

## KEY QUESTIONS

### the big six

# 3



## How is Italy's ODA spent?

### Italy traditionally disburses much of its ODA multilaterally

Italy traditionally provides ODA mainly through multilateral channels. The share of ODA disbursed multilaterally is much higher than that of other donors: On average Italy spent 61% of its ODA multilaterally between 2010 and 2017. But since 2015, the share of bilateral contributions has increased due to the costs of hosting refugee, bringing bilateral and multilateral contributions more in line. Still, at 47% in 2017 Italy spent more ODA multilaterally compared to member countries of the OECD's Development Assistance Committee (DAC; 40%).

### Half of bilateral ODA covers costs of hosting refugees; humanitarian assistance is largest sector of spending abroad

In recent years, Italy's bilateral funding has increased rapidly, tripling between 2013 and 2016 and reaching a total of US\$3.2 billion in 2017. The increase in bilateral ODA is largely driven by two factors: the launch of the Italian development agency (AICS) in 2016 and the costs of hosting refugees in Italy.

Despite the drop in incoming migrants (120,000 in 2017 compared to 181,000 in 2016), costs of hosting refugees made up 56% of Italy's bilateral ODA in 2017, or US\$1.8 billion. Excluding these refugee-related costs, bilateral spending for development programs abroad has still significantly increased: by 66% between 2016 and 2017, from US\$845 million in 2016 to US\$1.4 billion in 2017.

Other sectors have benefited from this expansion of bilateral cooperation. Humanitarian assistance is the largest sector of spending abroad, receiving US\$266 million in 2017, an additional 51% from 2016 levels. Investments to strengthen government and civil society almost tripled, from US\$53 million in 2016 to US\$155 million in 2017. The most significant increase of bilateral ODA between 2016 and 2017 was in the energy sector, which increased from more than ten-fold, from US\$11 million to US\$143 million. Agriculture remained relatively stable, receiving US\$102 million bilaterally in 2017. However, the key priorities outlined in the AICS guidelines for 2017-2019 – health, education, and agriculture – represent only 10% of Italy's bilateral spending.

Italy currently provides almost all of its bilateral ODA in the form of grants: in 2017, just 9% of bilateral ODA was in the form of loans and equity investments, equal to the

OECD-DAC average. However, when excluding refugee costs, Italy provided 21% of total bilateral ODA as loans. The share of ODA provided as loans and equity investments is expected to increase, as Italy's new development bank is increasingly engaging in innovative financing mechanisms. The majority of Italy's bilateral ODA is disbursed through the public sector (75% in 2017). Only 7% of bilateral ODA was channeled through non-governmental organizations (NGOs) in 2017, a significant decrease as a share of bilateral ODA in recent years but an increase in absolute terms.

### Italy's ODA recipients are primarily in sub-Saharan Africa and MENA

Sub-Saharan Africa and the Middle East and North Africa (MENA) region are priority areas of Italy's bilateral development cooperation. With the exception of Afghanistan and Turkey, all top ten recipients are in these regions (2015-2017 average). These regions will remain in focus in the coming years, particularly as Italy continues its emphasis on tackling root causes of migration from Africa. The three-year Programming and Policy Guidelines for Italian Development Cooperation 2017-2019 also highlight these as geographic priorities.

Italy provides a considerably small proportion of its bilateral ODA to low-income countries (LICs): 11% in 2017, compared to the DAC average of 24%. However, this partly reflects the large portion of Italian ODA that is not allocated by income-level: excluding this, LICs received 41% of bilateral ODA on average between 2015 and 2017.

### Multilateral contributions primarily go to EU institutions

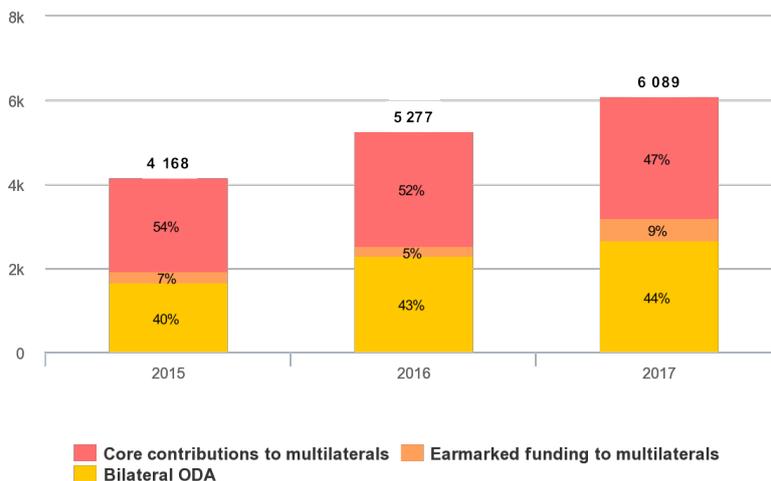
Core contributions to multilateral organizations made up almost half of Italy's ODA in 2017 (47%): This represents a 5% increase over 2016, from US\$2.7 billion to US\$2.9 billion. A large proportion is channeled to EU institutions, which went from US\$1.4 billion in 2015 to US\$1.8 billion in 2017, amounting to two thirds (61%) of Italy's total contributions to the multilateral system. This increase was primarily to fund EU policies to respond to unprecedented arrivals of asylum seekers. The 5% increase to overall multilateral funding from 2016 to 2017 can largely be explained by contributions to the International Fund for Agricultural Development (IFAD), the African Development Fund (ADF) and other UN organizations, which increased significantly.

Other major recipients of Italy’s multilateral ODA in 2017 were the regional development banks (US\$ 290 million or 10% of multilateral ODA), the World Bank (US\$278 million or 10%), and UN agencies (US\$271 million or 9%). The

multilateral share is particularly high in the area of agriculture and rural development: In 2016 the sector received US\$233 million in the form of multilateral funding, or 71% of total agricultural ODA.

### ITALY'S BILATERAL AND MULTILATERAL ODA

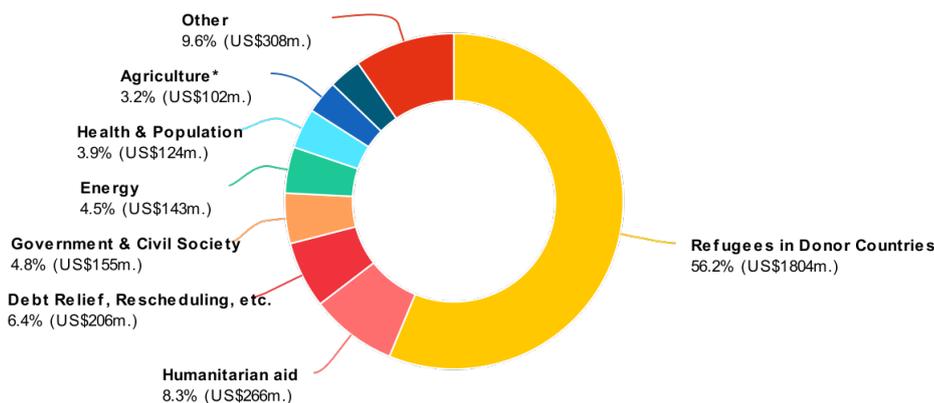
US\$ millions



OECD DAC 1 table. Gross disbursements; in 2017 prices.

### ITALY'S BILATERAL ODA BY SECTOR, 2017

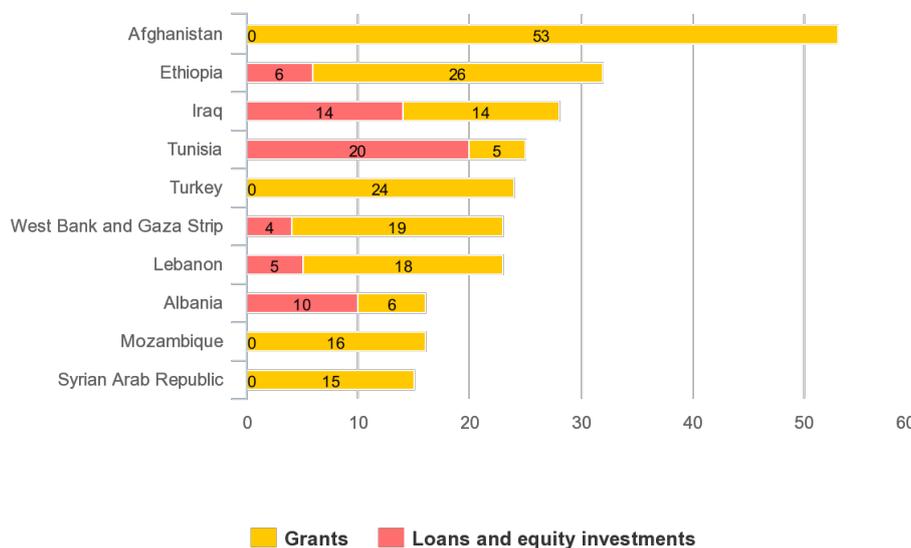
Total: US\$3,208 million



OECD CRS. Gross disbursements. \*Includes agriculture, forestry, fishing, and rural development. In 2017 prices.

### THE TOP 10 RECIPIENTS OF ITALY'S ODA

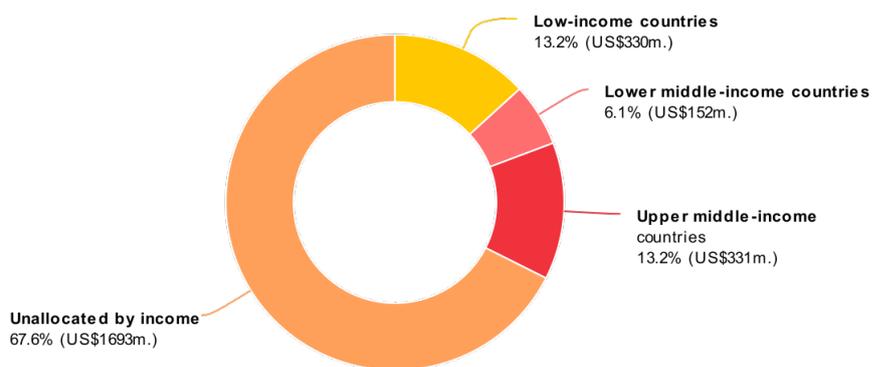
Average 2014-2016, excluding debt relief; US\$ millions.



OECD CRS. Gross disbursements; in 2016 prices.

### ITALY'S BILATERAL ODA BY INCOME-GROUP, 2015-2017

average 2015-2017: US\$2.5 billion



OECD CRS. Gross disbursements; in 2017 prices.