.291 billion in 2004 prices) will be allocated to Africa in 2008. This is an increase of €168 million (\$195 million 2004 prices), but is less than the 2008 increase of €1.066 billion (\$1.232 billion in 2004 prices) needed to get on track.

Figures in the chart on the left are in constant 2004 prices. The equivalent targets for 2008, 2009 and 2010 in 2007 prices are \$2.759 billion, \$4.219 billion and \$5.678 billion respectively.

## IS ITALY DOING ITS PART TO MEET THE G8'S SECTORAL COMMITMENTS?

Since 2005, much of Italy's ODA has been used to repay debts owed to multilateral funds. In July 2007, for example, an emergency law was passed to provide back payments to the Global Fund from previous years when Italy's contributions did not match its pledges. Italy has made strong contributions to innovative financing mechanisms.

As of April 2008, the DAC had not published Italy's 2006 sectoral figures, as they were submitted late and, once submitted, generated concerns about their accuracy. Because of this, data on bilateral ODA broken down by sectors are not available and are not included in Italy's data. Data in this section are therefore based on a mixture of previous 2005 DAC data for Italy's bilateral commitments and 2006 multilateral information, where such data could be found.

Figure 3 details Italy's performance and efforts in relation to each of the 2005 sectoral commitments that DATA monitors on debt, trade, health, education, water and sanitation, governance and security and innovative finance. This section also discusses key recent changes and relevant developments in Italian ODA as it pertains to these sectors. OECD DAC numbers used in this section are from 2006 data on commitments, the most recent figures available.

## TRACKING THE COMMITMENTS

FIGURE 3

### ON TRACK DEBT

- As of 30 September 2007, Italy made unqualified pledges of \$29.2 million for 2007–08 to compensate IDA for the Multilateral Debt Relief initiative (MDRI). In addition, it made qualified pledges of \$302.6 million for 2009–16 and \$1.25 billion for 2017–44.
- Italy had pledged \$1.155 billion to IDA15. Beyond the technical compensation for the MDRI, this general contribution to IDA shows the political will to ensure that IDA, which is the biggest contributor to the MDRI, is properly compensated.
- Italy has cancelled 100% of bilateral debts owed by HIPC countries. This includes 100% of post-cut-off-date commercial debts.

### ON/OFF TRACK CANNOT BE ASSESSED, BUT PROGRESS IS MONITORED IN THE FOLLOWING SECTORS

#### HEALTH

NOTE: Because Italy did not report to the DAC on time this year, the DAC-derived health data are incomplete and only include multilateral spending. The DAC reported that bilateral spending on health was \$0 in 2005 and \$33 million in 2004.

- Total multilateral health sector spending in sub-Saharan Africa in 2006 was reported as only \$41.16 million at the time this report went to print, a 79% decrease from 2005.
- Italy pledged and contributed \$180.4 million to the Global Fund in 2007, just more than its proportionate share of the total. It has pledged and has already contributed \$186.9 million for 2008, as part of a pledge of \$551.9 million for the period 2008–10. Since 2001, when the Global Fund was launched, Italy has contributed \$1.01 billion, including its 2008 contributions.
- Italy has contributed \$139.25 million to GAVI.
- Italy allocates approximately 35.7% of its health sector spending to health systems development, compared with the G7 average of 18.7%.

#### GOVERNANCE AND SECURITY

- Italy is the only G8 country to have signed but not ratified the UN Convention Against Corruption (UNACA).

- In 2005, Italy established the Centre of Excellence for Stability Peace Units (COESPU) to train international forces to participate in peacekeeping operations. While COESPU's focus is not exclusively on Africa, it is the region on which the most emphasis is placed. COESPU's target is to train 3,000 senior and mid-level police officials and non-commissioned officers in Italy and an additional 4,000 personnel in their home countries. The estimated annual cost for COESPU is \$30 million.
- Italy made a \$5.8 million pledge to the UN Peacebuilding Commission.
- Italy made a \$1.3 million contribution to the UN Central Emergency Reserve Fund (CERF) in 2007 and a \$3 million pledge to the CERF for 2008. An annual proportionate share would be \$17.2 million.
- No contribution has been made to the Extractive Industries Transparency Initiative. A proportionate share would have been \$610,000.

#### INNOVATIVE FINANCING

- Italy has committed additional ODA spending to the IFFIm. It is the third largest donor to the IFFIm, after France and the UK, contributing €473.5 million (\$648 million) to be disbursed between 2006 and 2025.
- Italy is a leading player in the Advanced Market Commitment initiative, which promotes the development of vaccines for diseases that affect poor countries. It is the largest donor, having committed €505 million (\$635 million) to the initiative, which is expected to be operational by July 2008.

### OFF TRACK EDUCATION

NOTE: Because Italy did not report to the DAC on time this year, the DAC-derived education figures only include multilateral figures for its sector spending on education. The DAC reported that Italy's bilateral spending on education was \$0 in 2005 and \$2.95 million in 2004.

- Italy provided \$12 million in multilateral funding for primary education to Africa in 2006. In order to provide its proportionate share of the total needed to fund universal primary education, Italy would need to spend a total of \$159 million on primary education in 2008.
- Italy has made statements in support of Education for All, but its development assistance for primary education in Africa in 2006 represented a 25% decrease from 2005, based on the limited multilateral data available so far. No future plans to increase this level of funding appear to have been announced.

#### WATER AND SANITATION

NOTE: Because Italy did not report to the DAC on time this year, the DAC-derived water and sanitation figures only include multilateral figures. The DAC reported that Italy's bilateral water spending was \$0 in 2005 and only \$1.5 million in 2004.

- In 2006, Italy spent \$72.6 million on water and sanitation in sub-Saharan Africa through multilateral channels. This made up 4.11% of its total ODA to the region.

- According to the methodology used in The DATA Report, Italy would have needed to direct \$97.3 million towards water and sanitation in 2006 to be on track, which would have been 5.5% of its ODA to the region.

## TRADE

- Italy is represented in the Doha Development Agenda and Economic Partnership Agreement negotiations by the European Union. The EU is a key player in the Doha negotiations and continues to be engaged in trying to reach a deal. Sensitivities in the agricultural sector, combined with market-opening interests in the manufactured goods and services sectors, continue to impede progress.
- The EU is the largest subsidiser of its agricultural sector: in 2006, the OECD estimated that the EU spent approximately \$63 billion on agricultural subsidies.<sup>4</sup> Italy is a net contributor to the CAP of approximately €1.2 billion per year (\$1.5 billion).
- Towards the end of 2007, the EU initialled interim Economic Partnership Agreements (EPAs) with 18 African countries, as the original programme that provided special market access expired at the end of 2007.<sup>5</sup> These deals provide duty-free access to the EU market and improved rules of origin in some export sectors, in exchange for African countries opening their markets to EU products over time. The EU would like to make EPA deals with Africa more comprehensive but many African countries, as well as the African Union and African civil society, have voiced concerns over this broader approach. Negotiations on what will be contained in 'full EPAs' are supposed to be concluded by the end of 2008.

- Least developed countries (LDCs) can also gain duty-free/quota-free access to the EU market through the Everything but Arms (EBA) programme, which provides nearly 100% access. However, this programme does not cover all African countries and has been criticised for maintaining complicated rules of origin that make it difficult for poor countries to utilise.
- In 2005, at the WTO Ministerial meeting in Hong Kong, the EU pledged to increase aid for trade to all developing countries by €2 billion (\$2.5 billion) per year by 2010.
- Italy's aid for trade contributions to Africa in recent years have fluctuated significantly. Although a 2006 figure for aid for trade contributions is not available, Italy's contributions to this sector in Africa between 2000 and 2005 averaged approximately \$87 million per year.<sup>6</sup>

## EFFECTIVENESS AND QUALITY OF ITALY'S DEVELOPMENT ASSISTANCE

Italy tied the US for last among G7 countries when ranked on a series of ten indicators across four measures of aid effectiveness. Italy performs particularly poorly in the area of predictability of aid.

The Declaration agreed at the Paris High Level Forum on Aid Effectiveness in 2005 set out a growing consensus on what is necessary for aid to be most effective. At Gleneagles, the G8 referenced the Declaration in agreeing to 'implement and be monitored on all commitments we made in the Paris Declaration on aid effectiveness'. DATA has chosen four indicators of aid effectiveness to measure country performance: predictability (as measured by the extent to which planned ODA is delivered), transparency and reporting (as measured by the extent to which ODA is reflected in recipient budgets), the use of national systems (as measured by the extent to which ODA uses recipient systems) and the extent to which aid is untied and open to local competitive bidding. These four indicators were selected by DATA because of their importance and because of the availability of data.

Italy ranks last among G7 countries on the proportion of its aid to government sectors that is shown on the recipient government budget, a key measure of transparency and reporting by the donor, and on all three indicators used to measure the predictability of ODA. Italy ranks second to last on the length of procurement delays and the proportion of aid that is tied.

A symptom of Italy's poor ODA transparency are the issues around its publication of commitments to the DAC. 2006 commitment data for all other DAC donors were published by DAC in December 2007 but, as of April 2008, Italy's data had not been made public. DATA has chosen to include what was reported, but this is an incomplete picture of Italy's ODA.

## LOOKING AHEAD

A new Italian government led by Silvio Berlusconi was elected on 14 April 2008. On 9 April, the President of the European Commission, José Manuel Barroso, announced that the EU would be looking to member states to set out year-on-year timetables at the European Council meeting in June 2008 to demonstrate how each will reach its 0.7% ODA/GNI target by 2015. This Council meeting will be Prime Minister Berlusconi's first major European event as a head of state since his re-election. At the G8 Summit in Japan, which follows soon afterwards, Silvio Berlusconi and George W. Bush will be the only leaders of the group who were present at the G8 Summit in Gleneagles when the original G8 pledges were made.

It appears that Italy's increase in ODA levels in 2007 will be repeated in 2008, as many of its international obligations are expected to be paid this year. The string of development-focused multilateral events in the latter part of 2008, and the build-up to its G8 Presidency in 2009, will offer Italy an opportunity to get on track to reach its commitment and to urge the G7 to meet their commitments by 2010 through annualised, accountable timetables for delivery.