ITALY

Development challenges as investment and business opportunities: Italy's policy and practices

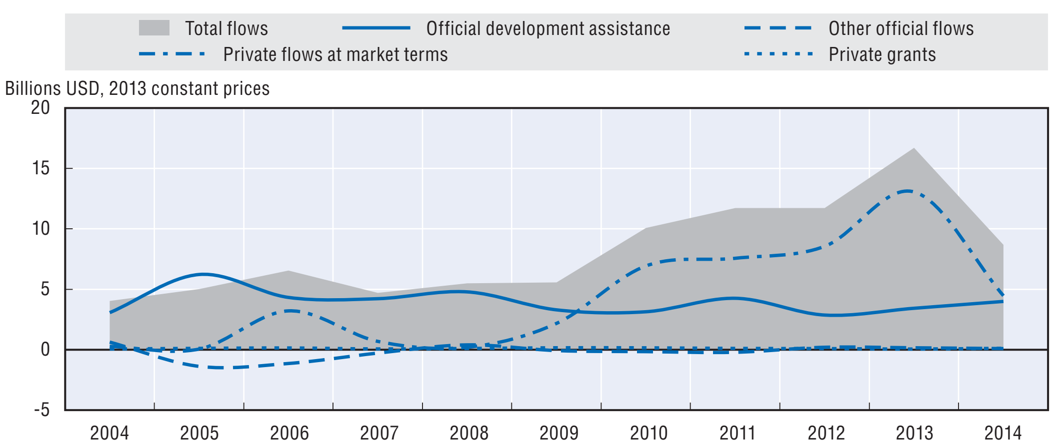
Italy's overarching private sector strategy is contained in the Three Year Guidelines 2014-16, which identify the private sector as a key strategic sector, with an emphasis on the creation of "territorial partnerships" and networks of small and medium enterprises (SMEs), women's entrepreneurship, market access and international trade. Recent changes in legislation (Law 125/2014) foresee new and specific provisions in favour of the private sector, considered both as an actor and as an enabler of development, with a specific, catalytic role for a national development bank, Cassa Depositi e Prestiti. In the future, Italian Cooperation believes it will be useful to develop innovative instruments and to find new ways of engaging Italian SMEs more effectively in development co-operation.

Italy is engaged in private sector development through Società Italiana per le Imprese all'Estero S.p.A. (SIMEST), its development finance institution, which was set up in 1991 to support Italian private companies investing in developing countries. Working alongside Italian companies, SIMEST can acquire up to 49% of the equity capital of foreign firms, both directly and through a venture capital fund, to support foreign investment in countries outside the European Union.

Italian Cooperation is currently funding 23 programmes in the private sector for a total investment of approximately EUR 300 million. Its main instruments are "matching" and "blending" mechanisms, as well as capacity building provided directly to counterparts in partner countries.

Financial flows from Italy to developing countries

Figure 22.1. **Net resource flows to developing countries, 2004-14, Italy**



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Italy uses ODA to mobilise other resources for sustainable development

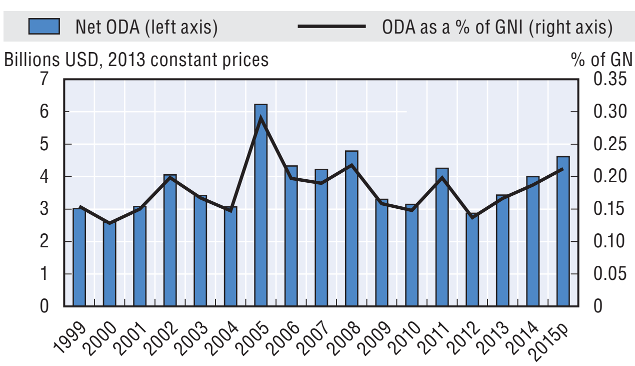
- **It promotes aid for trade to improve developing countries' trade performance and integration into the world economy.** It committed USD 109.8 million (17.3% of its bilateral allocable ODA) to trade-related activities in 2014, a 16.4% increase in real terms from 2013. The trend has been fluctuating over the past few years.
- **Italy has pledged USD 334 million (EUR 250 million) to the Green Climate Fund,** which plays a key role in channelling resources to developing countries and catalysing climate finance at the international and national levels. Italy committed to provide USD 2 million by the end of 2015 to the Least Developed Countries Fund, which addresses urgent and immediate adaptation needs of least developed countries (LDCs) and supports national adaptation planning processes to reduce medium and long-term vulnerability to the impacts of climate change.

Italy's official development assistance

In 2015, Italy provided USD 3.8 billion in net ODA (preliminary data), which represented 0.21% of gross national income (GNI) and a 14.2% increase in real terms from 2014. After an important decrease between 2008 and 2012, Italy's ODA began to grow again in 2013, both in terms of volume and as a percentage of GDP. The country has committed to raising its ODA/GNI ratio to 0.28-0.31% in 2017, and at European level to collectively achieve a 0.7% ODA/GNI ratio by 2030. Italy is the 19th largest Development Assistance Committee (DAC) provider in terms of ODA as a percentage of GNI, and the 10th largest in terms of volume. Italy's share of untied ODA (excluding administrative costs and in-donor refugee costs) was 93.7% in 2014 (up from 87.6% in 2013), while the DAC average was 80.6%. The grant element of total ODA was 99.9% in 2014.

Italy reported USD 839.9 million of its in-donor refugee costs as ODA in 2014. These costs represented 21% of its total net ODA.

Figure 22.2. **Net ODA: Trends in volume and as a share of GNI, 1999-2015, Italy**



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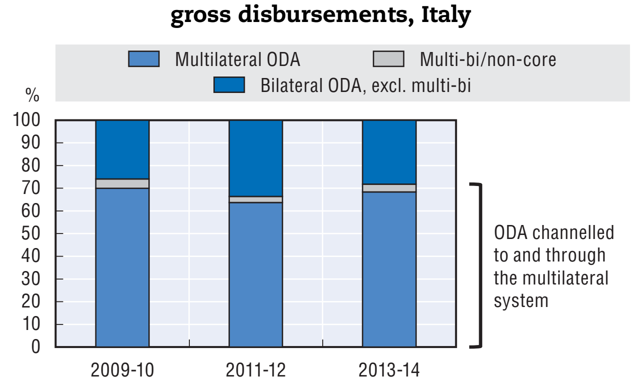
In 2014, 35.6% of ODA was provided bilaterally. Italy allocated 64.4% of total ODA as core contributions to multilateral organisations, compared with the DAC country average of 28.3%. In addition, it channelled 10.9% of its bilateral ODA for specific projects implemented by multilateral organisations (multi-bi/non-core contributions).

Figure 22.3. **Share of ODA channelled to and through the multilateral system, two year averages, gross disbursements, Italy**



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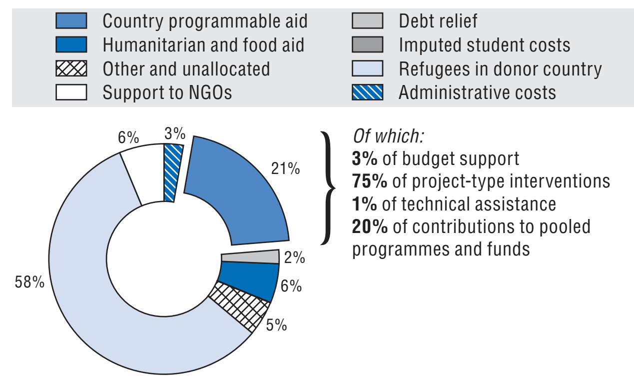
In 2014, 21% of bilateral ODA was programmed at partner country level. Italy's share of country programmable aid (CPA) was low compared with the DAC country average of 52.9%. Project-type interventions accounted for 75% of CPA. Fifty-eight per cent of bilateral ODA was allocated to refugees in donor country.

Figure 22.4. **Composition of bilateral ODA, 2014, gross disbursements, Italy**



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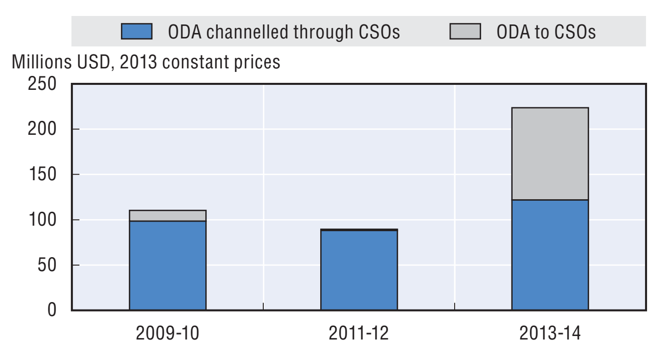
In 2014, USD 185.5 million of bilateral ODA was channelled to and through civil society organisations (CSOs). After an important increase between 2012 and 2013, aid channelled to and through CSOs in 2014 decreased both in terms of volume (-29.5% from 2013) and as a share of bilateral ODA (from 27.7% in 2013 to 12.7% in 2014); the DAC country average was 17.4% in 2014.

Figure 22.5. **Bilateral ODA to and through CSOs, two year averages, gross disbursements, Italy**



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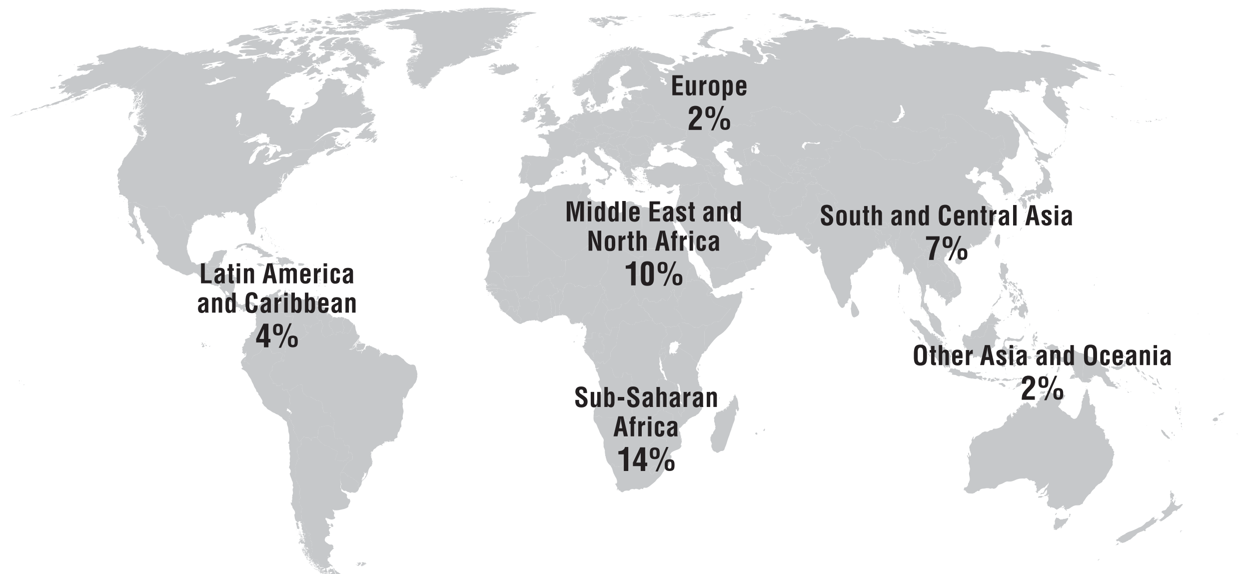
In 2014, bilateral ODA mainly focused on sub-Saharan Africa. USD 182.2 million was allocated to sub-Saharan Africa, USD 89.1 million to the Middle East, and USD 68.6 million to south and central Asia.

Figure 22.6. **Share of bilateral ODA by region, 2013-14 average, gross disbursements, Italy**



Note: 62% of bilateral ODA allocated was unspecified by region in 2013-14. This share is not represented on the map.

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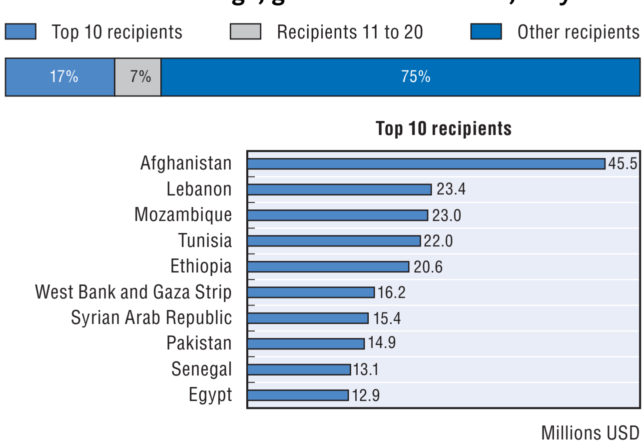
In 2014, 15.3% of bilateral ODA went to Italy's top 10 recipients. It has reduced its number of priority countries, from 35 in 2010 to 20 in 2014. Its support to fragile states reached USD 257.3 million in 2014 (17.6% of gross bilateral ODA).

Figure 22.7. **Bilateral ODA to top recipients, 2013-14 average, gross disbursements, Italy**



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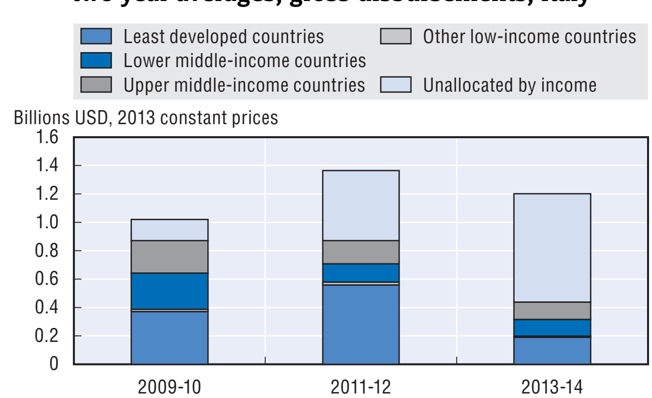
In 2014, 13.3% of bilateral ODA was allocated to LDCs, amounting to USD 194.1 million. Aid to LDCs as a share of bilateral ODA has been falling since 2011, when it stood at 47.8%. The 2014 DAC country average was 25.6%. LDCs received the highest share of bilateral ODA, noting that 67.8% was unallocated by income group.

At 0.04% of GNI in 2014, total ODA to LDCs was far from the UN target of 0.15% of GNI.

Figure 22.8. **Bilateral ODA by income group, two year averages, gross disbursements, Italy**



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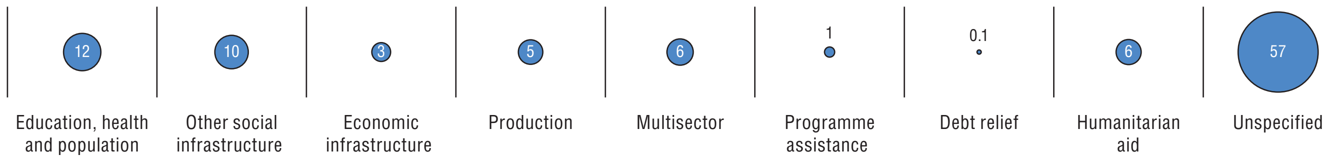
In 2014, 20.3%, or USD 311 million, of bilateral ODA was allocated to social infrastructure and services, with a strong focus on education (USD 99.8 million), government and civil society (USD 84.7 million), and health (USD 66.6 million). Humanitarian aid amounted to USD 91.1 million.

Figure 22.9. **Share of bilateral ODA by sector, 2013-14 average, commitments, Italy**



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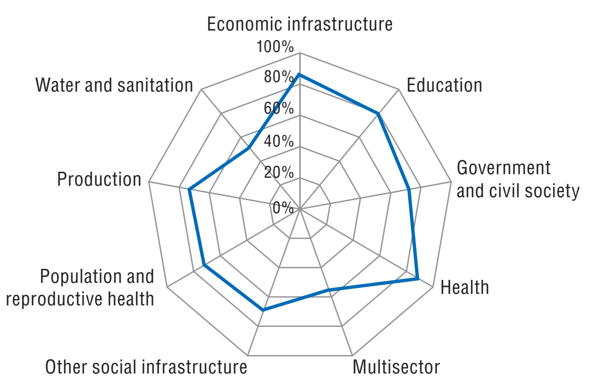
USD 245.7 million of Italy's bilateral ODA supported gender equality. Italy approved new guidelines for gender equality in 2010. Nevertheless, mainstreaming gender remains challenging (OECD, 2014). In 2014, 69.3% of Italian bilateral allocable aid had gender equality and women's empowerment as a principal or significant objective, an increase compared with 59.9% in 2013 and 10.7% in 2009. The DAC country average was 34.7% in 2014. At over 80%, a high share of Italy's aid to health, economic infrastructure and education sectors focuses on gender.

Figure 22.10. **Share of bilateral allocable ODA in support of gender equality by sector, 2014, commitments, Italy**



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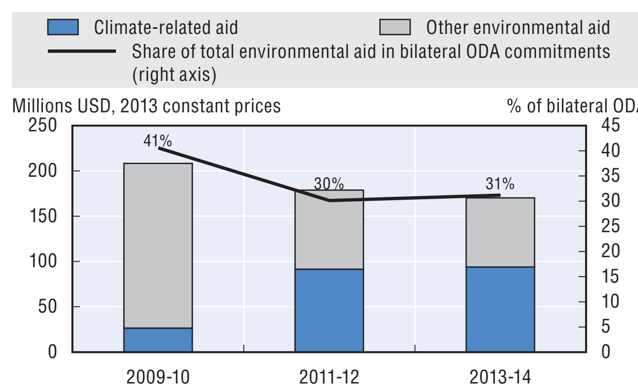
USD 182.3 million of bilateral ODA supported the environment in 2014. Italy issued environmental guidelines in 2011. However, mainstreaming the environment throughout its development co-operation remains a challenge (OECD, 2014). In 2014, 28.7% of Italian bilateral allocable aid supported the environment and 15.7% (USD 100 million) focused particularly on climate change, compared with respective DAC country averages of 32.2% and 23.9%.

Figure 22.11. **Bilateral allocable ODA in support of global and local environment objectives, two year averages, commitments, Italy**



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Note to reader: Annex B provides "Methodological notes on definitions and measurement for the Profiles of Development Assistance Committee members".

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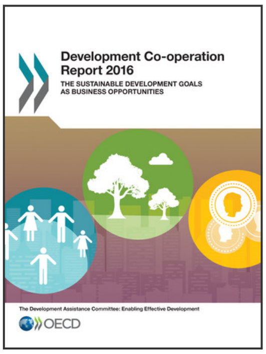

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