

# Italy ODA Budget Profile

Budget4Change

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## 1. Budget Process

Italy's development co-operation budget is established in the yearly Financial Law (*Legge Finanziaria*) presented by government to parliament in September for approval by December, while some items are included in the "Budget Law" (*Legge di Bilancio*). In addition, supplementary budget appropriations can be allocated during the financial year. Specific laws, such as those on Italian participation in international peacekeeping missions, often include a bilateral aid or humanitarian aid component.

While the amount of aid committed through supplementary appropriations varies year-on-year, it can represent a substantial share of the total aid budget. This was the case in 2007 when an additional EUR 670 million<sup>23</sup> was allocated under several laws allowing Italy to pay its contribution to the Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM) in 2006/07 and 2008; to extend Italian participation in humanitarian and international peacekeeping missions, with a specific development co-operation component for Afghanistan, Sudan and Lebanon and a humanitarian component for Iraq; and to provide Italian Co-operation with additional financial resources for voluntary contributions to humanitarian organisations as well as to cover overdue arrears to IDA and other multilateral development funds (laws 222/2007 and 246/2007 allocated 800 million euro).

In addition to the nationally allocated budget, approximately 2% of Italy's bilateral aid comes from the budgets of various regional authorities, municipalities, etc.

## 2. Key documents and links

### *Main Budget Documents*

2008: <http://www.senato.it/leg/15/BGT/Schede/docnonleg/15322.htm>

2009 & 2010: <http://www.senato.it/static/bgt/listadocumenti/16/1/1099/0/index.html>

Programming guidelines for Italian Development

Cooperation: <http://www.cooperazioneallosviluppo.esteri.it/pdgcs/italiano/LineeGuida/LineeGuida.html>

Annual resource report of the Italian Foreign Ministry (includes information on projected current year budget for DGCS

ODA): [http://www.esteri.it/MAE/IT/Ministero/Pubblicazioni/Annuario\\_Statistico/](http://www.esteri.it/MAE/IT/Ministero/Pubblicazioni/Annuario_Statistico/)

## 3. Specific forward ODA budgeting

The *2009-2011 Programming Guidelines* provide an overall picture of financial resources for development co-operation, including estimates of DGCS's budget over the three-year period, an indicative value of the assets in the revolving fund for soft loans, estimates of aid provided by decentralised co-operation, debt relief and indicative information on MEF contributions to multilateral organisations.

However, while the guidelines give some forward information on DGCS's aid budget, they are not binding and revisions to these estimates can still be made.

## 4. Departmental budgets

### 4.1 Principal development agency

Established by the same Law 49/1987, DGCS is the focal point of Italian development co-operation within the MFA. Under the direction of the Steering Committee, it is responsible for all bilateral aid (including soft loans) and voluntary contributions to the UN. It provides guidance and expertise to all other initiatives within the development system. In conjunction with the Steering Committee, the DGCS is also responsible for multilateral policy and other matters related to multilateral activities.

DGCS is one of 13 directorates in the MFA. It is organised by ministerial decree and its structure is very horizontal. All 20 offices and units report to the Director General and are headed by a career foreign service officer who rotates position within the ministry. Offices are grouped into three geographic, seven thematic, and four support units and a number of co-ordination and liaison bodies such as the task forces for food security, environment, and ICT. Law 49/1987 established a Central Technical Unit (UTC – *Unità Tecnica Centrale*) within DGCS to provide technical support. Its experts are hired under private law and are not mobile within the ministry. There are also 25 country offices (*Unità Tecnica Locale* or UTL) that are headed by an expert from UTC. Also located in the MFA is an audit office – the *Ufficio Centrale del Bilancio presso il Ministero degli Affari Esteri* – which is overseen by the General Accounting Department (Ragioneria Generale dello Stato). Its role is to supervise MFA's financial transactions.

## 4.2 Other departments / ministries

### Ministry of Economy & Finance

The MEF deals with the international financial institutions (IFIs), intergovernmental groups (G8, G10, G20), the European Union (the Economic and Financial Affairs Council and the Economic and Financial Committee) and the OECD, and ensures that contributions are paid to other multilateral agencies in development co-operation.<sup>35</sup> It is responsible for the institutional relationship with and financial contributions to the Multilateral Development Banks. However, while the MEF allocates ODA to the EU, it is the MFA which has primary competence for policy relations with the EU on development co-operation. The MEF takes the lead in Italy's position with regards to innovative financing mechanisms and participates in the debt cancellation exercise in the Paris Club, led by MFA-DGCE. MEF monitors and supervises, from a financial perspective, the Soft Loan Revolving Fund for Development Co-operation, whose management has been outsourced to *Artigiancassa*, a private bank of the PNB Paribas Group. Soft loan projects are identified by the MFA and the partner country, are approved by the Steering Committee and MEF authorises payments. The policy guidelines, geographical and sector priorities defined by MFA also serve as a reference framework for MEF. The MEF prepares a detailed annual report on its participation in the IFIs, which includes a chapter on 3-year multilateral programming guidelines, prepared in consultation with MFA. This report is sent to parliament as an annex to the MFA's Annual Report on Development Co-operation.

Within the MEF's Treasury Department, the International Financial Relations Directorate is responsible for development co-operation activities. Three units deal with development in the widest sense (Offices VIII, IX and X). In particular, Office IX is responsible for IFIs (contributions to multilateral development banks) and Office X for bilateral co-operation (e.g. Steering Committee, supervision of the Soft Loans Revolving Fund), development policy (DAC, G8, EU) and innovative financing mechanisms.

### ***Other government institutions***

A number of government institutions are involved in international activities which partly count as ODA. The most important institutional actor is the Ministry of Environment, Land and Sea through its contributions to implementing the Kyoto Protocol and other Rio conventions in developing countries. The Ministry for Agriculture, Food and Forestry Policies is involved in development co-operation, mainly within the EU policy for external relations, and is also in charge of the national FAO Committee. The Ministry of Labour, Health and Welfare lends expertise to DGCS, but does not have its own development co-operation programmes. Finally, the Italian Department of Civil Protection has become an important player in Italian humanitarian action since it was mandated to operate overseas in 2004.

### ***Decentralised co-operation***

Development co-operation activities carried out by regional and local authorities have increased in recent years. Several regional and local authorities have created specific laws guiding development co-operation. Given the primary responsibility of the MFA for development co-operation as part of Italian foreign policy, regions and local authorities should, as a general principle, ask for the approval of the MFA prior to any internationally relevant initiative.<sup>36</sup> Decentralised co-operation is either

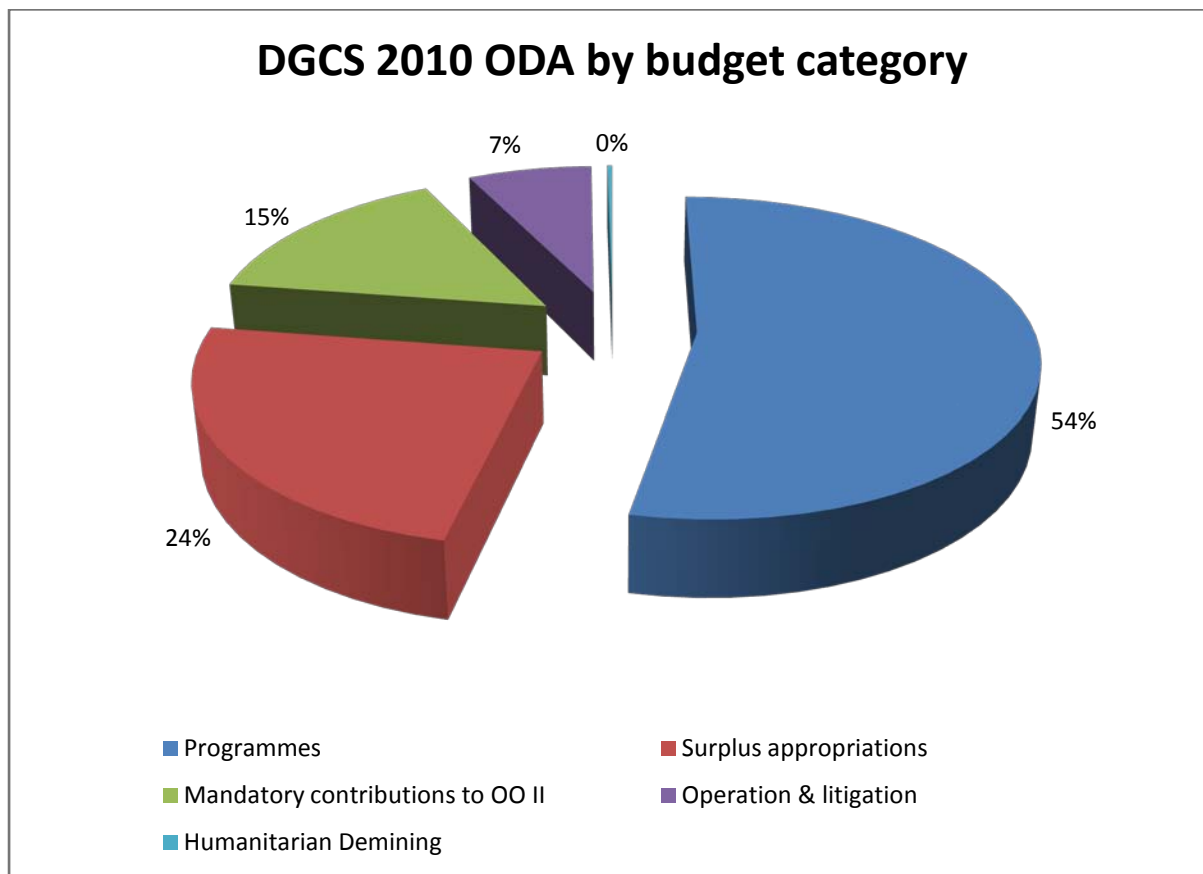
financed by the authorities themselves, or else by external finances, such as EU funding. It can also be funded by DGCS.

Even though regions and local authorities do not have a mandate to engage in foreign policy, they can carry out economic activities abroad. Such activities are mainly targeted at the Western Balkans and Latin America. Numerous agreements provide a framework for decentralised co-operation. For example: (i) an agreement (December 2008) between the Italian government and the regions which regulates foreign affairs matters; (ii) 18 agreements signed by the MFA and specific regions and provinces (after 2004), (iii) framework agreements between DGCS and the National Association of Italian Municipalities, and between the DGCS and the Union of Italian Provinces; and (iv) bilateral framework agreements and technical protocols guiding co-operation with Albania and Brazil, or bilateral agreements between regions and their peers in partner countries.

#### Italian ODA in 2008 by department / agency

Department / agency	EUR millions
Ministry of Finance (debt relief)	664.43
Ministry of Finance (multilateral contributions)	1999.53
DGCS bilateral ODA	535.27
DGCS multilateral ODA	176.59
Ministry of Finance (loans)	114.33
Regional, provincial & municipal govt.	26.17
Agricultural Payments Agency (AGEA)	10.12
Other Central Government bilateral ODA	180.63
Other Central Government multilateral ODA	56.06
TOTAL	<u>3763.13</u>

## Appendix A – DGCS Budget Analysis 2010



Budget category	Euros
Programmes	192,402,497
Surplus appropriations	86,697,046
Mandatory contributions to OO II	55,215,315
Operation & litigation	25,312,239
Humanitarian Demining	1,000,000