

KEY QUESTION

6

How is Italy's ODA spent?

Italy disburses much of its ODA multilaterally, but bilateral cooperation is expected to increase

Italy currently provides ODA mainly through multilateral organizations. The share of ODA disbursed multilaterally is much higher than that of other donors: it reached more than half of Italy's total ODA in 2015. Member countries of the Development Assistance Committee (DAC) of the OECD provide on average 39% of their ODA multilaterally. This high share is the result of a traditional inclination towards multilateral funding. However, it is also due to implementation constraints and budget cuts for bilateral programs between 2008 and 2012, while binding contributions to EU institutions were maintained. As a result, the EU is also the key recipient of Italy's ODA: in 2015, 42% of Italy's total ODA went through the EU. In 2013 and 2014, bilateral ODA has started to increase again. This has been driven by the rising costs of hosting refugees, which are reported as bilateral ODA, but also increased humanitarian aid. Looking forward, multilateral and bilateral ODA are expected to be more balanced, as funding for bilateral cooperation programs is set to increase with the establishment of Italy's new development agency, AICS.

Italy currently provides almost all bilateral ODA in the form of grants (95% in 2015). However, the share of ODA provided as loans and equity investments is expected to increase as Italy's new development bank is expected to engage in innovative financing mechanisms.

Who are the ODA recipients?

Focus is on sub-Saharan Africa and MENA

Sub-Saharan Africa and the Middle-East and North Africa (MENA) region are the priority areas for Italy's cooperation. With the exception of Albania and Pakistan, all top ten recipients are in one of these regions. These regions will remain in focus in the coming years, particularly as Italy places increasing emphasis on tackling the root

causes of migration from Africa. The government is currently finalizing an updated list of priority countries. These will be listed in the three-year guidelines for 2016 to 2018.

As a result of Italy's engagement in sub-Saharan Africa, Italian development cooperation strongly benefits least-developed countries. When excluding ODA that is not allocated to specific countries (63%; see figure),³ Italy allocated 73% of its bilateral ODA in 2015 to low-income countries. This corresponds to 19% when considering total bilateral ODA.

How is bilateral funding programmed?

MAECI is responsible for strategy and programming, but embassies also play a key role on the ground

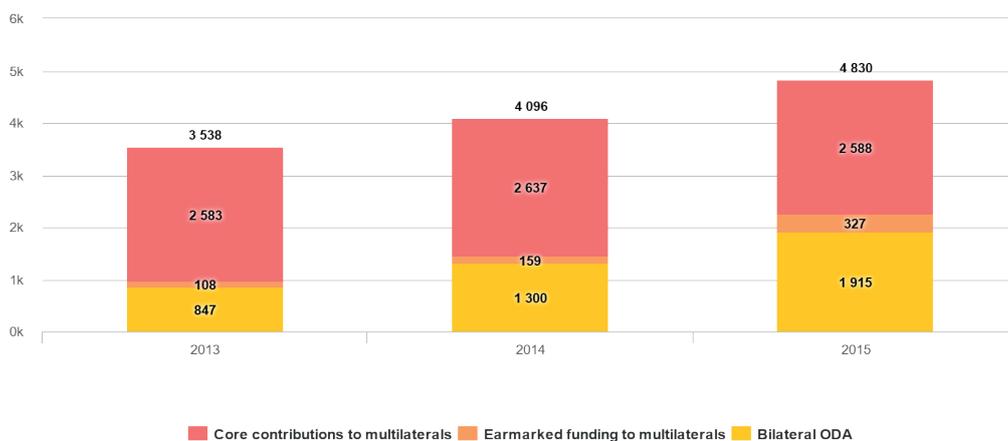
The programming and implementation of bilateral ODA have been significantly restructured by the 2014 reform. As the new agency, AICS, only started operating in January 2016, it is still unclear what processes AICS and the Foreign Ministry's Directorate General for Development Cooperation (DGCS) will use to program bilateral funding.

Up until the 2014 reform measures come into effect, allocations of bilateral funding to partner countries are based on multi-year country programs developed by DGCS. To do so, the DGCS consults Local Technical Units and embassies in the field. Priority sectors and allocations are outlined in these documents. Based on the country programs, the DGCS annually reviews and updates its Programming Guidelines and Directions. They define annual priority countries and key bilateral programs within these. At a country level, regional departments at DGCS' headquarters then develop and approve projects, after consultation with embassies. Due to their close relations with partner country stakeholders, embassies often have an influential role.

³ Between 2012 and 2014, 59% of Italy's bilateral ODA was not allocated to a specific country. This particularly high share is due to the high costs of hosting refugees that Italy reports as ODA.

ITALY'S BILATERAL AND MULTILATERAL ODA

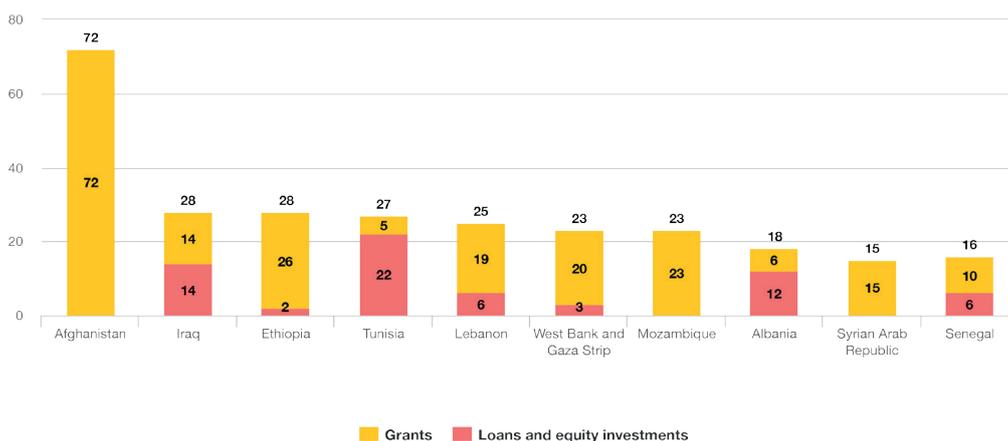
US\$ millions, 2014 prices



Source: OECD DAC. Gross disbursements.

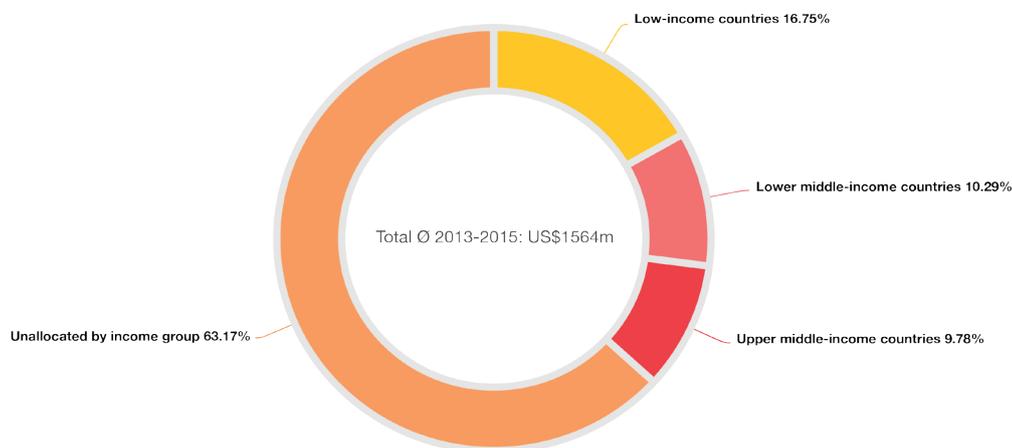
THE TOP 10 RECIPIENTS OF ITALY'S ODA

average 2013-2015, excluding debt relief; US\$ millions; in 2014 prices



Source: OECD CRS, in 2014 prices.

ITALY'S BILATERAL ODA BY INCOME-GROUP OF RECIPIENT



Source: OECD CRS.