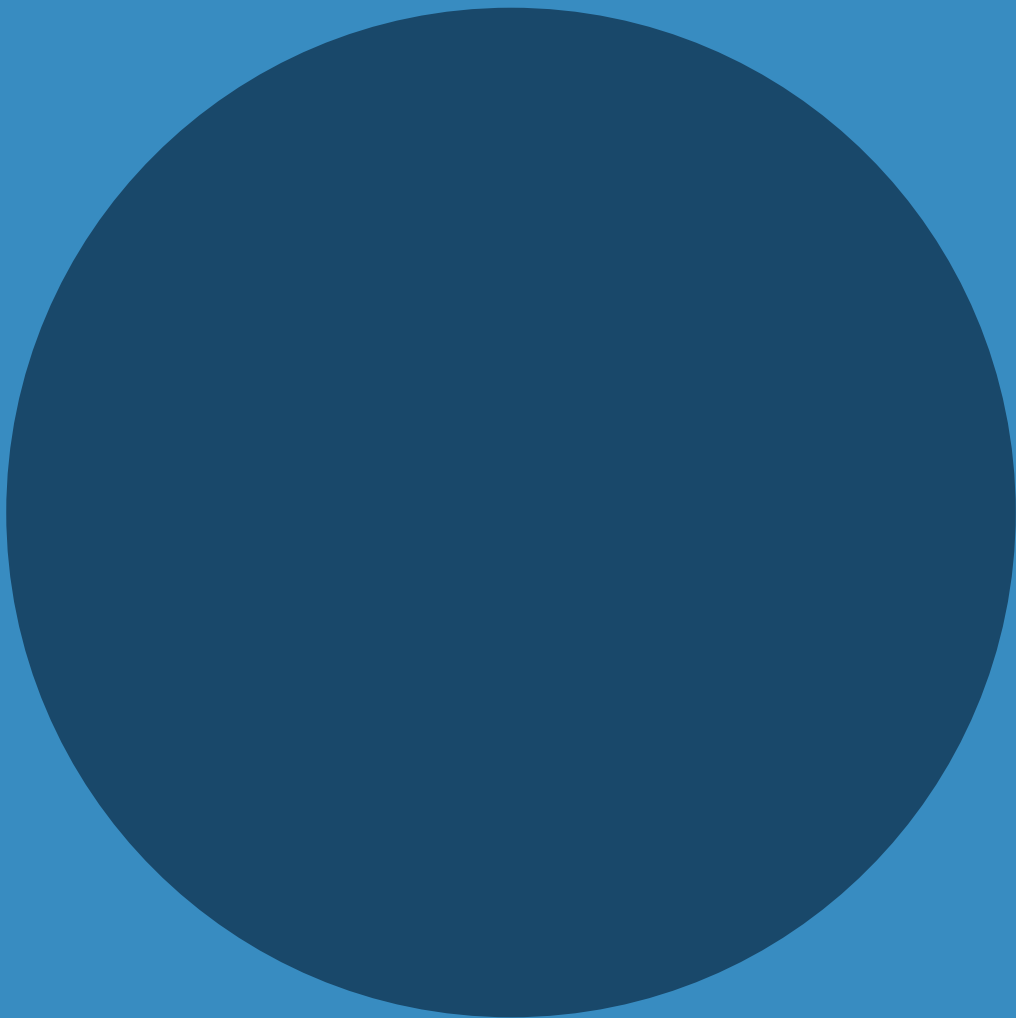


BUILDING BACK FORWARD

The Future of Italy's
Development Cooperation



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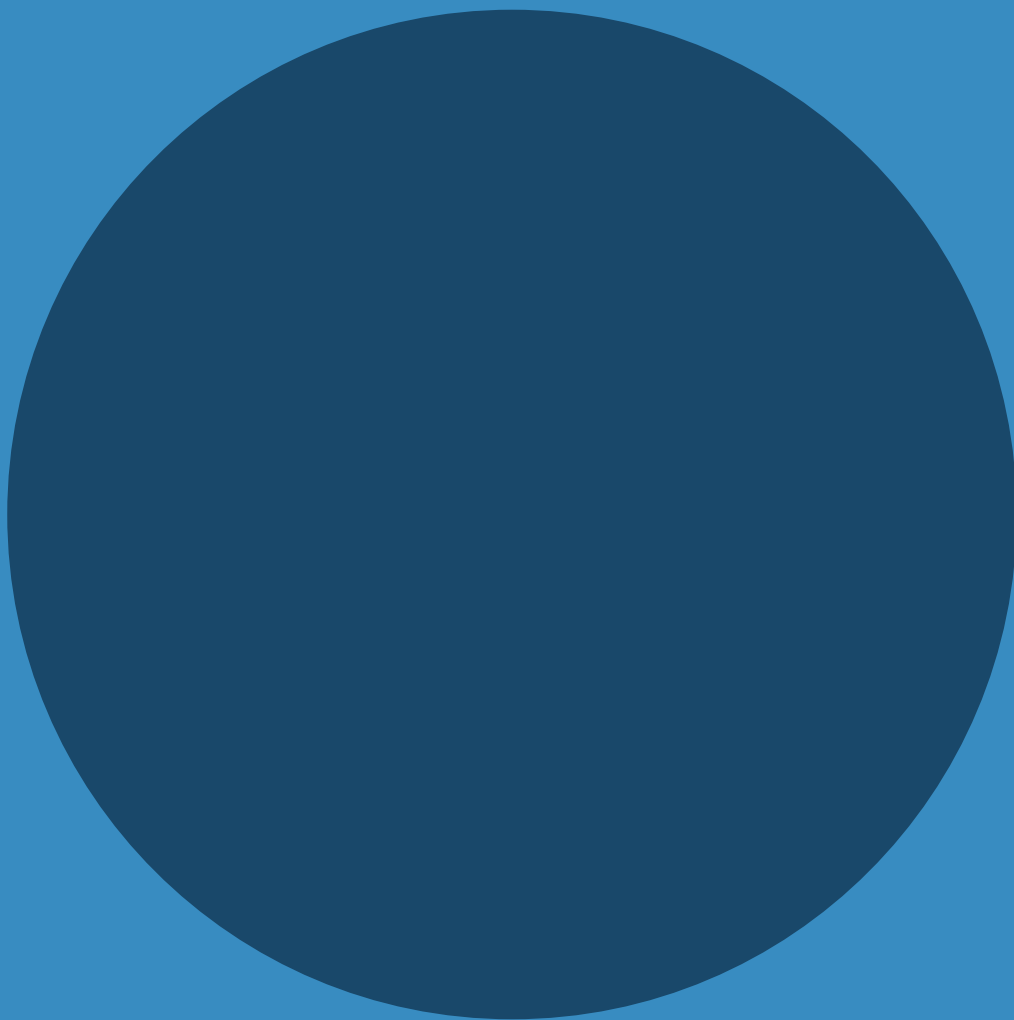
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TABLE OF CONTENTS

5	Introduction
6	Italian Development Cooperation. An Overview
6	\ Legislative and institutional framework
8	\ Official Development Assistance in Italy
10	\ Future scenarios
11	Italians and Official Development Assistance
17	Present and Future of Italy's Development Cooperation
17	\ International and Italian trends in ODA
18	\ Future scenarios
19	A Development Agenda for the 2024 Italian G7 Presidency
20	\ Global development: A growing role in the G7 agenda
21	\ An agenda to build back forward for the future
	G7 Presidency
23	Final Remarks
24	Notes



INTRODUCTION

2022 was a tumultuous year. When the Covid-19 pandemic seemed to be under relative control, the Russian war of aggression against Ukraine started, shifting resources and attention away from the global development issues that had emerged over the previous two years – unequal access to healthcare, financial distress, increasingly severe effects of climate change, among others – and adding further uncertainty to the prospects of achieving the Sustainable Development Goals by 2030.

Italy's role in international development cooperation is relevant, though smaller compared to other OECD DAC members. As holder of the G20 Presidency in 2021, Italy promoted a joint declaration on food security, bringing the issue back on the Group's global agenda. In addition, it is a committed participant in multiple global health funds and initiatives, such as Gavi, the Vaccine Alliance and the Global Fund to Fight AIDS, Tuberculosis and Malaria.

Nevertheless, the war in Ukraine, the ensuing energy crisis and economic downturn raised fears that Italy's commitments to the global development agenda, as measured in particular by resources for Official Development Assistance (ODA), would not be met. The snap elections that were called in July 2022 added further uncertainty to Italy's direction in development policy.

In light of these challenges, IAI partnered with Focus 2030 and Fondazione Compagnia di San Paolo to revitalise the debate around Italy's ODA and the global development agenda, through the project *Building Back Forward: The Future of Italy's Development Cooperation*. Between September 2022 and May 2023, institutional, political and civil society representatives had the chance, within the framework of the project, to discuss the current state and future prospects of Italy's development cooperation agenda, based on data on public attitudes towards ODA, the new government's priorities and everlasting challenges in partner countries.

These debates, which took place during public and closed-door events, were accompanied and supported by policy analysis activities. This report presents the main results of this research effort:

- ▶ A background report providing an overview of the key features of Italy's development cooperation, prepared for a November 2022 closed-door meeting between institutional, political, and civil society representatives;
- ▶ A report from the 2022 IAI-LAPS survey which illustrates Italian public attitudes towards ODA, published on the occasion of a December 2022 public event with Italy's Vice-Minister for Foreign Affairs and Development Cooperation, Edmondo Cirielli;
- ▶ A first *IAI Commentary* that takes stock of Italy's ODA commitments for the 2022 Budget Law, in light of broader ODA trends as of March 2023;
- ▶ A second *IAI Commentary* which, on the heels of the May 2023 G7 Hiroshima summit, identifies global development challenges that the Italian government should prioritise in preparing the agenda for the 2024 Presidency of the G7.

ITALIAN DEVELOPMENT COOPERATION. AN OVERVIEW*

LEGISLATIVE AND INSTITUTIONAL FRAMEWORK

The development cooperation system in Italy is governed by Law 125 of 2014,¹ which identifies the thematic priorities, actors and methods of implementation of Italian cooperation. In line with the United Nations Charter and the Charter of Fundamental Rights of the European Union, the main purpose of Italy's development cooperation is to promote peace and justice and establish equal and supportive relationships between countries. The specific objectives are aligned with the United Nations' 2030 Agenda² and consist of:

- ▶ Poverty eradication, reduction of inequalities, improvement of living conditions and sustainable development;
- ▶ Defence of human rights, individual dignity, gender equality, democracy, and rule of law;
- ▶ Prevention and resolution of conflicts, post-conflict reconstruction and strengthening of democratic institutions.

Humanitarian assistance and raising awareness among citizens about development issues are also part of the action areas.

In terms of principles, Italy's development cooperation adopts the practices shared by OECD donor countries,³ which include local ownership of development initiatives, alignment of interventions with the national policies of partner countries, harmonisation among donors and cooperation actors, results orientation and mutual accountability between partners. Cooperation must also be conducted according to criteria of efficiency, transparency and cost-effectiveness. The practice of conditional aid⁴ is rejected, and national policies must be in line with the principles and objectives of development cooperation.

Law 125/2014 provides for the implementation of development cooperation policies through various activities: participation in multilateral initiatives and EU cooperation programs; bilateral partnerships; concessional credits; initiatives carried out by regions, autonomous provinces and local authorities; and emergency humanitarian interventions. These activities are undertaken based on the strategic direction provided by the *Three-year Programming and Policy Planning Document*. For the 2021-2023 period, the "strategic vision of Italian development cooperation" is to "foster sustainable development by creating opportunities and leveraging Italy's expertise in strategic sectors for both partner countries and for [Italy]".⁵ To achieve this vision, the following thematic priorities have been identified:

- ▶ Sustainable agriculture;
- ▶ Access to clean water;
- ▶ Accessible and sustainable energy;
- ▶ Education;
- ▶ Basic services;
- ▶ Decent working conditions;
- ▶ Gender equality and women's empowerment, including the fight against violence and access to sexual and reproductive health;
- ▶ Strengthening of healthcare systems and universal access to medical treatments.

The countries on which Italian cooperation activities should focus over these three years, according to the Programming Document, are indicated in Figure 1 (the evolution of the domestic situation of some countries, such as Mali and Myanmar, may lead to a revision of the key countries).

The largest share of bilateral resources is allocated to Africa (50%), followed by the Balkans and the Middle

PRIORITY COUNTRIES FOR ITALIAN COOPERATION 2021–2023

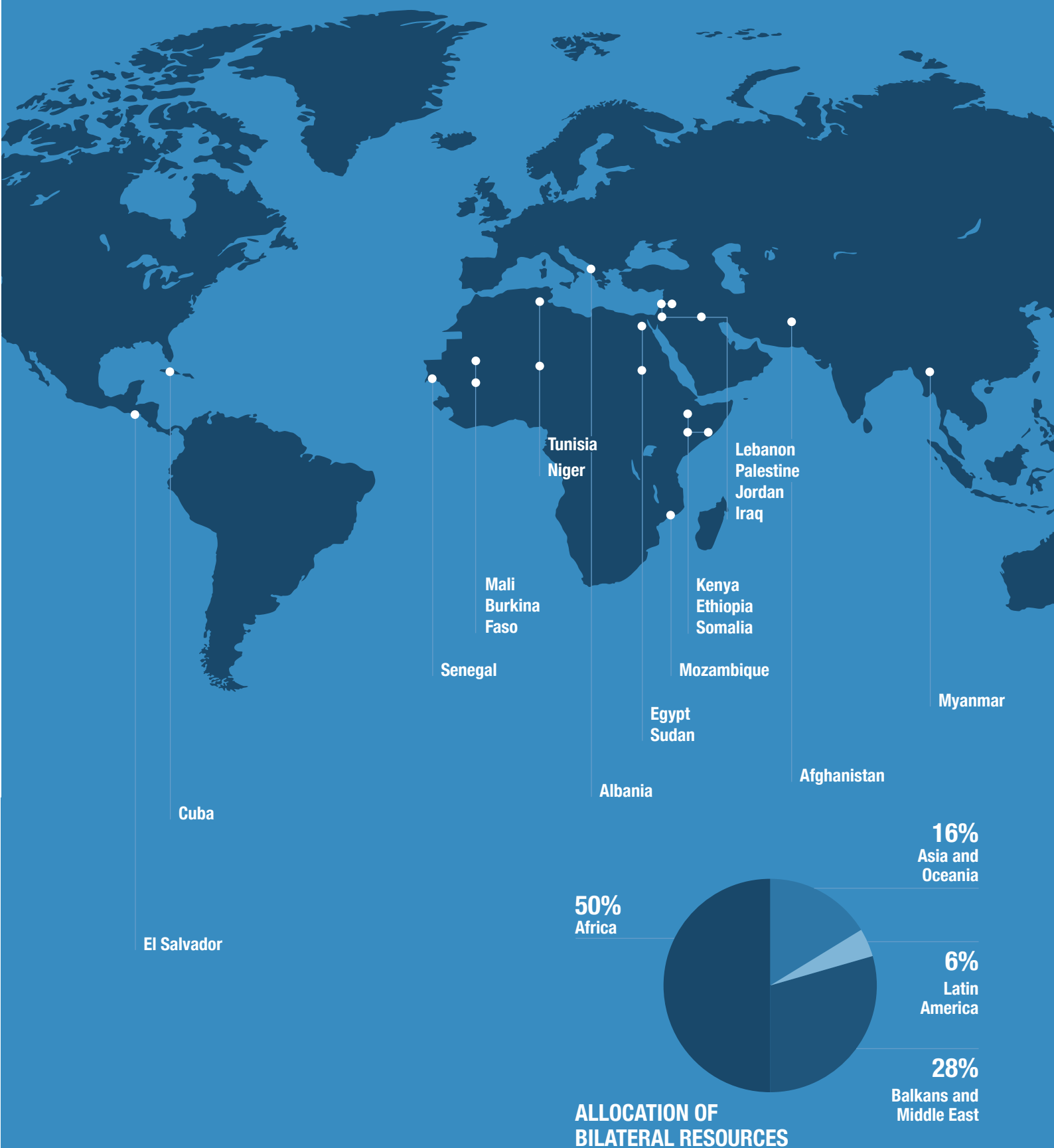


FIGURE 1 — Source: MAECI, 2021. Elaboration by IAI

East (28% collectively), Asia and Oceania (16%) and Latin America (6%)⁶.

Regarding the actors of cooperation, Law 125/2014 has defined the guiding institutions and implementing entities of the cooperation policy. At the institutional level, the Ministry of Foreign Affairs and International Cooperation (MAECI) holds the political responsibility, determining the general direction of Italian cooperation and coordinating various national initiatives. The Deputy Minister of Foreign Affairs is generally assigned a precise mandate for development cooperation. The Directorate General for Development Cooperation (DGCS), in particular, contributes to the programming for intervention areas and countries, and assesses the impact and achievement of intervention objectives. The Italian Agency for Development Cooperation (AICS) implements the cooperation policies, intervening in the preparation, formulation, financing, management, and monitoring phases of cooperation initiatives.⁷

OFFICIAL DEVELOPMENT ASSISTANCE IN ITALY

The current *Three-year Programming and Policy Planning Document* outlines the budget projections for 2021–2023 for DGCS and AICS interventions, multilateral interventions carried out by the MEF and interventions in support of development cooperation policies. The resources allocated for DGCS and AICS interventions are expected to decrease, cumulatively, from 1,042.04 million euro in 2021 to 791.17 million euro in 2023. This can be attributed to the reduction of DGCS resources for the European Development Fund and the reduction of resources for ordinary AICS interventions.⁹

On the other hand, for the multilateral interventions of the MEF, an increase in allocated resources is expected over the three years, from 548.7 million euro in 2021 to 633 million euro in 2023, overall. In this expenditure category, there is a projected increase in resources for participation in development funds (from 343 million euro in 2021 to 422 million euro in 2023), as is an increase in resources for the Multilateral Debt Cancellation Initiative¹⁰ (from 86.4 million euro in 2021 to 93.3 million euro in 2023).¹¹ Considering the allocation of resources by ministries, they increase for the MEF – from approximately 1.78 billion euro in 2021 to 1.87 billion euro in 2023 – while they decrease for the MAECI – from approximate-

The Ministry of Economy and Finance (MEF) has the “economic responsibility”⁸ for cooperation as the main provider of Official Development Assistance (ODA), while Cassa Depositi e Prestiti (CDP) has been identified as the financial institution for international development cooperation and development bank. The Interministerial Council for Development Cooperation (CICS) ensures national policies are coherent with the objectives of development cooperation and suggests a distribution of resources for cooperation among ministries.

In addition to institutional actors, Law 125/2014 also recognises the role of local authorities, civil society organisations and non-profit organisations, and for-profit entities as implementers of development cooperation policy. These diverse entities are gathered in the National Council for Development Cooperation (CNCS), which acts as a permanent consultative body on the strategy, direction, programming and interventions of Italian cooperation.

ly 1.23 billion euro in 2021 to 960 million euro in 2023 – and for the Ministry of the Environment – from approximately 51 million euro to 48 million euro. Overall, including other ministries, allocations for interventions in support of development cooperation policies are expected to decrease from approximately 4.75 billion euro in 2021 to 4.54 billion euro in 2023.¹²

The 2022 Budget Law established a gradual increase in the resources allocated to cooperation for the 2022–2026 period, with an increase of 99 million euro in 2022, 199 million euro in 2023, 249 million euro in 2024, 299 million euro in 2025, and 349 million euro annually starting from 2026.¹³ This increase is expected to primarily benefit AICS.¹⁴

The increase in resources for cooperation envisaged by the 2022 Budget Law should also help Italy move closer to the OECD target of allocating 0.7% of gross national income (GNI) to ODA. In 2021, 0.28% of GNI was allocated to ODA (6 billion US dollars, approximately 5.75 billion euro)¹⁵ – a significant increase compared to 2020, both in terms of absolute funding and as a percentage of GNI.¹⁶ Figure 2 illustrates the historical trend of development cooperation funding for both indicators.

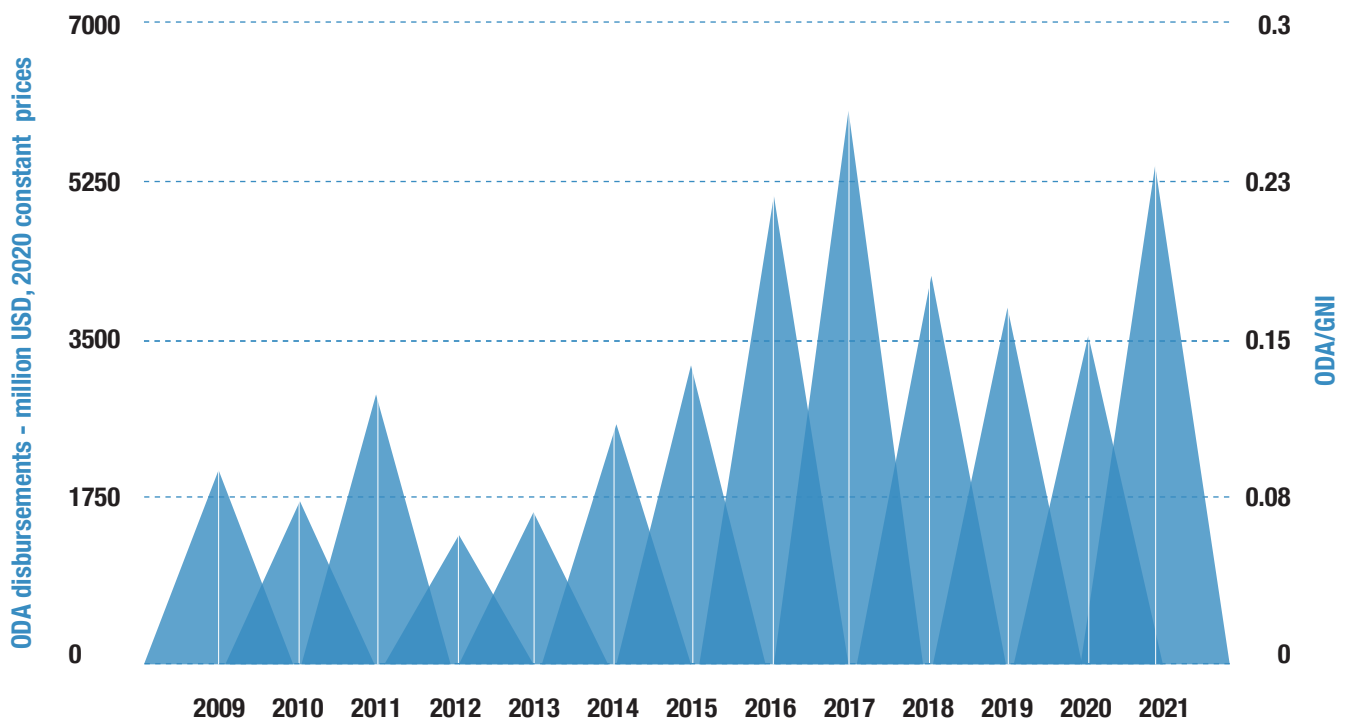


FIGURE 2 — Italy's ODA, 2009-2021
Source: OECD, 2022. Elaboration by IAI¹⁷

The majority of Italy's ODA in 2020 – 3.6 billion US dollars, approximately 3.4 billion euro – was disbursed through multilateral institutions, with 68.8% as direct contributions and 34% as “earmarked contributions” from gross bilateral ODA. The main recipients of this ODA were EU institutions, the World Bank Group and the United Nations. On the other hand, 31.2% of ODA was disbursed bilaterally (1.4 billion US dollars, approximately 1.3 billion euro) and focused on combating inequality and poverty, and education. The major geographical areas covered were Africa (35.6% of bilateral ODA – 499.6 million US dollars, approximately 480 million euro) and Latin America and the Caribbean (12.2% – 171.7 million US dollars, approximately 164 million euro). The main target sector was social services and infrastructure (524 million US dollars, approximately 502 million euro), with 200.8 million US dollars allocated to education and 179.2 million US dollars to health (approximately 192 million euro and 171 million euro, respectively). Other macro-sectors, including expenses for refugee hosting, received 435.1 million US dollars (approximately 417 million euro).¹⁸

These figures place Italy in 18th place among OECD donor countries that are members of the Development Assistance Committee (DAC). On average, in 2021, DAC countries allocated 0.33% of their GNI to ODA. The 0.7% target was achieved only by Luxembourg (0.99%), Norway (0.93%), Sweden (0.92%), Germany (0.74%) and Denmark (0.7%), as illustrated in Figure 3.

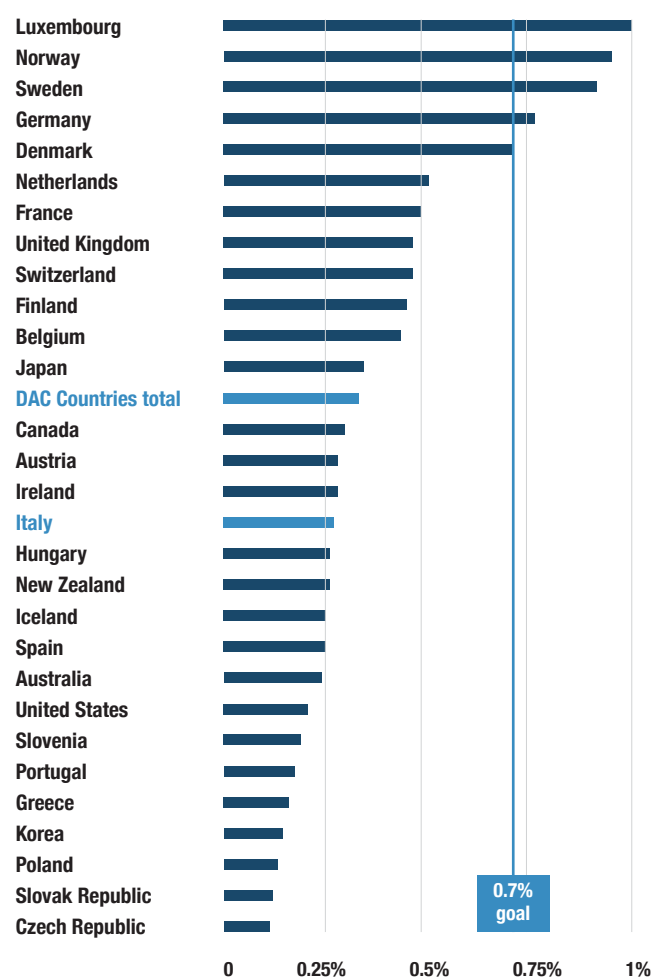


FIGURE 3 — ODA as a percentage of GNI, OECD DAC countries
Source: OECD, 2022.¹⁹ Elaboration by IAI

FUTURE SCENARIOS

Italy has never reached the DAC target of allocating 0.7% of GNI to Official Development Assistance (ODA). Civil society organisations have on multiple occasions urged incumbent governments to implement policies that lead to an increase in resources allocated to development cooperation,²⁰ particularly in light of the crises that have severely affected developing countries in recent years (climate, health, food).²¹ In this regard, the gradual increase in funding for cooperation between 2022 and 2026, as foreseen by the 2022 Budget Law, is a positive development towards achieving the DAC goal.

However, the events of recent months could be reasons for pessimism. The Russian invasion of Ukraine has absorbed the attention of the Italian public and politics, particularly due to the resulting energy crisis and its economic impact. The IAI-LAPS survey has found that although citizens' attitudes towards ODA are generally positive, the relative majority is in favour of maintaining current levels of ODA rather than increasing them.²²

Furthermore, the government that took office in October 2022 has stated its commitment to primarily mitigate the impact of the energy and economic crisis on families.²³ The Prime Minister has renewed support for the fight against climate change in partner countries during COP27,²⁴ and the Minister of Foreign Affairs and International Cooperation, in his first public statement, emphasised the importance of cooperation, especially with Africa and Latin America.²⁵ The reception of migrants, however, seems to have been the main topic of discussion so far²⁶ – a controversial issue, given the percentage of ODA allocated to this purpose spent within Italy rather than in partner countries.²⁷

In this context, the future of funding for Italian development cooperation appears uncertain. Nevertheless, it is undeniable that in the long term, the European and global crises we are experiencing cannot be addressed without the collaboration of Italian partner countries.

ITALIANS AND OFFICIAL DEVELOPMENT ASSISTANCE

In collaboration with LAPS, IAI conducted an opinion survey on Italian foreign policy, which included a questionnaire on development aid. The questionnaire was administered to a sample of 1,000 individuals of Italian nationality at least 18 years of age, having access to the Internet, selected with a sampling method that ensures representativeness.

The issue of development cooperation, and in particular of Official Development Assistance (ODA) was analysed from various points of view. First of all, citizens' knowledge was tested²⁸ regarding three aspects relating to Italian development aid: the percentage of gross national income (GNI) allocated to ODA; the ministry responsible for the management of ODA; and the United Nations Sustainable Development Goals (SDGs).

Most of the respondents stated that they did not know what percentage of GNI is allocated to ODA (65.74%); 13.84% said 0.9%, and only 7.82% indicated a share close to 0.3%.

Methodological note – The survey was conducted by the Political and Social Analysis Laboratory (“LAPS”) of the Department of Social, Political and Cognitive Sciences (“DISPOC”) of the University of Siena between 7 and 13 September 2022. In the survey period, a sample of 3,021 individuals were interviewed, all of Italian nationality and at least 18 years old, having access to the Internet. That sample was selected within an “opt-in” online panel kept and managed by CINT. For the extraction of the sample a sampling method was used involving stratification by gender and age bracket, area of residence and level of education, based on parameters of the Italian adult population with access to the Internet (source: ISTAT 2019). The questionnaire was constructed in modules. There was one common module for all 3,021 interviewees, plus various modules for the three sub-samples of approximately 1,000 respondents each, extracted respecting the same stratification by portions of the overall sample. Moreover, questions with different formulations were assigned randomly to different groups of respondents. The survey was self-administered using the CAWI method (Computer-Assisted Web Interviewing). The data presented in this report were further weighted using socio-demographic characteristics (gender and age group, area of residence and level of education) based on the distribution of the Italian adult population.

Question Could you indicate the approximate level of spending that Italy allocates to official development assistance as a percentage of gross national income (GNI)?

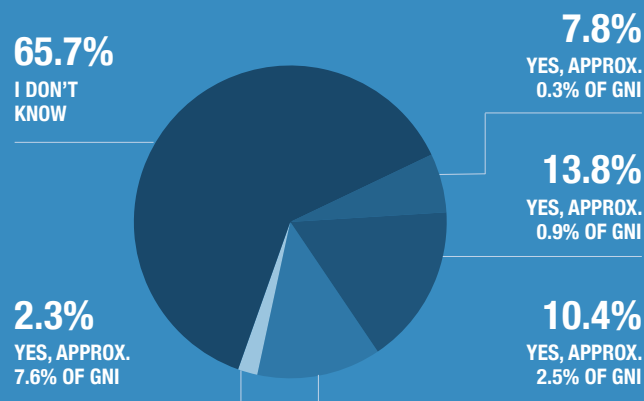


Figure 4 — Knowledge of percentage of GNI in ODA
Source: IAI-LAPS 2022. Elaboration by IAI

Thus, in general, citizens do not have a precise idea of the public financial resources allocated to development cooperation. Secondly, a clear majority of respondents (57.8%) indicated the Ministry of Economic Development as the main manager of ODA, followed by a lower share (20.3%) that attributed this role to the Ministry of Foreign Affairs and International Cooperation.

Question Which among the following ministries is principally responsible for managing development aid?

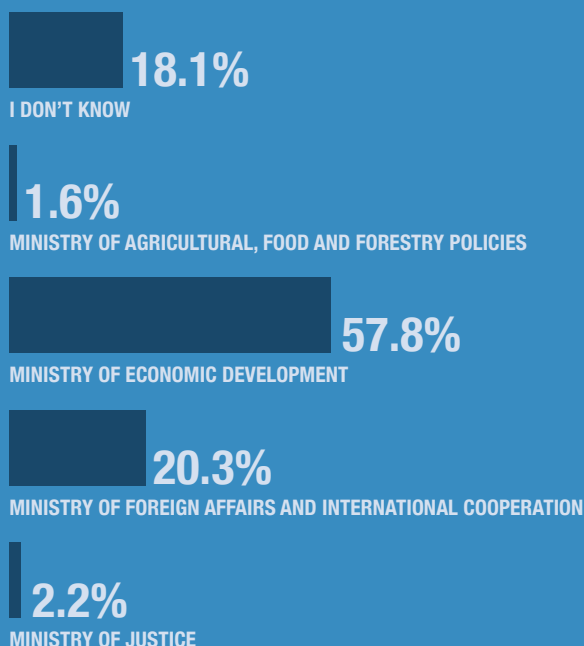


Figure 5 — Knowledge of ministry responsible for ODA Source: IAI-LAPS survey 2022. Elaboration by IAI

On this aspect as well, public opinion is thus poorly informed. Finally, the SDGs do not seem to be particularly well-known. A relative majority (42.5%) of those interviewed say that they have never heard of them. However, in a question where various definitions of SDGs were offered, 53.9% chose the correct response.

Question There is increasing discussion of Sustainable Development Goals (or SDGs), known in Italian as 'Obiettivi per lo sviluppo sostenibile'. Do you know what they are?



Figure 6 — Knowledge of SDGs Source: IAI-LAPS survey 2022. Elaboration by IAI

Public support for ODA was also tested, with a specific question on aid formulated in three different ways. The first text of the question refers to the DAC commitment to reach 0.7% of GNI in ODA; the second includes a comparison with other OECD countries; and the third provides a comparison between resources for cooperation and those allocated to military and social spending. The distribution of the responses (figure 7) shows that the formulation of the question does not have a large impact in determining the orientation of the respondents. In both the first and second cases, in fact, a relative majority thinks that spending for development aid should remain where it is, with percentages of 41% and 44%, respectively. In the last case, in which data is cited relating to military and social spending, that percentage drops to 40%, equal to those who say they are in favour of an increase in aid. Even when the text of the question specifies that Italy is in 18th place among countries that provide development aid, those in favour of an increase do not exceed 40% of the total. Those in favour of a de-

crease are 25% of the total when the commitments taken by our country are cited, while they drop to 16% when the text of the question mentions Italy's position among countries that provide ODA.

Question

A) In 2021, the Italian government spent 0.28% (7.688 billion euro, to be precise) of its gross national income (GNI) in international aid to developing countries. But like other developed countries, Italy has committed to spending 0.7% by 2030. In your view, should spending for public development aid be increased, decreased, or remain at the current level?

B) As the figure shows, Italy is in 18th place among countries that give development aid to poor and developing countries. In your view, should spending for aid to poor and developing countries...?

C) In 2021, Italy spent 0.28% of its Gross National Income to assist developing countries, 1.4% for military spending and 28% for social spending. In your view, should spending for aid to poor and developing countries ...?

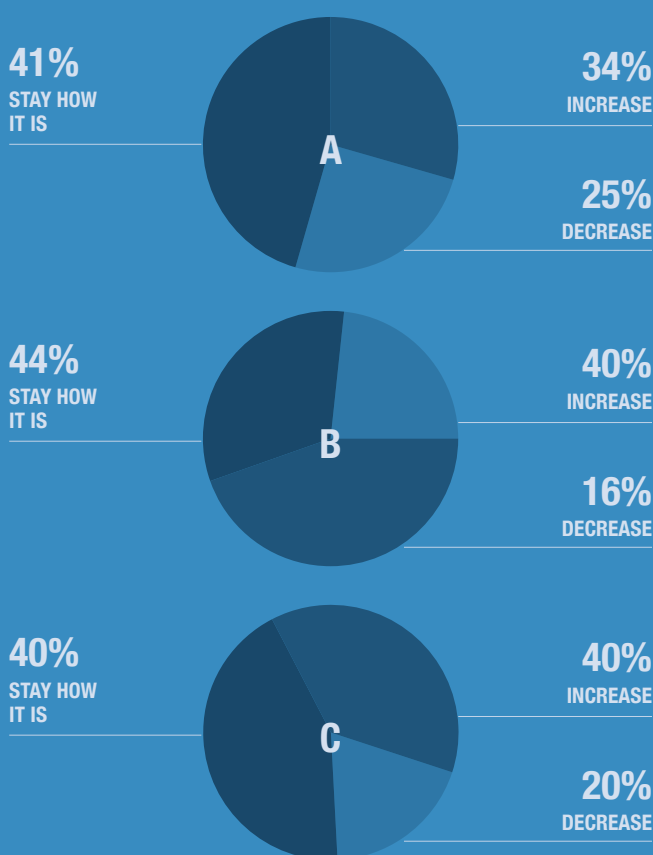


Figure 7 — Italians and support for ODA spending
Source: IAI-LAPS survey 2022. Elaboration by IAI

These responses were then compared with the support for the various political coalitions that the respondents had indicated in the previous sections of the questionnaire. As illustrated in Figure 8, the largest percentage of those in favour of an increase in spending for development aid is found among voters of the Democratic Party (PD) (53%), among whom only 6% think that such funding should be reduced. A significant percentage of respondents (48%) among voters of the so-called third pole (Azione/Italia Viva) also think that the sums allocated to development aid should be higher. Those in favour of an increase in spending fall to 43% among Movimento 5 Stelle (M5S) voters and Forza Italia (FI) voters, and in both cases 18% favour a reduction of such spending. A different orientation is found among those who vote for the Lega and Fratelli d'Italia (FdI): the relative majority of respondents (41% Lega, 45% FdI) would prefer spending for aid to developing countries remain at the current level. Moreover, about one-fourth of them – 25% of Lega voters and 28% of FdI voters – favour a reduction of the amount to be allocated to ODA.

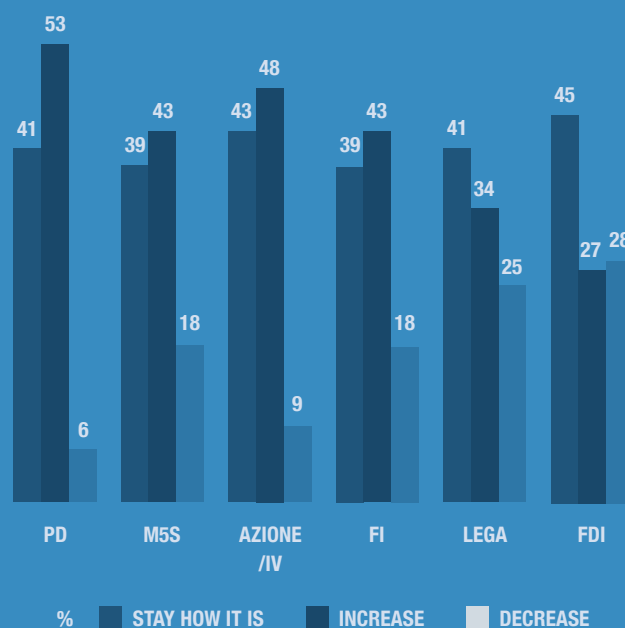


Figure 8 — Support for ODA spending by party
Source: IAI-LAPS survey 2022.¹⁹ Elaboration by IAI

The general orientation of Italians towards development aid was then measured through a series of statements with which to express agreement or disagreement (Figure 9). The results of this analysis are conflicting. A large portion of the sample thinks that aid is useful; they believe that it contributes to sustaining the economies of the beneficiary countries (83%), allows them to

become self-sufficient (69%) and allows Italy to export more products and services in the world (70%). In addition, a large majority (79%) favours giving priority in aid to particularly disadvantaged and vulnerable groups, such as women and adolescents. The responses to other questions, however, show marked scepticism on other aspects, in particular relating to the effectiveness of aid. There is a high, although not majority percentage who believe that aid is mostly wasted (45%). There is an even higher share who think that aid is not successful because population growth in these countries makes it ineffective (57%), and those who believe that aid makes beneficiary countries dependent on charity (56%). Finally, there is a very large percentage who state that aid ends up mostly in the hands of corrupt politicians in partner countries (79%). A generally positive attitude towards aid is thus countered by doubts on its actual impact, which relate in particular to the ability of beneficiary countries to take advantage of aid and the distortions that can be generated.

Question To what extent do you agree or disagree with each of the following statements?

	I STRONGLY /MOSTLY AGREE	I STRONGLY /MOSTLY DISAGREE
INTERNATIONAL AID ALLOWS FOR THE DEVELOPMENT OF THE ECONOMIES OF DEVELOPING COUNTRIES.	82.8%	17.2%
INTERNATIONAL AID ALLOWS ITALY TO EXPORT MORE PRODUCTS AND SERVICES IN THE WORLD.	70.2%	29.8%
INTERNATIONAL AID ALLOWS DEVELOPING COUNTRIES TO BECOME SELF-SUFFICIENT.	68.8%	31.2%
INTERNATIONAL AID TO DEVELOPING COUNTRIES IS MOSTLY WASTED.	45.2%	54.8%
MOST INTERNATIONAL AID GIVEN BY ITALY ENDS UP IN THE POCKETS OF CORRUPT POLITICIANS IN DEVELOPING COUNTRIES.	79.3%	20.7%
PROVIDING AID TO POPULATIONS IN DEVELOPING COUNTRIES MAKES THEM DEPENDENT.	56.4%	43.6%
POPULATION IN DEVELOPING COUNTRIES GROWS SO FAST THAT EVEN THE MOST GENEROUS INTERNATIONAL AID PROGRAMS CANNOT BE SUCCESSFUL.	56.6%	43.4%
CURRENT EFFORTS TO COMBAT GLOBAL POVERTY SHOULD EXPLICITLY PRIORITISE THE NEEDS OF WOMEN AND GIRLS IN DISADVANTAGED COUNTRIES.	79.3%	20.7%

Figure 9 — General orientation on development aid
Source: IAI-LAPS survey 2022. Elaboration by IAI

This general orientation is reflected in respondents' opinions on the ability of ODA to increase Italy's international prestige (Figure 10). This particular aspect was investigated by asking a question with two different formulations to two independent sub-samples. A first group was asked if greater spending for development aid could increase the international prestige of Italy. The same question was asked to a second group, but this time surveying the potential effect on Italy's international prestige of an increase in public spending in the defence sector. A relative majority (49%) of the respondents believe that an increase in ODA spending would have no effect on Italy's international prestige. This is even more pronounced in the case of an increase in public spending for defence. In this case, an absolute majority of those interviewed (54%) believe that an increase in public spending in the defence sector would not produce any benefits for Italy's international reputation. At the same time, however, interesting differences emerge between the two different formulations of the question. A non-negligible 41% of the respondents think that an increase in ODA spending would increase Italy's international prestige; this percentage drops by a full 10 percentage points (31%) when referring to an increase in defence spending. Likewise, only 10% of respondents believe that an increase in public spending for ODA would damage Italy's reputation; while this percentage increases by 5 percentage points when referring to an increase in defence spending.

Question There are various factors that contribute to increasing or decreasing a country's international prestige. In your view, if Italy were to spend more in [development aid]/[defence], would its prestige on the international scene increase, decrease or stay the same?

	ODA SPENDING	DEFENCE SPENDING
WOULD INCREASE	41.3%	30.7%
WOULD DECREASE	9.9%	15.0%
WOULD STAY THE SAME	48.8%	54.3%

Figure 10 — Development aid and Italy's international prestige
Source: IAI-LAPS survey 2022. Elaboration by IAI

The survey also sought to determine how much citizens' propensity to carry out activities to support developing countries impacts their attitude towards development aid. Figure 11 shows the distribution of the respondents on a question relating to what activities of solidarity they have performed in the past year. Of the sample, 41% said they have not performed any of the mentioned activities. Among those who indicated at least one activity, the majority (36%) made donations to charitable entities. This was followed by the purchase of fair-trade products (23%) and signing petitions (20%).³⁰

Question Did you perform any of the following activities to help the populations of developing countries in the past year?



Figure 11 — Activities to support developing countries carried out in the past year
Source: IAI-LAPS survey 2022. Elaboration by IAI

These questions were used to create an index to group the respondents into three categories: those who did not perform any activities (41%), those who performed only one (28%), and those who performed more than one (31%). The propensity to perform activities in support of developing countries was then compared with the responses to the questions regarding general orientation that had divided the sample the most, i.e. the question on how development funds are mostly wasted; a statement with which, as noted, 45% of the sample agreed and 55% disagreed. Figure 12 shows the results of this comparison.

It is in fact possible to identify a certain link between propensity to solidarity with developing countries and support for aid. Among those who performed no activities of cooperation, 52% believe that development aid is wasted. On the contrary, a majority of those who performed only a single activity among those cited (54%) disagree with the idea that these funds are wasted. The position of those who performed more than one activity of solidarity was even stronger: almost two-thirds disagreed with this statement.

Question To what extent do you agree or disagree with the following statement? "International aid to developing countries is mostly wasted"

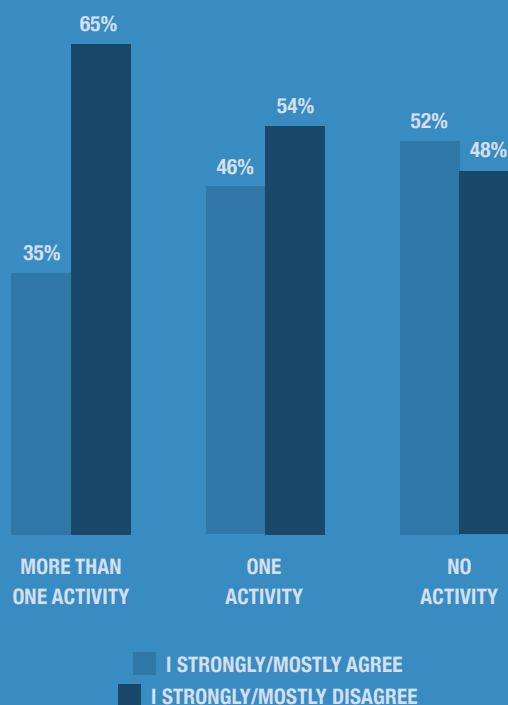


Figure 12 — General orientation on development aid and international solidarity activities
Source: IAI-LAPS survey 2022. Elaboration by IAI



PRESENT AND FUTURE OF ITALY'S DEVELOPMENT COOPERATION**

The Covid-19 pandemic and the Russian war against Ukraine, with their significant socio-economic costs, have put stronger pressure on development assistance spending among traditional donors, as the cases of Sweden and the United Kingdom attest.³¹ Confronted with higher energy costs, inflation and a potential recession, the political imperative across Europe is to allocate resources to tackle immediate domestic challenges rather than expanding international development programmes – against all the lessons of interdependence that the pandemic might have taught. Italy is not immune to this trend, as recent developments also seem to suggest.

INTERNATIONAL AND ITALIAN TRENDS IN ODA

In a socio-economic context deeply affected by spikes in energy prices and high inflation, ODA did not play a prominent role in the early months of Giorgia Meloni's government. This does not come as a surprise and is in line with similar trends registered in other EU countries that risk impacting the EU's prominent role in development cooperation policies. In 2021, EU member states allocated more than 65 billion euro to ODA, confirming the role of the Union as a global development "payer" (43% of total funds reported to the OECD). Yet, this was a decrease compared with the previous year, amounting to less than 0.5% (0.48%) of the EU's gross national income (GNI), a step back on the path towards the achievement of the internationally agreed 0.7% ODA/GNI target.³² Moreover, the EU is failing to meet the target to allocate between 0.15 and 0.20% of its GNI to least developed countries (LDCs).

In 2020, when consolidated data were last available, only five countries met this target – Luxembourg, Sweden, Denmark, Belgium and Germany; overall, ODA to LDCs represented 0.12% of total EU members' GNI.³³ To be sure, eleven EU countries succeeded in increasing

the ODA/GNI ratio in 2021. Italy also joined this group, with ODA growing from 0.22 to 0.29% of GNI.³⁴ However, in several countries, such an increase was primarily linked to so-called "inflated aid": this refers to resources earmarked as development cooperation that arguably do not necessarily help vulnerable countries to tackle poverty, such as in-donor refugee costs, tuition fees for foreign students and debt relief operations.³⁵ These resources accounted for 10.3 billion euro at the EU level, or 15.9% of total EU ODA in 2021.³⁶ Italy was not exempt from these trends, with most of the increase related to a debt relief operation for Somalia, a rise in in-donor refugees' expenditures, as well as support to the multilateral system to address the pandemic (including through vaccine donations).³⁷

Looking ahead, Italy's Budget Law for 2023 allocates around 6.2 billion euro to various Ministries dealing with projects or initiatives with development cooperation purposes. These resources are mainly spread among the Ministry of Economy and Finances, the Ministry of Foreign Affairs and the Ministry of Interior, with the latter being assigned 1.5 billion euro mostly for "in-donor

refugee costs".³⁸ Based on the GDP growth forecasts for 2023, civil society organisations estimated that the overall allocation of the 2023 budget law might bring Italy's ODA/GNI ratio to 0.31%. While this would be a welcome increase, these resources are still far from the internationally agreed 0.7% target.³⁹ In addition, practitioners and activists claim that, in line with a structural trend that affects Italy's development cooperation policy, the Budget Law 2023 risks privileging multilateral aid (for example, internationally agreed and non-negotiable contributions to international organisations or initiatives) before bilateral aid.⁴⁰ Finally, in a similar vein, resources allocated to the Italian Agency for Development Cooperation have increased, but at a slower pace compared to what was envisaged in the previous 2022 budget law. The combination of these trends may have a significant impact on Italy's capacity to deliver in key regions and thematic areas identified in the 2021-2023 plan for development cooperation,⁴¹ by also affecting the multiple actors (non-governmental organisations, businesses, local authorities) engaged on the ground in the most vulnerable countries.

FUTURE SCENARIOS

Development cooperation is at a crossroads – in Italy and beyond. Some trends already present at the European level (for example, the growing role of inflated aid) have also been emerging in Italy in the last few years. Against this backdrop, the Italian government will have to put forward its new multi-year plan for development cooperation, which will set the geographic, thematic and financial priorities for Italy's development cooperation policy for the next three years (2024–2026). If it is true that development cooperation is a marker of a country's foreign policy, Italy has been asked to make important commitments in some meetings such as the fifth United Nations Conference on the Least Developed Countries in Doha, the June Summit for a New Global Financial Pact or the UN SDG summit in September. Toward these meetings, the government should work in close cooperation with European allies to make sure that, despite the socio-economic impact of the Russian war against Ukraine, the necessary resources are allocated at the European level to support the most vulnerable countries. This is key in view of the G7 Presidency in 2024, which will be a unique opportunity for the Italian government to lead on several initiatives that can have a strong impact on development cooperation.

A DEVELOPMENT AGENDA FOR THE 2024 ITALIAN G7 PRESIDENCY***

In late May 2023, the leaders of G7 countries met in Hiroshima to reach a consensus on several challenges currently undermining global socio-economic stability. Among these, they called for continued support to Ukraine against the Russian invasion,⁴² as well as the need for more coordinated responses to China's economic coercion.⁴³ They also strongly emphasised the several crises that are endangering global sustainable development. This confirms the key role played by the G7 as a platform for traditional donors to agree on unified responses to those crises that pose an existential threat to developing and developed countries alike. Given the complexity of these crises, the Italian G7 Presidency in 2024 will be called to continue the work set by its predecessors.

GLOBAL DEVELOPMENT: A GROWING ROLE IN THE G7 AGENDA

The global development agenda is under strain due to the current polycrisis,⁴⁴ characterised by the compounded effects of the Covid-19 pandemic, the climate emergency and the direct and indirect implications of the Russian war against Ukraine. The pandemic has exacerbated existing vulnerabilities, causing significant step-backs on several issues on the development cooperation agenda. Covid-19 has contributed to the first decline in global life expectancy since World War II.⁴⁵ In parallel, food insecurity has dramatically increased, triggered by extreme weather events too. This explains why social, environmental and health issues have been addressed in several G7 communiqués, highlighting continuity across very different Presidencies.

1°

The health response to the pandemic has taken centre stage in the past three years.⁴⁶ As far as the provision of basic equipment and vaccines is concerned, G7 leaders have supported the multi-donor-funded Access to COVID-19 Tools Accelerator (ACT-A), which is meant to boost testing, diagnostics and treatment worldwide.⁴⁷ From a broader capacity-building perspective, they backed efforts to develop health manufacturing capacity for pandemic preparedness in developing countries,⁴⁸ as well as reiterating the importance of aligning financial instruments to health objectives.⁴⁹

2°

Relatedly, G7 leaders repeatedly supported the implementation of the G20-launched Debt Service Suspension Initiative (DSSI) and Common Framework for Debt Treatments,⁵⁰ which were developed in 2020 to address the initial impact of the pandemic on public finances in developing countries. In addition, calls were made for greater coordination on multilateral debt restructuring initiatives through the engagement of all relevant actors - namely, private creditors and new bilateral lenders such as China, Turkey, the Gulf States - with the aim of increasing debt data transparency.⁵¹ Most recently, the G7 welcomed new instruments to address interrelated crises (e.g. Climate Resilient Debt Clauses) and highlighted the importance to work in synergy with the Indian G20 Presidency on the reform of the Multilateral Development Banks (MDBs),⁵² as well as on Special Drawing Rights

reallocations,⁵³ in view of supporting countries in debt distress or facing increasing financing constraints.⁵⁴

3°

The climate crisis has also become central to the G7 policy agenda. In general, G7 leaders reiterated the need to mobilise financial resources for adaptation, mitigation and green transitions, emphasising the stronger role that both MDBs and private sector institutions can play. More directly, they launched the Build Back Better World (B3W) initiative and the Partnership for Global Infrastructure and Investment (PGII), to fund more sustainable infrastructure and development models.⁵⁵ In addition, a host of climate-focused initiatives, such as the Climate Club and the Just Energy Transition Partnerships (JETPs), were announced to further accelerate the green transition.⁵⁶ The Hiroshima summit restated the Paris Agreement commitment to mobilise 100 billion US dollars per year to support climate mitigation and adaptation in developing countries, alongside disaster preparedness, JETPs and climate-resilient debt clauses.⁵⁷

4°

Finally, the food security crisis exacerbated by the Russian war against Ukraine featured prominently in the past G7 summits. The Hiroshima Action Statement for Resilient Global Food Security confirmed a solid commitment to tackling food insecurity, by addressing both immediate emergencies through humanitarian assistance and laying the ground for the prevention of future crises, for instance through early warning tools such as the Agricultural Market Information System (AMIS), launched by the G20 already in 2011,⁵⁸ and via increased donor coordination.⁵⁹

AN AGENDA TO BUILD BACK FORWARD FOR THE FUTURE G7 PRESIDENCY

While the work of the Japanese Presidency will continue until the end of 2023 focusing on concrete initiatives to tackle the polycrisis, preparations for the Italian Presidency of 2024 are underway. The G7 Presidency will provide Italy with a unique opportunity to position itself as a strong, credible and effective actor in the field of development cooperation both within the G7 and in its relations with the Global South. To ensure continuity, there are some key areas related to development cooperation that the next G7 Presidency should start considering, working and building consensus within other key multilateral fora, such as the G20.

1°

On global health, the G7 has a clear responsibility to avoid a post-Covid-19 “panic and neglect” effect, where responses to emergencies are not followed by proper long-term prevention plans.⁶⁰ Covid-19 has undermined the whole SDG3 agenda of good health and wellbeing for all, diverting attention and resources from other epidemics such as malaria, tuberculosis, HIV or polio, which after decades of progress are on the rise again.⁶¹ These trends are fuelling mistrust on the capacity of multilateral actors to prepare for future pandemics and reduce health inequalities, such as in the field of vaccine manufacturing and access to treatments. The current and future G7 Presidencies should continue to invest significant political and financial capital in the global health agenda.⁶² To this end, they should work closely with the G20 through the Joint Finance-Health Task Force (G20 JFHTF), established under the Italian G20 Presidency,⁶³ and make sure that the Pandemic Fund receives proper financial support.⁶⁴ Finally, G7 leaders should support the finalisation of a global agreement on prevention, preparedness and response to future pandemics.⁶⁵

2°

The G7 needs to deliver effective solutions to recurrent debt crises, as well as to bring forward the reform of international finance institutions. As of May 2023, 36 low-income countries are at high risk of or in debt distress – that is, close to or in default on their sovereign debt.⁶⁶ Although debt crises are nothing new in the Global South,⁶⁷ the current one has been particularly compounded by pandemic-induced economic shocks. In

addition, the more diverse landscape of lenders, some of which are either poorly regulated (private creditors) or are in geopolitical competition with Western donors, has made negotiations difficult, even in the context of multilateral initiatives such as the DSSI and the Common Framework.⁶⁸ In some cases, steps have been successfully taken to solve the impasse (Sri Lanka),⁶⁹ whereas in others, the seeming lack of progress is concerning, for its impact on local populations (Zambia).⁷⁰ This speaks to the need for G7-G20 coordination, since any breakthrough in the financial architecture will most likely generate from the G20. Calls to reform the global financial architecture, and MDBs in particular, have grown in the past year, with Global South countries also looking into alternative ways to finance each other.⁷¹ Bretton Woods institutions are challenged by geopolitical competition, and need to become more inclusive and effective. For instance, they could strengthen links between development finance and climate finance, since it is still not clear how the above-mentioned 100 billion US dollars committed by major donors in 2015 will be mobilised.⁷² In this regard, there were high expectations for the Summit for a New Global Financing Pact in June 2023, especially with regard to innovative financing mechanisms.⁷³

3°

On food security, the current and future G7 Presidencies should keep monitoring the impact of the war in Ukraine while delivering on the long-term commitments of the Hiroshima Action Statement for Resilient Food Security. Increased donor coordination, for example, should not simply be sought in responding to the current emergency, but is desirable for long-term security too. Given the variety of factors – economic, financial, agricultural, climate-related – affecting developing countries’ ability to secure food sources for their populations, it is important that synergies among different agencies and institutions are strengthened.

4°

Finally, the G7 should be the first advocate for a global movement to strengthen multilateral institutions and cooperation. Since most of its decisions affect low- and middle-income countries (LMICs), the G7 should keep giving them a significant role both as summit-invited countries and as co-designers of programmes and in-

terventions. In parallel, G7 countries should push for LMICs' stronger agency in other key fora, such as the UN Security Council, or the G20 itself, where African LMICs, for instance, are not represented. This is essential to increase trust and accountability in these organisations, amidst a credibility crisis of Western institutions.

What does this mean for Italy? In the next few months, the Italian government will be involved in a series of key summits that will touch upon several development challenges and that can build a common narrative towards the next G7 Presidency. Among them, the UN Food Systems Summit +2 Stocktaking Moment, the Finance in Common Summit in Colombia, the SDG Summit, the Italy-Africa summit and the G20 Summit in India will be crucial test cases to assess the government's action plan on a number of fundamental issues related to food security, the climate emergency, sustainable finance and development. In addition, there are big expectations on how the Italian government's flagship initiative "Mattei plan" for Africa⁷⁴ will be designed in terms of regional and thematic priorities, as well as on concrete projects and financial resources allocated. There are several sectors (for example, just energy transition, quality infrastructures, sustainable agricultural transition, development finance) where Italy may indeed have a decisive role, by fully cooperating with other Team Europe or Global Gateway Initiatives to avoid duplications and maximise impact.

FINAL REMARKS

Italy's development cooperation is in flux. Since *Building Back Forward* started in September 2022, the Meloni government's policy priorities in the global development area have become clearer. 2023 ODA allocations increased, although not as much as previously planned; and the distribution of funds indicates a preference to provide ODA through multilateral cooperation channels rather than bilateral ones. This choice largely aligns with a historical trend that civil society organisations have been consistently trying to change, by advocating for higher ODA allocations to bilateral channels.

Important policy developments are however expected in the coming months. The flagship "Mattei plan" that is meant to update Italy's relation with Africa will be the first test of the government's development agenda. It will be also interesting to monitor how the dialogue and cooperation between Italy and its African counterparts will evolve around the Italy-Africa conference planned for the autumn of 2023. Assessing the outcomes of these two initiatives and monitoring ODA allocations and spending will be crucial to check whether policy declarations are followed by policy actions.

The G7 Presidency in 2024 will be an additional testing ground for the government's multilateral commitments in the development area, beyond its engagement within the EU and at the UN. The G7 holds significant decisional and economic power to develop meaningful solutions to the polycrisis. The task of the Italian Presidency will be to ensure that the main challenges to achieving the Sustainable Development Goals are high on the Leaders' agenda.

These engagements are likely to mark the direction of Italy's development policy in the coming years. To ensure that these opportunities are properly seized, multi-stakeholder dialogues are needed. With the project *Building Back Forward*, IAI aims to provide a platform for Italy's development cooperation practitioners, experts and civil society representatives to engage and find solutions to make a positive impact on the path towards 2030.

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* Background report by Irene Paviotti, Daniele Fattibene and Matteo Cianforlini. Prepared for a closed-door meeting between Italian development practitioners held on 21 November 2022.

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²⁹ The three questions in Figure 8 on public development aid are presented in aggregate form because the differences between them were not significant.

³⁰ The total exceeds 100% because it was possible to give more than one answer.

*** *IAI Commentary* No. 23|12 (March 2023) by Irene Paviotti and Daniele Fattibene. This is an abridged version of the original, which includes data from the IAI-LAPS public opinion survey and can be found at: <https://www.iai.it/en/node/16705>.

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FORWARD BUILDING BACK

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