

KEY QUESTIONS

the big six

6



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: it reached more than half of Italy's total ODA in 2016 (52%), while member countries of the OECD's Development Assistance Committee (DAC) provide on average 38% of their ODA multilaterally. Core contributions to multilateral organizations went up by 22% between 2015 and 2016. This is mostly driven by a strong increase in contributions to EU institutions, which went from US\$1.4 billion to US\$1.8 billion, reaching two thirds of total contributions to the multilateral system. This significant increase was primarily to fund EU policies to respond to unprecedented arrivals of asylum seekers starting in 2015, and, among other initiatives, its increased funding for humanitarian assistance. In addition, Italy contributes to the Asian Infrastructure Investment Bank, which started operating in 2016. Its contributions reached US\$175 million in 2016. The World Bank's IDA remained the second-largest recipient of multilateral core contributions from Italy, with US\$205 million in 2016.

In recent years, bilateral funding has been increasing, tripling between 2013 and 2016, reaching a total of US\$2.5 billion in 2016. This trend rebalanced multilateral and bilateral ODA, at around 50% of total ODA each. This is primarily due to increases in costs of hosting refugees in Italy, which are reported as bilateral ODA, as well as by increased humanitarian aid. When costs of hosting refugees are excluded, the increase in bilateral ODA has been more moderate, growing from US\$465 million in 2013 to US\$826 million in 2016 (a 78% increase), which is largely driven by the bilateral cooperation programs of Italy's development agency, AICS, established in January 2016. Between 2015 and 2016, bilateral ODA excluding refugee costs even declined by 9% (US\$81 million).

Italy currently provides almost all of its bilateral ODA in the form of grants: in 2016, just 9% of bilateral ODA excluding refugee costs was in the form of loans and equity investments. But 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 (the bank is not yet fully operational). The majority of Italy's bilateral ODA is disbursed through the public sector (81% in 2016). Only 8% of bilateral ODA was channeled through non-governmental organizations (NGOs) in 2016. This is a significant decrease from the share in recent years in relative terms: In 2013, still 16% was channeled through NGOs. However, in ab-

solute amount, ODA funding through NGOs went from US\$136 million in 2013 to US\$193 million in 2016.

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 Afghanistan, Albania, and Turkey, all top ten recipients are in the region (2014-2016 average, see chart below). These regions will remain in focus in the coming years, particularly as Italy places increasing emphasis on tackling root causes of migration from Africa. The three-year Programming Guidelines for Italian Development Cooperation 2017-2019 highlights these as geographic priorities.

As a result of Italy's engagement in sub-Saharan Africa, Italian development cooperation strongly benefits low-income countries (LICs). When excluding ODA that is not allocated to specific countries (69%, 2014-2016 average), Italy allocated 47% of its bilateral ODA to LICs. When considering total bilateral ODA, this corresponds to 14%.

How is bilateral funding programmed?

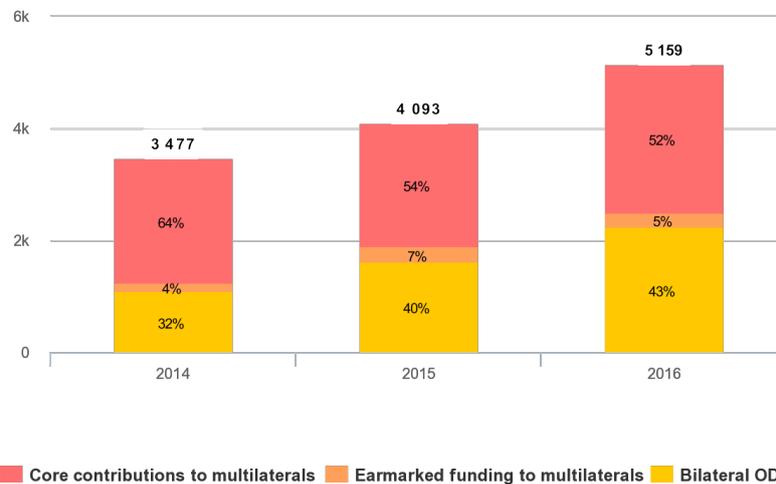
MAECI is responsible for strategy and programming, but embassies also play a key role on the ground

The programming and implementation of bilateral ODA have been significantly restructured by the 2014 reform. As the new agency AICS 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 Guidelines for development cooperation. 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.

ITALY'S BILATERAL AND MULTILATERAL ODA

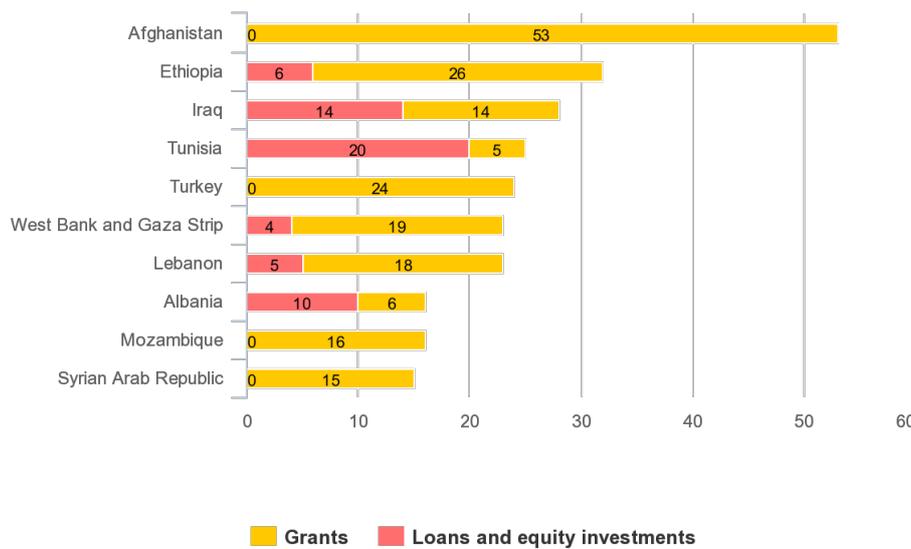
US\$ millions



OECD DAC 1 table. Gross disbursements; in 2016 prices.

THE TOP 10 RECIPIENTS OF ITALY'S ODA

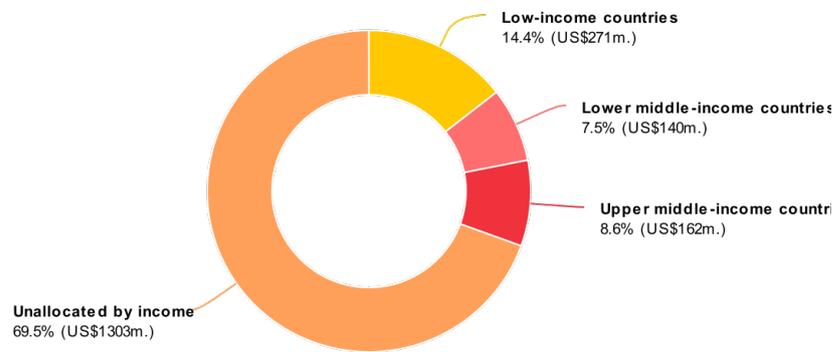
Average 2014-2016, excluding debt relief; US\$ millions.



OECD CRS. Gross disbursements; in 2016 prices.

ITALY'S BILATERAL ODA BY INCOME-GROUP, 2014-2016

Average 2014-2016: US\$1.9 billion



OECD CRS. Gross disbursements, in 2016 prices.