

COOPERAZIONE ITALIA

Italian development aid, a lost opportunity

OECD's preliminary data for 2018



Photo credit: Oxfam

The fall in funding	3
Italian official development assistance in 2018	3
The new system to calculate official development aid	4
What happened to Italy's funds?	6
2018 forecast for official development assistance	6
The expense in 2018	7
Less migrants should not mean less investment in development aid	9
The reasons for the decline	9
A lost opportunity	11
Priority areas for development assistance	11
Italy's Oda, a comparison with other DAC countries	13
The decrease in Oda of DAC countries	13
Donor countries in relation to wealth produced	14
How to pick up where we left off	16
How much funding	16
The allocation of development aid	16
Consistency between funds and planning	16
Which priorities	17
How to achieve quality and consistency	17
Institutional organization	17
Transparent management and communication	18

The fall in funding

Italian official development assistance in 2018

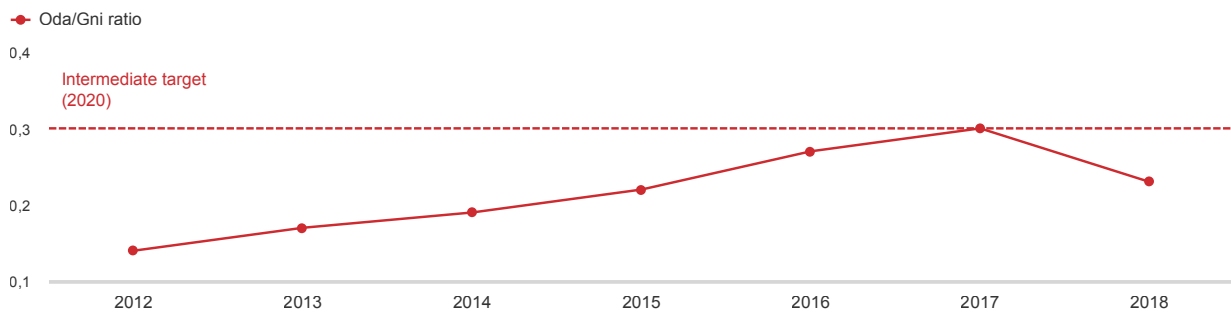
On April 10th 2019 the OECD released the preliminary data on official development assistance (Oda) funding for 2018. **Recent political decisions contributed in bringing Italy back a number of years**, an element that lead to further negatively recalculate the forecasts for the near future.

Italy committed itself to reach, as an intermediate goal, the 0.30% Oda/Gni threshold in development aid by 2020. It seems very unlikely that the country will reach this target.

In 2017 Italy reached the 0.30% Oda/Gni threshold. An important achievement, even though many issues were raised on the way this money was actually spent. The challenge at that point was maintaining, or even increasing, the same quota of aid during the following years. With the approval of the last national budget law however it became clear that Italy's expense on official development assistance (Oda) would have decreased, more specifically starting from 2019 and 2020. **However, the amount of Oda, that had been constantly increasing between 2012 and 2017, suddenly and strongly decreased also in 2018.**

Italy will have problems reaching its development aid objectives

Between 2012 and 2017 funding in development assistance has constantly increased. The preliminary data for 2018 however marks a drastic reduction in Italian Oda.



MUST KNOW: Every year in April the OECD publishes its preliminary data on official development assistance for DAC countries. This year's publication also introduced a new methodology for calculating the information, the so called "grant equivalent method". However, the data in this chart will use the old method, in order to carry out historical comparisons.

SOURCE: OECD

-21%

is the reduction in Italy's Oda between 2017 and 2018

In 2018, compared to the previous year, the investment in development aid decreased by 1 billion euros.

The new system to calculate official development aid

This year the OECD introduced a new methodology to calculate the amount of money spent of official development assistance. Instead of recording the actual flows of cash between a donor and recipient country, DAC members agreed that the headline figure for official development assistance (ODA) would be based on the grant equivalents of aid loans, i.e. the "gift portion" of the loans, expressed as a monetary value. The new grant equivalent methodology therefore provides a more realistic comparison of the effort involved in providing grants and loans and encourages the provision of grants and highly concessional (or soft) loans, especially to low-income countries.

Considering the differences between the old system and the new system, especially on the final data, the OECD is publishing data calculated using both systems. Throughout our analysis we will use the old system, in order to carry out historical comparisons in a proper way.

In the **document** presented by the OECD on the preliminary Oda results for 2018, Italy's Oda/Gni ratio with the new system is 0.24%, while it is 0.23% with the old system. This discrepancy is caused by the new calculation system implemented, based on the so called "grant equivalent" methodology. With the new methodology Italian Oda's amounts to 5.005 billion dollars (4.240 billion euros), which is 0.24% of the country's gross national income (Gni). With the old system however Italy's total Oda is slightly less, more precisely 4,900 billion dollars (4.151 billion euros), approximately 0.23% of the Gni.

What happened to Italy's funds?

2018 forecast for official development assistance

In January, using the data made available by the annual budget law, we revealed that the actual allocated money on development aid for the three year period 2019-2021 would not have met the very optimistic government's expectations stated in the [Updated to the Economic and Financial Document](#).

Neither the Update, or the actual Economic and Financial Document, specified in any way what the Oda expense for 2018 would have been. The last real government forecast regarding Oda for 2018 goes back to the Economic and Financial Document of April 2017 (Gentiloni Government). The ratio was set to be 0.27 Oda/Gni.

Law 125 of 2014, that reformed the whole cooperation and development aid sector in Italy, introduced the obligation for each yearly budget law to also include the exact expense on development aid made by each ministry. One of the last laws approved by the Gentiloni Government was in fact the annual budget law. In that occasion the government stated that the allocated funding would have been, for 2018, 5.02 billion euros.

By putting together this amount of money with Italy's Gni for that same year we were able to calculate if the actual expense (as certified by the OECD) met in any way the expectations of the budget law.

0.28%

is the Oda/Gni ratio that Italy would have reached in 2018 if the amount of money allocated in the annual budget law would have been actually spent

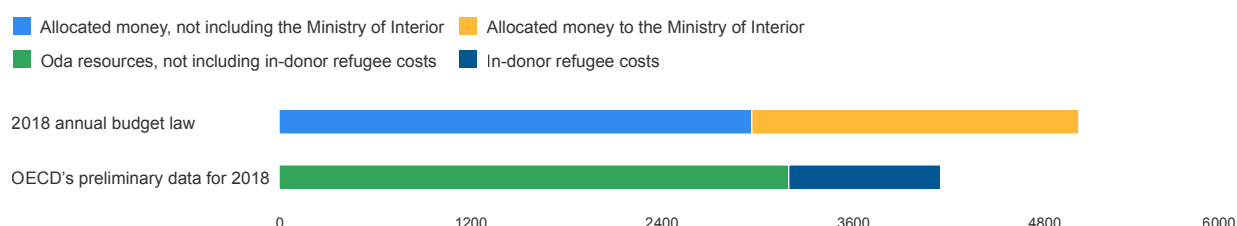
The expense in 2018

Unfortunately, the preliminary data made available by the OECD tells us a different story. The 0.23 Oda/Gni ratio reached by Italy in 2018 (0.24% using the new methodology) means the country only spent approximately 4.1 billion euros (4.2 with the new system). Compared to what was envisioned there are 867 million euros missing.

The 2018 annual budget law and the OECD's preliminary data

The annual budget law estimated 5.02 billion euros in development aid, while the OECD's preliminary data only counts for 4.1 billion euros

Million of euros at current price



MUST KNOW: Art. 14 of Law 125 of 2014, that reformed the whole cooperation and development aid sector in Italy, introduced the obligation for each yearly budget law to also include the exact expense on development aid made by each ministry. This data can only partially be compared with the official OECD data. Not all resources allocated in the government's data will necessarily be counted as official development aid spending by the OECD. The OECD's data follows the "cash basis" methodology, and considers the preliminary data for 2018.

SOURCE: OECD and Italian Ministry of Economy and Finance

When comparing the money allocated in the annual budget law with the OECD's data, we must keep in mind that the two amounts are not necessarily identical. In fact, we have no certainty that the funds allocated by the Ministry of Interior for handling the refugee crisis in Italy will meet the specific guidelines set out by the OECD.

1 billion euros

is the difference between the amount of money allocated to the Ministry of Interior, and what the OECD certified.

Such an important difference between the two sums can be caused by different accounting measures between the two organizations.

On one side it is true that some of the expenses made by the Ministry of Interior cannot be certified by the OECD as legitimate in-donor refugee costs. On the other however, we must keep in mind that in 2017 the difference between what was allocated to the Ministry and what was later recognized by the OECD, amounted only to 120 million euros, far less than what happened in 2018.

The decrease in refugee spending should not surprise. The 2019 Economic and Financial Document stated in fact that the reduction of Italy's Oda was largely due to the "tangible decrease in the amount of money allocated to the welcoming system for refugees and asylum seekers in Italy".

Even though the amount of sea arrivals decreased, the funds for the Ministry of Interior remained very high.

Two questions however still remain. Firstly: what happened to the missing money allocated to the Ministry of Interior for handling the refugee crisis in 2018, and why was this money not spent on other areas of development assistance?

Secondly: why was it that in the 2019 annual budget law, considering the reduction in the number of migrants and asylum seekers in Italy, it was nonetheless decided to allocate 1.7 billion euros to the Ministry of Interior for the management of migrants? We are talking about an amount of money which is slightly less than what was allocated in 2017, when the refugee crisis was bigger.

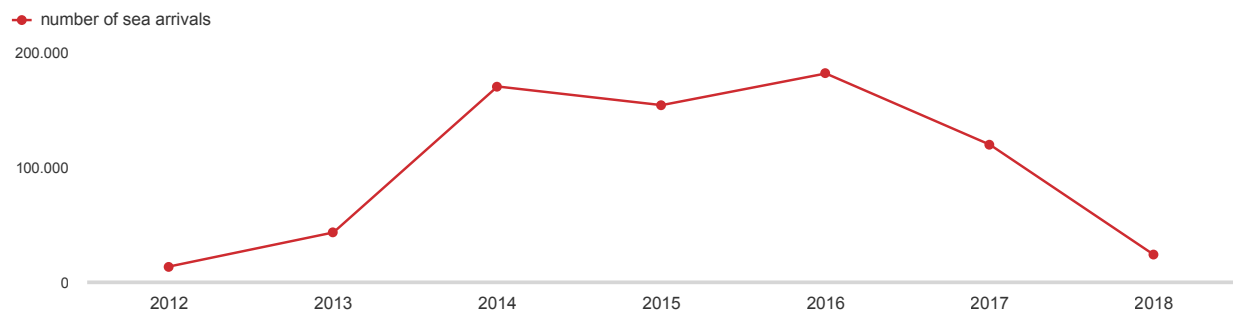
Less migrants should not mean less investment in development aid

The reasons for the decline

While commenting the preliminary data, the OECD justified the reduction in Oda with the fact that donor countries now spend less money for managing the refugee crisis. Something that is true for all DAC countries, and more so for Italy. This same explanation is also mentioned in the 2019 Economic and Financial Document. The decline in resources in this distinct area of development aid was clearly expected, and can be deemed natural considering the reduction in see arrivals of asylum seekers and migrants in Italy.

The decreasing number of refugees and asylum seekers in Italy

In 2018 the number of sea arrivals on Italian shores strongly decreased



MUST KNOW: The Ministry of Interior publishes on a daily basis data on sea arrivals on Italian shores.

SOURCE: Ministry of Interior and Ismu

However, the cutback in resources for managing the refugee crisis in donor countries, should not justify such a drastic decrease in Oda, even considering the weight that this component has always had on the total of amount of Italy's official development aid. The OECD points out that the fall in Italy's Oda is substantial even when taking the expense on the refugee crisis out of the picture.

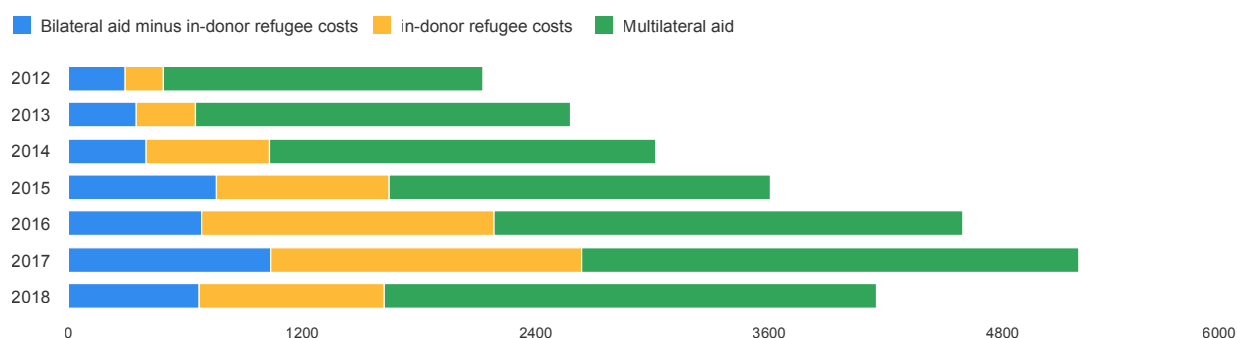
-12.3%

is the decrease in Italy's Oda between 2017 and 2018, without considering in-donor refugee costs.

The decrease in Oda and in-donor refugee costs

The decrease in Italy's Oda is justified by the OECD with the reduction of in-donor refugee costs. This explanation is not enough

Million of euros at current price



MUST KNOW: In-donor refugee costs is a specific area of development assistance. It includes the resources invested to manage asylum and international protection seekers. It is the main component of what is defined as “inflated aid”. The OECD’s data follows the “cash basis” methodology, and considers the preliminary data for 2018.

SOURCE: OECD

Even funds in multilateral aid have decreased, not by a lot, but this is most certainly due to the cyclical budget recapitalization of multilateral organizations, rather than specific political decisions.

A lost opportunity

What stands out however is the drastic cutback in bilateral aid, even when excluding in-donor refugee costs.

-36.51% is the reduction in Italian bilateral aid

The decrease in the amount of land arrivals of both asylum seekers and migrants could have been an opportunity for Italy's Oda. It could have been the opportunity to reinvest the amount of money saved in genuine aid. Unfortunately, this did not happen, and further cuts were made in other priority areas of bilateral aid.

Priority areas for development assistance

Funds in development aid have shrunk, however besides analyzing the matter from a quantitative perspective, **it is also important to look at the issue from a qualitative point of view: have the remaining funds been invested to reach international objectives**, and the national targets as describe in the 2017-2019 programming document on development aid?

Besides reaching the 0.30 Oda/Gni threshold another goal that was set by Italy, as well as all other DAC countries, had to do with the amount of money allocated to least developed countries (Ldcs).

According to the 2011 action plan towards Ldcs, developed countries have to allocate between 0.15-0.20% of their gross national income to least developed countries.

In 2017 Italy was still distant from this objective, having allocated only 0.06% of its Gni to Ldcs. Unfortunately, the preliminary data published by the OECD does not allow to analyze the amount of money allocated to least developed countries in 2018. This in fact is calculated by putting together both bilateral and multilateral aid. The preliminary data however only includes bilateral aid.

However, by comparing the amount of bilateral aid allocated to Ldcs in 2018 to what was allocated in prior years we can verify the current trend, and anticipate what will emerge when the official data will be made available in December.

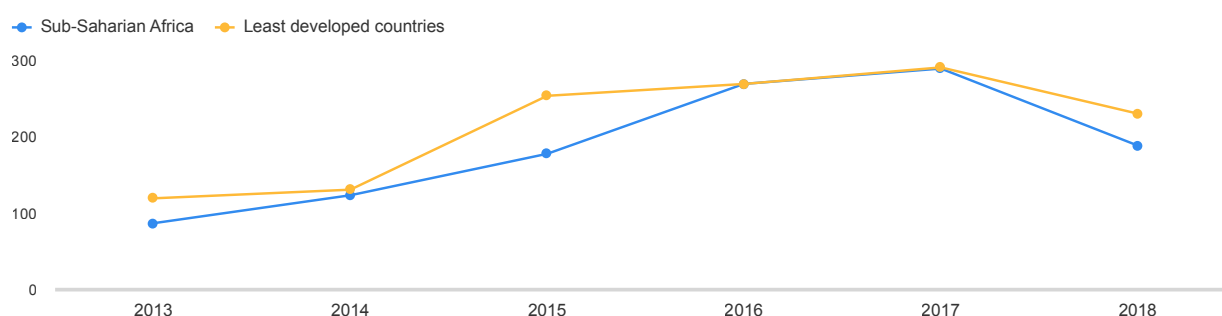
-22%

the decrease in bilateral aid allocated to least developed countries in 2018

Less money where it counts

Two key sectors have been witnessing a cutback in funding: least developed countries and sub-Saharan Africa.

Million of euros at current price



MUST KNOW: According to the 2011 action plan towards Ldcs, developed countries have to allocate between 0.15-0.20% of their gross national income to least developed countries. The OECD's data follows the "cash basis" methodology, and considers the preliminary data for 2018.

SOURCE: OECD

Funding for least developed nations decreases

The amount of money allocated to least developed countries is declining, and the situation is even worse if we consider only countries in sub-Saharan Africa (-35.8%). This obviously is alarming, considering that central-southern Africa, besides being made up of several Ldcs, is also one of the priority intervention areas describe in Italy's programming document for development aid.

Italy's Oda, a comparison with other DAC countries

The decrease in Oda of DAC countries

Considering DAC countries, **Italy is the country that most decreased its investment in development assistance in 2018**, a cutback of 21.3%. A very critical information, if we consider that Italy's efforts in recent years had positively contributed to its attempts at reaching international objectives and commitments.

However, Italy is not the only country that decreased its funding in Oda. Between the 29 members that make up the development assistance committee (DAC), 12 have reduced recourses invested in development assistance.

Italy registered the highest cutback in Oda.

When analyzing the list of countries that decided to decrease its Oda, there are many economic super powers: **United States of America (-5%), the world's most important contributor to development aid, Germany (-3%) and Japan (-13.4%)**. This situation contributed to a general reduction in development aid funding. In general, between 2017 and 2018 the investment of DAC countries in development assistance decreased by 2.7%.

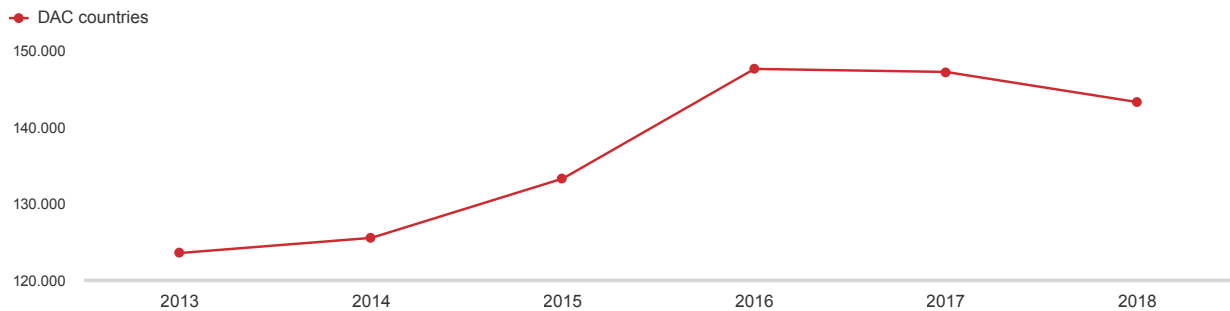
-2,7%

The reduction of funding in ODA considering all DAC countries

Official development aid of DAC countries between 2013 and 2018

In 2018 DAC countries reduced their investment in Oda

Million of dollars at constant price (2017)



MUST KNOW: The development assistance committee (Dac) is made up of 29 countries and the European Union. The organization includes the world's main contributors in development aid. The OECD's data follows the "cash basis" methodology, and considers the preliminary data for 2018.

SOURCE: OECD

If the decrease in funding was all in all limited, it is mostly because some countries decided to significantly increase its investments. More specifically: **Great Britain (+1.8%), France (+4.4%), which are the third and fourth biggest DAC contributors, and Sweden (+4.5%).**

Donor countries in relation to wealth produced

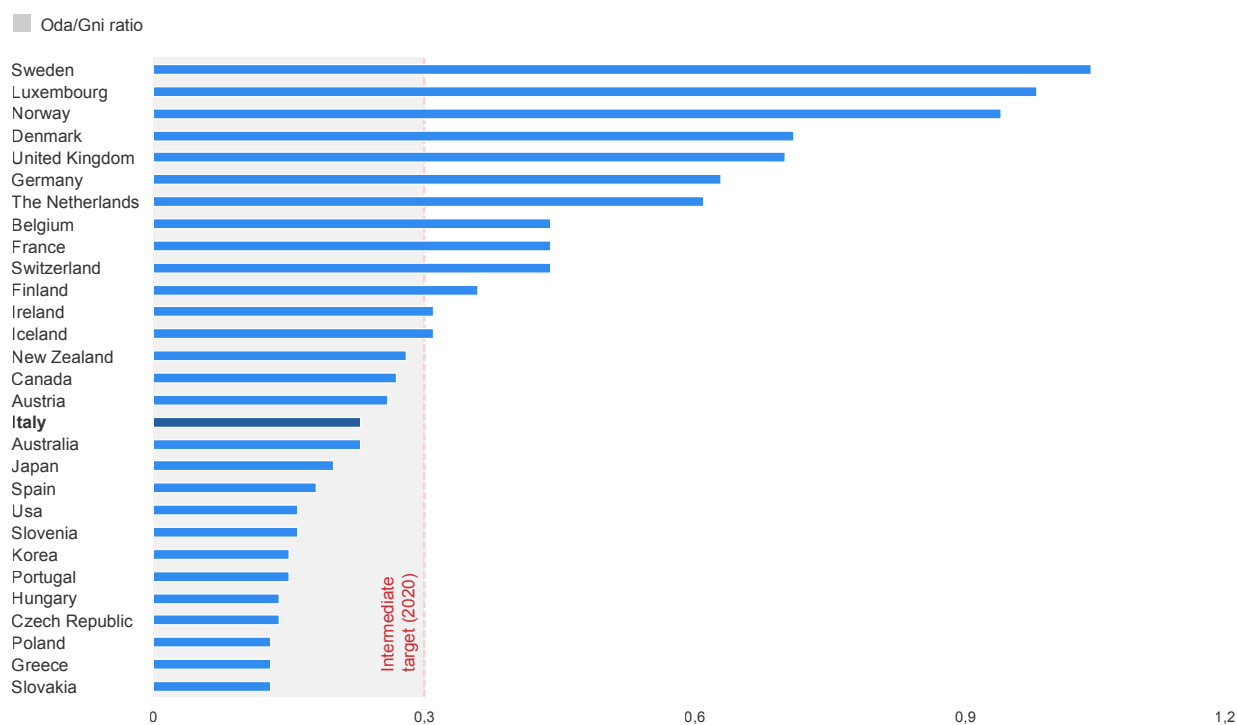
The reduction of Italy's Oda funds, besides complicating its efforts in reaching the intermediated 0.30 Oda/Gni threshold by 2020, pushes the country back several position in the ranking of DAC donor countries.

Each country's target is calculated considering the produced wealth of the nation.

If Italy ranked 13° in 2017 between DAC countries, the preliminary data for 2018 puts Italy at the bottom of the chart, ranking now 17°.

DAC countries and their expense in Oda: Italy ranks 17°

According to the OECD's preliminary data Italy ranks 17°. In 2017 the country was 13°.



MUST KNOW: One of the Agenda 2030 objectives states that developed countries need to donate 0.7% of their gross national income to developing nations by 2030. The OECD's data follows the "cash basis" methodology, and considers the preliminary data for 2018.

SOURCE: OECD

Unfortunately, Italy is not the only country which is far from reaching its targets. Other major donor countries are doing worse than us, such as the United States of America with a 0.16% Oda/Gni ratio in 2018. **Only 5 countries have already met, or have passed, the 0.7% threshold, while 8 countries already reached the intermediate 0.30% threshold.**

How to pick up where we left off

How much funding

With such a drastic reduction in Italy's Oda, that in 2018 shrunk by a fifth reaching the 0.24 Oda/Gni ratio, **it becomes necessary to begin working on a programming strategy for the next three years.**

In order for Italy to reach the intermediate 0.30% threshold by 2020 substantial changes need to be made in the near future. In addition, this specific target, besides representing a commitment with the international community, has been revamped by Italy's Deputy Prime Minister Luigi Di Maio in his speech at Exco (the Expo of international cooperation) last May.

The allocation of development aid

As we've previously seen Italy's success in reaching the 0.30% target in 2017 was largely due to the amount of money allocated for the management of the refugee crisis.

Considering the current reduction of migrant influx, it becomes key to reinvest these resources in other areas in order to reach the required targets.

More specifically it is necessary that these resources are spent in a more proper way, respecting the goals and objectives of Agenda 2030. On the contrary it is important to avoid that these resources are wasted on policies that have nothing to do with development aid policies, the welcoming of migrants and asylum seekers and international standards.

Consistency between funds and planning

In this historical moment, in which the total amount of money allocated to development aid is decreasing, planning becomes a fundamental strategy in order to not waste the few resources that are made available.

Therefore, **it is necessary to increase collaboration between ministries in defining a common strategy, which then results in a realistic and just allocation of resources.** An important phase in order to avoid losing large amounts of money.

The geographical and thematic allocation of resources, especially considering the bilateral component, needs to be consistent with the strategic and operative indications laid out in the Italian three-year planning document for development aid.

Which priorities

The country's strategy needs to keep as a qualitative objective least developed countries, and more specifically those countries that are in the list of Italy's priorities. Considering the shrinking amount of resources, it is important to focus energies on issues that address in a direct and effective way the sustainable development goals of Agenda 2030.

Therefore, **much attention must be given to fighting poverty and internal inequalities:** health, education, agriculture and food security, climate and environment and gender issues.

How to achieve quality and consistency

In order to increase the amount of money invested in these areas **it is important to add, during the assessment phase, a bonus for projects and programs that operate in least developed countries, and that address sustainable development issues.**

Following the example set by Agenda 2030, it is desirable that in the three-year national programming documents **qualitative and quantitative indicators are selected in order to monitor the effective implementation of development policies.**

Institutional organization

After over a year the Italian Agency for development aid (Agenzia della cooperazione - Aics) finally has a new director. At this time however a lot of key appointments inside the institution have still to be made, events that will need to take place by the end of the year.

In fact, if the government really intends, as announced, to increase funding in development aid in the next years, **it becomes necessary to augment the operative capacity of Aics**, in order to allow the structure to act properly.

Transparent management and communication

A transparent use of these funds requires fast, clear and detailed information. A place where experts, researches and citizens can obtain complete and updated data.

This in theory should have been the purpose and objective of openaid, however the website only publishes data regarding Aics, and not the entirety of resources invested in development aid by Italy.

Guaranteeing complete and adequate information on development aid policies implemented by Italy is crucial to coordinate all actors active on the matter. This concept was one of the key objectives of Law 125/2014, and is also fundamental in order not to lose recent progress made in the transparency index of the International Aid Transparency Initiative.