DEVELOPMENT: A PRIVATE AFFAIR?

The involvement of the Italian private sector in rural development cooperation programmes

Debates about the role of private sector in development have been growing internationally in recent years. In Italy, new Law no.125/2014 encourages private sector actors to step up the extent of their involvement. While the importance of the private sector in aid and development has long been recognized, what needs to be further clarified is how this role should be played out, and based on which development objectives. The debate on the potential benefits of a greater involvement of the private sector in sustainable development in ODA-recipient countries relies on a small number of cases and on insufficient data. This paper looks at the information available on the role of the Italian private sector in participating in and implementing development programmes funded through Italian ODA in one of the key sectors of Italian development cooperation policy: sustainable agriculture and rural development. It provides recommendations for secondary laws that will determine the action of these players in the Italian development cooperation system.
EXECUTIVE SUMMARY

Investment in small-scale agriculture is needed in order to meet the ambitious objective set by the United Nations and signed by the world leaders in 2015: to eradicate hunger, ensure food security, improve nutrition and promote sustainable agriculture by 2030 (SDG 2). However, reaching this ambitious goal with the current level of resources committed will not be possible without concerted action on global challenges such as worsening climate change, fluctuating energy prices, diversification of diets in emerging economies and a growing pressure on natural resources such as land and water for purposes other than food.

In the world today, 795 million people – one in nine people – still experience limited access to healthy and nutritious food; essential for children to develop properly and for fostering good health. Most of the people affected live in developing countries – 98 percent – and in Africa, one person in four suffers from hunger.⁠¹ Paradoxically, those who suffer from hunger are mainly farmers or people who depend on agriculture as their main source of income. To end the injustice of hunger in the world, there is therefore a need for a shared effort from public and private players, geared to allocate more and better investment for the promotion of sustainable agricultural development.

In this paper, Oxfam investigates the flows of official development aid (ODA) committed by Italy in the last ten years to promoting food security, sustainable agriculture and rural development in its partner countries. The analysis aims to identify the main features of Italian ODA in this sector in order to evaluate its level of transparency and accountability. It also aims to verify the coherence, in financial terms, between the real allocation of resources and the political importance that Italy has historically assigned to food security issues.

In parallel, this paper examines the involvement of Italian agri-food industries in rural development programmes financed through Italian ODA. In light of the wide-ranging debate which aims to promote a greater involvement of the private sector in development, Oxfam investigated the experience gained to date by Italy in one of the priority sectors of its development cooperation policy. The paper’s analysis focuses on three case studies featuring different modalities and objectives for private sector involvement, with the aim to assessing the impacts of their contribution in terms of the reduction of poverty and food insecurity in local communities. Oxfam’s purpose is to contribute to the ongoing national debate in Italy on the eligibility criteria that would promote private sector support for co-financed cooperation initiatives in partner countries; in line with the objectives and goals of the Italian International Development Cooperation policy.

1 Italy’s commitment for food security and sustainable agriculture

For many years, the promotion of food security, agriculture and rural development has been one of the cornerstones of Italy’s policy on Cooperation for Development. Three of the UN’s food agencies are located in Rome (FAO, IFAD and WFP), and the development of Italy’s policy has been supported on a practical level by, among other things, the promotion of several international initiatives such as the Aquila Food Security Initiative (AFSI) launched during the
G8 summit in 2009 in L'Aquila. It also led to Italy’s decision to dedicate the Universal Expo in Milan to the theme ‘Feeding the planet, energy for life’ in 2015. However, Oxfam’s analysis for this paper of the data of the funded agricultural and rural projects clearly shows that the importance of the theme for Cooperation for Development is not matched by an equally significant financial contribution. In 2015, Italy allocated $165m to agriculture and rural development: although this sum is higher than the amount committed in the previous year, it only amounts to 3.6 percent of Italy’s overall net ODA. The analysis also shows a progressive regionalization of the aid sent to sub-Saharan Africa; but at the same time highlights the lack of accountability and transparency in resources allocated via multilateral channels.

2 The private sector in cooperation for development

For almost fifteen years the international community has been debating how to expand the involvement of the private sector in development cooperation processes, with the objective of mobilizing additional resources. In Italy in 2014, the approval of the new International Development Cooperation law (Law no. 125/2014) formally opened the door to the private sector as an actor in the Italian system of development cooperation, envisaging its involvement as provider of concessional and subsidized credits (articles 8 and 27). However, this legislation, following on from the previous legislation (Law no.49/1987), fails to introduce clear rules on how business can participate in and implement development cooperation actions and how to measure and monitor their contribution in terms of sustainable development. The secondary legislation, on which Italian institutions have been debating over the last few months, should fill this gap and provide a clear operating framework to ensure that the private sector contributes to the struggle to fight poverty and hunger, and does not cause any social and environmental damage.

3 The contribution of the private sector to ensuring food security and sustainable agriculture: the Italian experience

At an international level, and particularly in Italy, the debate on the potential benefits of a larger involvement of the private sector in development is based on a limited number of cases and therefore on insufficient data and documentation. This paper analyses the information available on the role played so far by Italian agri-business in sustainable agriculture and rural development programmes promoted by the Italian Ministry of Foreign Affairs and International Cooperation (MAECI), with the aim of evaluating their impact in terms of poverty reduction, increased food security and the promotion of sustainable development. Research and mapping of case studies and projects showed the huge scarcity of information publicly provided by MAECI. Additional deeper investigation was therefore carried out through meetings and interviews with representatives of MAECI, the new Italian Agency for Development Cooperation (AICS), Cassa Depositi e Prestiti (CDP), and the Istituto Agronomico per l’Oltremare of Florence (IAO).
For case studies, we eventually decided to choose three initiatives related to:

- an experience – which appears to be unique in the agri-food sector – of a joint venture created in Vietnam by the Italian company Panapesca;
- a farming contract signed by the Italian company Pedon-Acos spa with a network of local producers in Ethiopia;
- a pilot programme called ‘Cafè y Caffè’ launched in 2007 by the Italian organization Cooperation in Central America, which since the beginning has witnessed the involvement of small and medium-sized Italian coffee roasting companies.

4 Recommendations

Donor–private partnership has the potential to have a positive development impact, but it also implies various challenges, opportunities, risks and potential. That is why Oxfam believes that it must be carefully regulated, planned and monitored through more comprehensive national legislation. Oxfam recommends that the institutions of Italian development cooperation, namely the National Development Cooperation Board (CNCS), the Ministry of Foreign Affairs and International Cooperation, the Italian Agency for Development Cooperation (AICS) and Cassa Depositi e Prestiti (CDP), should promote private sector engagement based on three fundamental pillars:

1. Resource allocation for small-scale agriculture and rural development

a) Increase the share of ODA for small-scale agriculture and rural development in partner countries. Resourcing is a key issue. Although the private sector can play a crucial role in allocating additional funds for development, private funding cannot substitute for public funding. A dollar of ODA cannot be spent twice: if it is used as a lever to mobilize private resources, this means that it is subtracted from activities traditionally financed by international cooperation policies. Without a general increase in public resources for development, the fulfilment of the SDGs by 2030 will not be achieved.

b) Improve the quality of ODA by investing in small-scale agriculture and rural development in partner countries. ODA must continue to be a straightforward transfer of resources to be used in the struggle to fight poverty, reduce inequality and promote sustainable development. In the agricultural and rural sector, donors’ aid must therefore be used for providing goods and services (infrastructures, credit, training, productive inputs, cooperative development) to support poorer small-scale farmers who find it more difficult to access markets, often have little power in setting contract terms with companies and usually operate in more fragile and vulnerable economic contexts which offer fewer incentives to private economic players. Strengthening their capacity to engage with the private sector is especially necessary where donors seek to promote the roll of the private sector.

c) Improve and increase the transparency of the information regarding financing for agriculture and rural development in partner countries. Italy must reinforce efforts to reporting timely, accurate and complete information to the OECD Development Assistance Committee and/or the International Aid Transparency Initiative (IATI). In particular, more transparency must be ensured on aid flows provided through multilateral channels.
2. Additionality and complementarity of private sector contribution in achieving the Sustainable Development Goals (SDGs)

a) Ensure that private sector objectives are aligned for achieving development impacts. Italian institutions should select private partners that demonstrate shared development objectives coherent with host country priorities, linked to the SDGs and in compliance with ODA's purpose. Mechanisms to select private partners should include strict due diligence for ensuring compliance with human rights laws, social and environmental standards and development, aid effectiveness principles and value for money. Donor–private partnerships should ensure that all the operations are aligned with national laws and international principles and standards for corporate responsibility and the respect of human rights; including the principle of free, prior and informed consent of the local communities affected by the investments; fair payment measures and equally shared profits.

b) Managing donor–private partnerships for results that deliver positive impacts for poor people in low-income countries. Donors should ensure that all their private sector programmes and partnerships include results-based frameworks that are aligned to the programmes’ and partnerships’ development objectives. Specifically, it should ensure that these frameworks are defined in collaboration with all partners involved in the activity (partners, governments, public institutions, international and local civil society) and not only by donors and private sector partners. This approach must therefore focus on achieving results which a) enable the fulfilment of development objectives defined by the host country; b) take into account the gender aspect, not only by increasing the resources allocated to this target group of beneficiaries but also by making women’s rights central to the development strategies of host countries; c) can be measured in terms of impact and linked back to the aid effectiveness framework; and d) envisage the formulation of performance indicators. To this end, mechanisms must be designed for monitoring and assessing donor–private partnerships by involving all the interested parties: partner governments, public institutions, civil society, the private sector and the financing source.

c) Demonstrate the development, financial and value additionality of donor partnering with the private sector. A donor–private partnership cannot be executed without ex-ante publicly disclosed assessments demonstrating a development and financial additionality and value for money, because there is no other source of finance available to realize the project. Financial and developmental indicators should be included in the plan and monitored and assessed ex-post with the involvement of all the stakeholders.

3. Building transparent, responsible partnerships

a) Improve the accountability of public private partnerships that respect the principle of democratic ownership of the partner country and the smallholder farmers that are often the target group of these partnerships. Ensure that:

- The alignment of the partnership with the departmental, local, regional, institutional and national development strategies of the host countries in order to promote the reinforcement of the country's system;
- The full participation of civil society and farmer organizations operating in the host country and of all the stakeholders, intermediaries and beneficiaries in
defining development priorities and designing, executing, monitoring and assessing the projects;

- The provision of unrestricted aid, favouring open mechanisms for choosing the suppliers of goods and services in order to stimulate the development of the private sector in partner countries, and particularly that of small and medium-sized local businesses.

b) Ensure full transparency of the partnership in terms of plan and project, demonstrating that local communities are fully informed and consulted about the implementation of the investment and the relevant technical details (name of the project and the partner company, timeline, development objectives, environmental and social impact, theory of change, expected results, monitoring and evaluation, risk management mechanisms, financial component, procurement procedures). All private participants must be asked to provide detailed and freely accessible information on the investments made. Multinational companies involved in the partnership should also be obliged to present a detailed financial report providing data for each country and project, indicating the profits generated, the taxes paid and the social and environmental impact generated.

c) Ensure the accountability of the partnership. Prior to any intervention, the donors and the governments of the partner countries should ensure that local communities benefiting from, or affected by the intervention are consulted. During the project they must also guarantee that civil society will be fully involved in monitoring respect for rights and commitments and the progress of the public–private partnership. This implies providing public access to information and data on the investments in progress.
1 ITALY’S COMMITMENT TO FOOD SECURITY AND SUSTAINABLE AGRICULTURE

For many years, the promotion of food security, agriculture and rural development has been one of the cornerstones of the Italian Development Cooperation policy. It is a priority related on one hand to the nature of the Italian agri-food sector, characterized by short production chains, cultural and territorial diversity and the prevalence of small and medium-sized companies, consortia and cooperatives of small agricultural producers; and on the other by the presence of the Rome-based agencies of United Nations: the Food and Agriculture Organization (FAO), the World Food Programme (WFP) and the International Fund for Agricultural Development (IFAD), which has enabled the establishment of new partnerships geared to achieving food security and rural development in partner countries.

The aid provided by Italy to sustain agriculture has been mainly focused on strengthening local agri-food systems with initiatives designed to promote agro-ecology, sustaining small-scale farmers and producers’ organizations and promoting research, innovation and services to support the industry. This Italian bilateral development cooperation policy has traditionally emphasised the development of food systems capable of combining the dimension of food and nutritional security with a sustainable and inclusive agricultural development, focusing on the role of small-scale farmers, and in particular women, and their access to national and international markets.

Italian commitment to food and nutritional security and the improvement of the local agricultural systems is also demonstrated by the key role played by Italy in promoting multilateral initiatives. For example, the L’Aquila Food Security Initiative (AFSI) launched during the G8 summit in 2009 in L’Aquila, which was successful in reversing the negative trend in aid for agricultural food systems. This initiative contributed to relaunching G8 commitments to invest $22bn in agricultural and rural development projects by 2012 in those countries struck by the global food price crisis of 2007–08. Moreover, in 2015 Italy dedicated the Universal Exposition of Milan to the theme ‘Feeding the planet, energy for life’ – an initiative which helped to raise the awareness of Italian and international society on food security, sustainable agriculture and the struggle to eradicate malnutrition and food waste.

Therefore, considering the attention that Italy has paid – and continues to pay – to the fight against hunger and food insecurity in the world, it would be reasonable to expect coherence in terms of the resources allocated to these issues. However, a quantitative analysis of Italian ODA invested in agriculture over the last 10 years clearly shows a misalignment between the centrality of the agricultural sector for the Italian cooperation policy and the financial commitments undertaken and honoured. The political attention paid by Italy to these issues is not matched by an adequate contribution of financial resources.

According to the latest Creditor Reporting System (CRS) data – the OECD/DAC database that provides detailed information on bilateral and multilateral aid flows to developing countries based on individual projects – Italian aid in the...
agricultural sector has followed a discontinuous trend over the last ten years (see Figure 1). After a growing phase beginning in 2005, it reached a maximum peak in 2009, when around $200m were committed by Italy through the L’Aquila Food Security Initiative. From 2014 onwards, the Italian commitment began to grow again and in 2015, Italy committed $165m to supporting agriculture and rural development. Although this sum is significantly higher than in 2014 – equal to $78.262m – it represents only 7 percent of the Italian ODA reported by sector in the CRS. However, when considering the aggregated value of net ODA calculated annually by OECD/DAC, this percentage falls to 3.6 percent.

Figure 1: Italian ODA to agriculture compared with Italy’s net ODA, and ODA by sector as reported in the CRS OECD/DAC 2005–2015. (Commitments, US$ millions, constant prices, 2013)

The analysis of Italian ODA to agriculture also shows a strong discrepancy between the amount of resources committed and those effectively disbursed. From 2007 onwards, Italy has been failing to fulfil the commitments undertaken to contribute to the fight against hunger in developing countries (see Figure 2).
A comparison with other G7 members also shows room for improvement for Italy in contributing to sustainable agriculture and rural development. Data analysis from those CRS sectors included in AFSI annual accountability report – which besides agriculture and rural development also includes nutrition, food transportation and storage, infrastructure and welfare systems – indicates that the Italian contribution to food security and nutrition remains at significantly lower levels than those of the other G7 countries. Compared, for example, with the $3.11bn provided by Germany or the $2.116bn contributed by France, the financial contribution made by Italy to the AFSI totalled $675m, 30 percent of which was allocated to rural development programmes in sub-Saharan Africa.\(^7\)

Since 2005, Italian ODA to agriculture in the sub-Saharan region has been increasing. In 2015, it was around to $70.5m, with an increment of approximately 11 percent compared with the previous year. In contrast, Italy’s commitment in Asia has been steadily declining, dropping from 79 percent of agricultural ODA in 2009 to a current level of 7.2 percent. In Latin America, the flow of resources for rural development has remained stable, with Italy’s contribution equal to $17.5m in 2015 (see Figure 3).
In spite of these trends, analysis at country level shows a discontinuity in the top recipient countries of Italian agricultural ODA, as shown in Table 1. The top 10 recipient countries have been changing over the last five years; reflecting how, despite due exceptions, Italian priorities have too often followed emergency situations rather than a long-term development policy. Data in the table provide further evidence of the progressive reduction of resources assigned to South-East Asian and Latin American countries; whereas the commitment to Afghanistan has remained constant and a top priority. In Afghanistan, Italy has gradually accompanied its emergency and food assistance interventions with agricultural development initiatives with local communities. Mozambique features in each year, showing that the decisions taken to allocate funds to agricultural projects are not free from wider political considerations, linked to particular interests in sectors, such as the energy sector.
Table 1: The top ten countries which benefited from agricultural ODA from Italy from 2010 to 2015 (US$ millions, constant prices, 2013)

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Data by sector and sub-sector show how Italian agriculture ODA allocations have been changing since 2009, a year in which the share for food assistance gradually decreased in favour of an increase of resources for rural development programmes. Contribution to the agriculture macro-sector, which includes support for the development of agricultural policies and for access to production, training, credit and technology inputs, has always been the main priority for Italian aid. This trend reflects Italy’s tendency to develop local agricultural value chains and sustain the agricultural productivity and the incomes of the small-scale producers (see Figure 4).

Figure 4: Italian ODA in agriculture – allocation of aid by sector of intervention 2005–15 (US$ millions, constant prices, 2013)


Data from CRS on the channels used to provide ODA for agriculture show a tendency for Italy to invest in bilateral cooperation by directly managing cooperation programmes and projects in developing countries. As indicated in Figure 5, data reported in CRS highlight the crucial role played by NGOs in implementing projects, compared with multilateral channels. Latest figures indicate that in 2015 NGOs directly managed around $34m, while the Italian contribution to the agricultural sector through multilateral channels was only
$23.6m. However, additional estimates provided by the OECD, but not yet accounted in the CRS, indicate that in 2015 Italian multilateral cooperation in the agricultural sector was around $255m, mainly provided through the European institutions and the Rome-based UN agencies IFAD and FAO.\textsuperscript{8} This incongruence between databases identifies a clear lack of transparency and accountability in multilateral aid. Italy should be dedicating more effort to this, as it is crucial for ensuring an effective use of the public funds in reducing poverty and food insecurity.

Finally, data analysis by project highlights that from 2005 to 2015, Italy made no contributions to the private sector and the promotion of public–private partnerships. This result appears particularly significant considering the strong emphasis placed on the role of the private sector in development at both international and national levels. The lack of data, in this case, clearly shows that Italy has no significant experience in this field. It suggests that meticulous evaluation should be done ahead of the definition of policies and tools to facilitate access of the private sector to public financial resources for development projects. Donor–private partnership should ensure that private economic interests do not prevail over poverty reduction and sustainable development goals, and that companies’ ways of working do not damage local communities and the environment.

\textbf{Figure 5: Italian ODA in agriculture – allocation by channels 2005–15 (US$ millions, constant prices, 2013)}
2 THE PRIVATE SECTOR IN COOPERATION FOR DEVELOPMENT

2.1 THE INTERNATIONAL DEBATE: OBJECTIVES, PRINCIPLES AND TYPE OF INTERVENTION

In the last fifteen years, the international community has been debating the role of the private sector in development cooperation interventions. This was formally established at the first United Nations International Conference on Financing for Development held in Monterrey in 2002; then consolidated in 2015 by including in Agenda 2030 the specific objective of implementing a global partnership (see Box 1).

What are we really referring to when we talk about the role of the private sector in development? Which ‘private sector’ are we considering? Answering these basic questions is crucial for identifying and evaluating the different interests that public and private sectors might have in term of promoting sustainable development in developing countries.

In terms of definitions, the international debate has thus failed to clarify what ‘development of the private sector’ exactly means. This expression is used to describe a range of different interventions; a first useful distinction could be made between ‘development of the private sector’ and ‘involvement of the private sector’. Although both approaches assume that the private sector plays a key role in creating jobs, supplying goods and services and generating tax revenue needed to support sustainable development, the reasons and the interests behind these two kinds of support might be very different.9

By ‘development of the private sector’, we mean donor support to the growth of business in a certain local context that can occur in different ways (i.e. access to credit especially for micro, small and medium-sized businesses or technical support to local government to define the regulatory framework required to enhance skills and local development.

In contrast, ‘involvement of the private sector’ refers to the overall objective of facilitating dialogue between the public and private sectors in formulating policies and establishing partnerships for specific projects. Involving the private sector also means mobilizing resources for development and thus creating more opportunities. For example, the private sector could contribute those skills generally lacking in the public or non-profit sectors, provide goods and services, create employment and promote innovation. Alternatively, business partners might be interested in dialogue with governments to access more difficult markets, while reducing investment risks and thus improving their national reputation as actors committed to development cooperation projects.

Based on this distinction, ActionAid International has identified three types of project that help to define the different types of intervention for private players in development.10

The international debate failed to clarify and define the role played by the private sector in development. ‘Development of the private sector’ is an expression that is used to describe interventions that can be very different from one another.
1 ‘Building’: developing the private sector in developing countries to generate employment, share knowledge and diversify business activities. The purpose of this approach is to promote the development of the local private sector, whose growth is essential to achieve sustainable development goals. Oxfam believes that investing in the private sector could bring about important changes and lift people out of poverty, but reaching this goal requires a clear idea of how the private sector could be developed in different country contexts, identifying the right private actor to support. Oxfam’s experience in the field has shown that the biggest impacts are achieved when the action supports national markets rather than export-oriented sectors. Positive outcomes can also come from support for small and medium-sized local companies that provide work for a large number of people, interventions for women’s empowerment and support for climate resilience of small-scale producers.

2 ‘Delivering’: carrying out development initiatives through the contribution of a private company. In this case, donor aid is channelled through public contracts aimed at providing goods and/or services (e.g. consultancy, infrastructure, various supplies, monitoring and assessment, etc.) in partner countries through a company. The private sector is not entitled to intervene in the design of the activity, but merely executes projects or parts of it, that are managed by the donor country. This type of intervention is used by the United States, for example as one of the main channels used by several agencies (USAID, OFDA, USDA, DL, DPMR) to allocate ODA to a small group of American companies qualified to carry out development projects in partner countries. In Italy, the presence of many development institutions, both nationally and locally, contributes to fragmented aid flows. While providing developing countries with different kinds of resources, aid fragmentation makes it impossible to estimate the amount of support provided to the private profit sector for implementing development projects.

3 ‘Leveraging’: using private sector resources to generate a bigger development impact on. Leveraging is defined as ‘the ability of a public financial commitment to mobilise some larger multiple of private capital for investment in a specific project or undertaking’. This is a wide-ranging concept that can involve any type of public funding deriving from any public institution. However, when referring to development cooperation policies, the main leveraging mechanisms are public–private partnerships (PPPs) along with ‘blending’ of loans and donations. These mechanisms are based on the use of ODA to leverage additional resources from the private sector, which becomes part of the action by investing its own resources alongside the public ones.
Box 1: From Monterrey 2002 to Addis Ababa 2015 – the main milestones of the international debate on the role of the private sector in development

The first steps in this new multi-stakeholder approach to development were taken in 2002 in Monterrey in Mexico, at the first United Nations International Conference on Financing for Development.

In 2008, the final declaration of the second Doha Conference recognized the catalyzing role of public aid for development, in guarantee funds and public–private partnerships for mobilizing private capital.

In 2011, the Fourth High Level Forum on Aid Effectiveness held in Busan, ratified the definitive opening to the private sector, considering it to be the bearer of experience, practice and opportunity for learning and collaboration alongside traditional players in cooperation for development (governments, international organizations and civil society).

This definition was reconfirmed at the last International Conference on Financing for Development held in Addis Ababa in Ethiopia in July 2015. In the final declaration, the private sector was defined an important ally for gathering new financial resources necessary to tackle the current economic, social and environmental challenges on a global level, and to fulfil the Sustainable Development Goals (SDGs) by 2030.

These proposals were then fully formalized in the new Agenda for Development 2030, launched in September 2015 by the United Nations, envisaging 17 SDGs that express the need to implement a global partnership, building valid synergies with the private sector and with civil society and other stakeholders.

2.1.1 Tools and mechanisms for involving the private sector in development processes

The Development Finance Institutions (DFIs) occupy an intermediary space between public aid and private investment, being the facilitators of international capital. Their role is to bridge investment deficits in developing countries by connecting the potential deriving from commercial investments with public aid. DFIs offer a wide range of services and financial tools, such as loans and guarantees for investors and for companies. They also finance large infrastructure projects. Generally, they finance development projects in industrial sectors or in countries where commercial banks cannot invest without collateral. They are also often involved in the financing of small to medium-sized companies and in supporting microfinance institutions that are considered too risky by the traditional credit system. In Italy, since 1 January 2016, Cassa Depositi e Prestiti (CDP) has been assigned the role of Financial Institution for Development Cooperation (FIDC) (Law 125/14).

Public–private partnerships (PPPs) are a legal instrument for sharing risk between the public and private, profit-making sectors. They are used in all sectors of intervention, from agriculture to education, but generally associated with large infrastructure projects and projects that require considerable initial investment and only pay dividends in the long term. Within the different kinds of public–private partnership, three types of intervention, although different, can be linked with or overlap one another, depending on the project:

- **PPPs in which the private sector finances and carries out a development project** or part of it. These are generally linked to the mobilization of larger amounts of capital. The private sector takes part in the project by bringing its own capital, while the public sector contributes both by sustaining part of the
cost and by enabling the private sector to apply fees to the utilization of public services (electricity, motorways etc.).

• **PPPs in which the government sustains a privately led initiative.** These projects are quite common among development finance institutions that provide capital and/or guarantees to intermediary banks operating in developing countries, and promote access to credit for those actors traditionally excluded from commercial banking systems. In Italy, the ETIMOS consortium of the Banca Etica Group was financed recently under the revolving fund by the Cassa Depositi e Prestiti SpA (CdP) to finance partner microfinance institutions in Mexico, Honduras and Senegal.¹⁶

• **Mega-PPPs,** a much wider strategy, support national, regional or even global operations. These interventions are based on a mutual intention of the parties (developing country governments and donors) to invest in key sectors identifying new markets. Mega-PPPs are spreading rapidly in African countries and are applied particularly to the agricultural sector, involving large multinational companies and attracting financial aid. A recent example is the New Alliance for Food Security and Nutrition launched in May 2012 by the G8. The initiative aims to create the conditions that will allow the African countries concerned to improve agricultural productivity and develop their agri-food sector by attracting more private investment in agriculture. This partnership contributed to mobilizing $5.9bn from donors in order to achieve the objective of lifting 50 million African people out of poverty by investing in agriculture.

**Blending,** intended as private finance blending¹⁷ for development, is a financial mechanism that combines grants with loans provided by commercial organizations, with the general aim of scaling up the aid by mobilizing more private resources for development. This practice, therefore, allows donor countries to reduce their ODA directly devoted to development projects in favour of a higher provision of loans for private companies and governments of the partner countries implementing programmes. There is no universal definition of blending, but various organizations and donors have used different approaches, with implications for the impact of the financed projects; for example, with regard to transparency, accountability, the involvement of the various stakeholders and the effectiveness of the aid.¹⁸ The idea behind private finance blending is not new, but has been debated in recent years due to the increasing focus on the private sector as a key actor in development aid. In the past, European institutions and development banks were used to grant subsidized loans directly to partner countries. Recently, many more development finance institutions, including bilateral ones such as the German Development Bank (KfW), and multilateral ones such as the World Bank, have used this private finance blending mechanism to involve the private sector as a partner in development programmes.

The growing emphasis on this type of operation is for many reasons, not all of them linked to specific development objectives. One reason is that the eradication of poverty requires the mobilization of other types of resource, as ODA alone is not able to cover the estimated deficit of $2,500bn to achieve the Sustainable Development Goals by 2030.¹⁹ Additionally, a large amount of private resourcing is needed in those middle-income countries that need significant capital for energy, water and infrastructure, rather than for traditional ODA. However, the blending of public and private resources also enables donor countries to integrate their commercial interests with aid for development in partner countries. The aim is that of entering new markets or remaining competitive in emerging economies. Indeed, it is not a coincidence that the
companies which benefit from this type of financing are those from the OECD.

There is no official estimate of the total volume of public resources (ODA) globally used for blending operations, only different evaluations depending on the definition of blending used. Some recent studies show that that ODA disbursed for blending purposes amounted to approximately €1.4bn ($1.8bn) in 2013, and that aggregated disbursements in the period 2005–13 were €9.4bn ($12.5bn). This figure is probably quite conservative because it measures the amounts of ODA disbursed by donors through instruments that are used for blending purposes. Consequently, it does not necessarily capture all ODA disbursements to dedicated blending facilities, (see Table 2) since they will simply be reported as an ODA grant.

According to the European Court of Auditors (ECA) report, the European Union through its eight blending facilities (seven of which managed by the DG DEVCO), between 2007 and 2013 provided approximately €2.3bn in loans for blending operations, financing a total of 387 projects. To date, most blending mechanisms have been used to support large-scale investment in the field of transportation, infrastructure and energy. The general idea behind blending operations is that a loan/guarantee can be granted to remove the barriers that hinder public or private investments in the developing countries. Some of these are local financial markets limits, lack of knowledge of local markets and the risks of investment or political and financial instability. Table 2 shows the main types of financial tool used for blending operations through the use of public aid:

Table 2: How ODA can be combined with other sources of finance

<table>
<thead>
<tr>
<th>Tools</th>
<th>Relative use of ODA</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Investment grants</strong></td>
<td>A grant is used to reduce the overall cost of the project and the total investment required from other actors. Investment grants increase the financial viability of the project and make external financing more likely. Investment grants usually pay for discrete goods linked to the project.</td>
</tr>
<tr>
<td><strong>Interest rate subsidies (blended loans)</strong></td>
<td>A grant is used to cover part of the interest payments. The project beneficiary thus receives a subsidized loan at a below-market interest rate. The interest rate subsidy is generally provided in relation to loans from third parties (e.g. a DFI).</td>
</tr>
<tr>
<td><strong>Technical assistance for projects design</strong></td>
<td>A technical assistance grant is provided to a company to strengthen its business model and increase the chances of accessing finance. It can also be used after finance has been granted to increase the chances of success. It is often combined with other forms of finance.</td>
</tr>
<tr>
<td><strong>Loan guarantees</strong></td>
<td>A grant is used to cover the lender’s losses in case of default so that it agrees to finance the project or to do so on better terms.</td>
</tr>
<tr>
<td><strong>Structured finance – first loss piece</strong></td>
<td>Donors offer finance with a lower repayment priority than the debt issued by other financiers. In case of default, donors would absorb the losses first. Mezzanine loans are a form of structured finance.</td>
</tr>
<tr>
<td><strong>Equity investment</strong></td>
<td>A grant is used as a direct capital contribution to a company or investment fund, usually to send a signal to other investors and attract additional capital.</td>
</tr>
</tbody>
</table>

Source: Oxfam analysis of information from WEF-OECD (2015)
Blending mechanisms have not contributed positively so far to promoting private business (for example, small and medium-sized companies and cooperatives), but have instead been used to sustain the expansion of the private sector as financier and beneficiary of the investments. Only large companies and multinationals have benefitted from this. On the impact and sustainability of these operations, the European Court of Auditors in its special report warned the European Commission about the main issues arising from the use of public resources for combined financing operations. The audit report demonstrated that the use of ODA resources has not always generated the effective mobilization of additional resources for the purposes of development (so-called additionality). In development projects, additionality refers to both the financial aspect, demonstrating that public and private resources must be blended to ensure that the project is completed, and to the development aspects which ensure that it is financed to achieve better results in terms of sustainability. Both these elements of additionality are absolutely necessary in order to show that the use of public resources destined for aid has had an added value in implementing a project. Should they fail to be present, the Court has highlighted that blending can lead to 'the EU funds for development being wasted when programmes/projects that would have been initiated in any case are subsidised'. The Court has also identified problems regarding the ownership of the development processes, demonstrating, for example, that seven out of the eight blending mechanisms managed by the Commission (so-called blending facilities), show that partner country governments were not involved in the selection of the projects to be funded. This can easily contribute to making partner countries even weaker. Likewise, in terms of transparency, the Court stresses how the approval process used by the Commission has not been very accurate and how often the decisions regarding the assignment of the aid have not been supported by objective and convincing proof regarding the validity of the choice.

Additional private sector intervention models in development cooperation projects include:

- **Philanthropy**: The private sector provides free donations to public and private non-profit organizations for implementing projects in developing countries. The private investor does not expect to receive any economic payback from it and, if compared with traditional development projects where they supply goods and services or financial and productive assets, the philanthropic action is generally designed to provide direct support to the economic, social and environmental sustainability of a local business. There is no doubt that preferential tax conditions are the main incentive for businesses to make such donations to development projects. A major concern is the issue of enhanced reputation deriving from being involved in such activities.

- **Project financing**: refers to the private sector action most commonly used in international cooperation, both internationally and in Italy. It can take the form of direct or indirect (through a foundation) private business contribution (cash or in-kind) to a development project in a partner country. Generally, it is used to finance projects related to the sector in which the business operates. Despite the lack of data about the number of projects and the amount of resources provided by private Italian businesses in cooperation projects, evidence suggests that Italian NGOs often co-fund projects promoted by the Ministry of Foreign Affairs and International Cooperation through private profit resources.

Blending mechanisms have mainly been used to sustain the expansion of the role of the private sector as financier and beneficiary of investments. This procedure has ended up benefiting large companies and multinationals.
Joint venture: set up by the Italian Law on International Cooperation for Development (article 27 of Italian Law 125/14, ex article 7 Law 49/87) to promote private business participation in a foreign company in developing countries. Companies usually participate in joint ventures for economic reasons, such as improving their production or distribution chain. In terms of corporate responsibility, companies may be also willing to reinforce a local business while aiming to have an impact on the social context. Joint ventures are one of the most widespread forms of foreign direct investment (FDI) designed to acquire lasting participation in a foreign business (mergers and acquisitions) or designed to constitute a branch abroad (‘greenfield’ investments). Although there is no accounting mechanism for analysing the global levels of foreign direct investment, estimates by UNCTAD report higher FDI growth rates than those for overall ODA, especially in the agro-industrial sector. This result is due to the presence of large multinational companies and sovereign wealth funds. Between 2000 and 2007, the overall value of the FDI globally rose from $627bn to $1,900bn; during the global economic crisis, it first dropped rapidly before climbing again in 2010 and reaching a level of $1,200bn. The share of the flow of FDI to developing countries, in particular Asia, went from 18 percent in 2000 to 46 percent in 2010.

2.1.2 Principles, standards and international certification

In implementing development processes, the private sector must be required to align its economic and strategic interests towards sustainable economic, social and environmental development objectives. To do that, a clear system of rules and principles should be developed to strengthen the financial tools and mechanisms that can facilitate the intervention of the private sector in development projects.

Various institutions, including the OECD, European Union and the World Bank have provided a series of resolutions, guidelines and communications to frame sustainable private sector engagement in development processes. The European Commission communication, A Stronger Role of the Private Sector in Achieving Inclusive and Sustainable Growth in Developing Countries (2014), stressed the need to establish a strategic framework to involve the private sector as effectively as possible, and defined the criteria for the achievement of ‘responsible investments in the developing countries or supply chains and sustainable production models’. The criteria used were: measurable development impact, additionality, neutrality, shared interest and co-financing and demonstration effect.

- **Measurable development impact:** Support provided to a private enterprise or financial intermediary has to contribute in a cost-effective way to the achievement of development goals such as job creation, ecological sustainability, inclusive growth or broader poverty reduction. This not only requires transparency in terms of the objectives and results, but also appropriate monitoring, evaluation and impact indicators.

- **Additionality:** Public support should favour activities or investments that would not otherwise be possible, or that the private enterprise would be obliged to undertake on a smaller scale, or at different times, in different places or in line with different standards. The supported action should not exclude the private sector or replace private financing.

- **Neutrality:** The support provided should not distort the market and must be awarded through an open, transparent and fair system. It must be temporary,
with a clearly defined exit strategy. Support provided to manage market shortcomings or related risks should not discourage any efforts that might be made to reform the laws required to remedy these shortcomings.

- **Shared interest and co-financing:** Partnerships with the private sector should be based on cost-effectiveness, shared interest and mutual accountability for results. The risks, costs and benefits of a joint project should be shared fairly.

The European Commission has also outlined a reference framework of standards for corporate responsibility\(^{28}\) outlined in the following documents:

1. The *UN Guiding Principles on Business and Human Rights, 2011*, founded on three pillars: the protection of human rights as the state’s main responsibility, respect for human rights as the direct responsibility of companies and compensation in case of violation of human rights. The Global Compact of the United Nations, a voluntary initiative based on CEO commitments to implement universal sustainability principles and to take steps to support UN goals, is also based on this framework;\(^{29}\)

2. *Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy*\(^{30}\) amended in 2006 by the ILO, which also includes companies' compliance with hosting country’s policies and the harmonization of the action with the development priorities and social objectives;

3. The *OECD Guidelines for Multinational Enterprises, 2011*,\(^{31}\) which gives principles and voluntary regulations for the responsible behaviour of companies (including multinationals) operating at international level;

4. The international certifications (*ISO*) and the *SA regulation* (Social Accountability), 8000 voluntary regulations encouraging organizations to develop, maintain, and apply socially acceptable practices in the workplace.

### 2.2 THE ITALIAN CONTEXT: FROM LAW NO. 49/1987 TO LAW NO. 125/2014

Twenty-seven years after Law no. 49/1987, which regulated the ‘Cooperation of Italy with the developing countries’, was approved, the new ‘General Regulations for International Cooperation’ came into effect on 29 August 2014 (Law no. 125 of 11 August 2014). It contains 34 articles in six chapters, plus the transitional and final provisions.\(^{32}\)

The new law introduced significant new elements into the system and organization of the Italian development cooperation policy. With regard to institutional architecture, the law identifies three levels of decision making:

1. **Vision and policy coherence:** The first new element concerns the establishment of the Inter-Ministerial Committee for Development Cooperation (CICS) as the body appointed to guarantee policy coherence. The CICS is chaired by the Prime Minister and composed of the Ministry of Foreign Affairs and Deputy Minister, Ministers of Economy, Environment, Defence and Development. The CICS is responsible for defining the guidelines for the Italian Cooperation for Development every three years, providing specific indications about the sectors, the priority countries and the resources provided overall.
2. Definition of cooperation strategies: As in the past, the political responsibility for development cooperation remains with the Minister of Foreign Affairs and International Cooperation (MAECI) for policy orientation and to ensure that all national cooperation initiatives are unified and coordinated. The ministry supervises the implementation of development cooperation policies and represents Italy politically in international and European Union organizations (art. 11). However, the law introduces as a brand new element, a Deputy Minister for International Cooperation who ‘participates in the meetings of the Council of Ministers dealing with subject matters that may directly or indirectly affect the coherence and effectiveness of development cooperation policies’ (art. 11 par. 3). Among the most innovative elements aimed at reinforcing governance is the involvement of all the major stakeholders among public and private actors in the National Development Cooperation Council (CNCS, article 16).

3. Policy implementation: Law 125/2014 established the Italian Agency for Cooperation for Development (AICS) and assigned the role of ‘Italian Development Bank’ to Cassa Depositi e Prestiti (CDP).

Although subject to the supervision of the Minister of Foreign Affairs and International Cooperation (art.17–19), the law appoints the AICS to manage the activities with a fair ability to act, assigning it an autonomous legal identity, its own budget, its own organization, and decision making powers in relation to expenditure of up to a maximum limit of €2m. The agency is responsible for the examination, development, financing, management and monitoring of international cooperation initiatives. However, it can also fund and provide technical assistance to other public administrations operating in the field of development cooperation, or implementing interventions on behalf of third parties (European Union, banks, international funds and organizations and private parties).

Regarding financial resources, Law no. 125/2014 assigns to Cassa Depositi e Prestiti (CDP) the duty to operate as a development bank, regulating its activity on three levels:

- Management of public resources: CDP is authorized to grant concessionary loans (art. 8);
- Allocation of its own resources to finance initiatives that fulfil the legal requirements, and by co-financing them with private, public or international entities (art. 22);
- Management of public resources or allocation of private resources to finance private actors (art.27).

CDP is therefore seen as a banking system for Italian development cooperation, responsible for defining and managing financial mechanisms and aiming to blend public funds with private resources (e.g. blending finance or matching aid credits) and developing guarantees for public–private investments in developing countries. Compared with law no. 49/1987, which formally invested Mediocredito Centrale and later Artigiancassa as Italian development banks, the new law no. 125/2014 includes the possibility of the financial institution to intervene in development cooperation initiatives using its own resources.

The extension of the governance system in the new legislation can also be seen from the updated list of development actors aiming to promote a country system for development cooperation (article 23, paragraphs 1 and 2). The first new
element relates to the inclusion, alongside suitable NGOs, of fair trade, ethical finance and micro-credit organizations, migrants’ organizations and communities as part of civil society organizations and other non-profit entities (article 26, paragraph 2, letters a, b, c and d). It also includes chambers of commerce, universities and public agencies in the list of traditional actors of decentralized cooperation such as regions and local authorities (article 25). Finally, it promotes a more intense participation of private sector, private businesses and banks (article 27), when these ‘meet the standards commonly applied to social responsibility and environmental safeguard clauses, and comply with human rights legislation in making international investments (article 23)’. The law also specifically excludes the companies enrolled in the national register established by Law 185/90 on control over the export, import and transit of weaponry material.

2.3 THE ROLE OF THE PRIVATE SECTOR IN ITALIAN DEVELOPMENT COOPERATION

As a whole, Italian Law no. 125/2014 introduces innovative and ambitious elements designed to reinforce the Italian cooperation system. However, with regard to the role that the private sector can play in supporting and implementing development programmes, the new law does not clearly define the type of contribution which can be expected from the companies, whether technical or financial.

Oxfam believes that the private sector can be a valuable contributor and partner in addressing poverty, injustice and inequality around the world. However, clear criteria and rules are needed to ensure that the private sector follows ethical and sustainable business principles.

The objective is to ensure that private sector interests are coherent and in line with the integrated and strategic vision of the Italian ‘system’ of development cooperation and with the SDGs.

Due to the lack of data and evidence on the private sector’s potential role in development processes, an analysis of the mechanisms foreseen by the Italian law for that sector provides useful indications. The following sections analyse in detail the articles and financial instruments dedicated to the private sector, highlighting the limits and the opportunities they provide for a more in-depth reflection on the contribution that this sector can bring to the sustainable development of the partner countries.

2.3.1 The tools and mechanisms envisaged by Law no. 49/1987

Law no. 49/1987 makes explicit reference to the private sector and the financial tools in three separate articles:

- article 5, which defines the role of the Ministry of Foreign Affairs as promoter and coordinator of international development cooperation programmes for both the public and private sectors;
- article 6, which envisages the granting of concessionary loans to foreign banks, states, central banks or public bodies in developing countries;
article 7, which envisages the possibility of granting concessionary loans to Italian companies by partially funding (70 percent) their share of capital risk in joint ventures (which could not be less than 20 percent) to be set up in developing countries.

From 1987 to 2014, the use of concessionary loans to create joint ventures in developing countries was very limited: approximately 72 projects were approved and funded; only 10 of these since 2001. In financial terms, between 1990 and 2014, the DGDC paid out concessionary loans to businesses under article 7 for a total amount of approximately €110m: \[37\] this amount is much lower than that destined in the same period for financing Italian direct investments (equal, according to the estimates of the OECD, to about €32bn).\[38\]

Possible explanations for the fact that the companies make limited use of article 7 include the difficulty of identifying companies eligible in terms of credit rate; alignment of the business plan with the objectives and priorities of Italian development cooperation; and experience in the target sectors or in the management of the projects. The main criticisms levelled at the law regarding the involvement of the private sector include the lack of active participation of the system of small and medium-sized businesses due to a shortage of credit instruments dedicated to these, and the need to simplify the legislation in force and to coordinate the development cooperation mechanisms with those which support export activities.\[39\]

\[2.3.2\] The tools and mechanisms envisaged by Law no. 125/2014

The new law dedicates eight different articles to the private sector as an actor in the Italian cooperation system.\[40\] However, with specific reference to the financial and investment tools, the new law does not make any substantial amendments to the previous legislation and refers to the secondary legislation to identify the criteria and procedures by which the private sector can participate. Accordingly, the new law is unable to distinguish between internationalization and international development cooperation, risking confusion between these activities and the tools needed to promote them.\[41\]

With regard to the concessionary loans (aid credits), the new law (Article 8 paragraph 2) does not amend the provisions set forth by Law 49/87. It establishes that, where required by the nature of the development programmes, aid credits may be allocated to cover part of the programme costs as well as the cost of goods or services acquired in partner countries.

Instead, with article 27, the new law recognizes for the first time the ‘contribution of companies and banking institutions to development processes in partner countries’, except for the companies listed in the register for control over the export, import and transit of weaponry material. However, as already mentioned, the law does not specify the type of contribution that it expects the private sector to make, nor does it define the rules and criteria for making this potential contribution effective.

With regards to public–private partnerships, article 23 foresees the possibility of companies that ‘meet the standards commonly applied to social responsibility and environmental safeguard clauses, and comply with human rights legislation in making international investments’; but in practice, the only type of partnership envisaged is joint-venture.
Article 27 envisages the possibility to granting subsidized loans to Italian businesses, with particular reference to small and medium-sized companies, to cover the capital risk needed to promote joint ventures in partner countries.

Finally, law 125/14 envisages the structuring of financial products for development cooperation within the framework of agreements with European and international financial organizations (article 22). This activity, entrusted to Cassa Depositi e Prestiti, on one hand concerns the possibility of co-financing projects through multilateral channels, i.e. projects managed by international organizations; and on the other hand, the chance to participate in blending mechanisms with European Union funds. In the first case, financing is provided jointly with other International Financial Institutions (IFIs); CDP provides financing in the form of aid credit (article 8 of Law 125/14) directly to joint ventures in partner countries, which can also be financed simultaneously at commercial rates by other financial institutions. In general, these co-financing operations are used for large initiatives and in particular for the creation of infrastructure in partner countries. Alternatively, blending operations with funds from the European Union could enable the co-financing of cooperation programmes/projects in partner countries by public partners, with the funds drawn from dedicated trust funds.

Recently, working group no. 3 of the National Development Cooperation Council (CNCS) focused on the debate on the ‘Role of the private sector in cooperation for development’, finalized a document summarizing the various proposals discussed during 2016 on the criteria for accessing public financing and promoting PPPs.

In order for the private sector to be eligible to access this form of public co-financing initiative for development cooperation, companies must formally comply with the Global Compact of the United Nations and also with the ILO *Tripartite declaration of principles concerning multinational enterprises and social policy* and the OECD guidelines on multinational enterprises. One of the criteria identified for the selection of the project proposals is the evaluation of the economic (creation of employment and increase in production) and social impacts (in terms of financial inclusion and human rights) that the intervention would produce. On 20 February 2017, the Joint Committee approved a resolution regarding the agency’s first initiative in favour of the private sector in development cooperation. The €5m call for tender to be issued over the next few months is destined for the Italian private social and profit sector and regards the co-financing of cooperation initiatives designed to support the creation and development of social companies and inclusive business in partner countries. The initiative, according to the announcements made by the agency’s staff, will concern three types of projects eligible for financing: so-called seed capital (for launching new businesses); support for start-ups and the scaling up of business activities which have already been successfully tried and tested. However, the criteria which determine the eligibility of the companies, firms and cooperatives that can participate in the call for tender and those for selecting the proposed projects have still to be defined.
Box 2: The expectations of Italian agri-food companies regarding new law 125/14.

The main focus of this study is to evaluate the potential contribution of the private sector to the sustainable development of partner countries in light of the financial instruments envisaged by the Italian law on Development Cooperation. The analysis is based on the direct application of the national legislative framework to the experience of public–private partnerships in the agricultural and rural sectors. However, in order to foster a wider discussion, Oxfam Italia has also investigated the demand-side of Italian agri-business opinion on the opportunities provided and the challenges posed by the new legislative framework of Law no. 125/2014.

The questionnaire developed by Oxfam, composed of seven open questions, was sent directly to 30 Italian companies in the agri-food sector and three industry associations participating in the work of group 3 of the National Development Cooperation Council on the role of the private sector in development. A total of only five companies replied anonymously to the questions asked; which shows the extent to which cooperation for development is still considered a field that is foreign to these companies – which display a greater knowledge of the themes of the CRS and the internationalization of businesses. However, the results enable us to pick up on several elements which are particularly significant for the investigation:

a) All the participating companies declared that they have not benefited from public financing under favourable conditions for the establishment or support of their businesses which are active in the developing countries;

b) All the participating companies stated that they contributed to international cooperation projects in developing countries in the form of philanthropic activities and support for the development of good agricultural practices in collaboration with NGOs and other Italian and local bodies;

c) All the participating companies stated that they are unaware, or have a very limited knowledge of the financial tools envisaged by the new law for implementing sustainable investments or PPPs that might have a positive impact in the struggle against poverty in developing countries;

d) All the participating companies agreed on the need for institutions to place restrictions on the use of public funds and to require accounting mechanisms for activities conducted by private companies benefiting from public funding;

e) All the participating companies stated that the Italian government should play a bigger role in facilitating partnership projects by developing and coordinating platforms for cooperation between NGOs, companies, public institutions and international bodies.
3. THE ROLE OF PRIVATE SECTOR IN ENSURING FOOD SECURITY AND SUSTAINABLE AGRICULTURE: THE ITALIAN EXPERIENCE

The long and complex debate on the role of the private sector in development processes, at global, regional and national levels, has not defined clear rules and guidelines to promote responsible investment in developing countries.

The scarcity of documentation available about the projects, results and impacts of participation of the private sector in international cooperation programmes clearly highlights the need for more transparency on this type of engagement. It also implies the need for a more in-depth analysis of the role, objectives, methods and results achieved so far by public–private partnerships, identifying the risks and any potential benefits of these.

This paper therefore aims to contribute to this by analysing the available information on the role played by the Italian private sector in international cooperation projects promoted by the MAECI through ODA over the last ten years, with a specific focus on projects promoting food security, agriculture and rural development in developing countries.

The analysis of the case studies identified in this study provides useful information and recommendations for the ongoing national debate on the definition of criteria and rules aimed at increasing the role of private sector in accessing public funds for development cooperation.

Some of the results of this analysis are directly related to the agricultural and rural sector. However, they can be extended to other sectors of intervention to contribute to the ongoing discussion on how private sector can play a role in achieving sustainable development.

3.1 METHODOLOGY AND CHOICE OF CASE STUDIES

For the purposes of this study, the concept of the participation of private sector in agricultural or rural development programmes is applied to the wider category of agri-food companies. It therefore includes all the activities involved in the production, processing and sale of agri-food products for human and animal consumption.

Additionally, following the FAO classification of agriculture, the study refers to the activities of cultivating, breeding, fishing, aquaculture, processing and selling of agri-food products. It does not cover those sub-sectors connected to the production of agri-food products destined for human or animal consumption such as, for example, the cultivation of agricultural raw materials for the production of biofuels. Agricultural activities such as hunting or gathering wild fruits, which in most cases play a marginal role in the global food economy and are not considered particularly interesting in economic terms by the private companies, have been also excluded.
In order to choose the case studies, the first task was to create a preliminary map of the main examples of involvement of the private sector by the Ministry of Foreign Affairs and Italian International Cooperation, with the objective of identifying initiatives with heterogeneous objectives, potential or actual social and environmental impacts and participants.

Restricting the focus to projects related to rural development and agriculture has led to the identification of a limited number of initiatives, which underlines the lack of experience of Italian development cooperation in the promotion of public–private partnerships.

In contrast, Italy, with its long experience in the field of infrastructure and the use of energy, has offered incentives to encourage the participation of companies in other fields, such as hydroelectric energy.42

In the first phase, information was gathered from a virtual survey of the Italian Development Cooperation website. Other documents, independent investigations and ex-post assessments of the projects have been also analysed.

As well as a structural lack of comprehensive information about individual projects from publicly available donor sources, there is the fact that MAECI commissions external assessments for a small percentage of projects only, creating the need for additional independent investigation to ensure a more in-depth understanding and evaluation of the funded projects.

For this reason, additional meetings and interviews with MAECI, AICS and CDP officials were organized, which provided further opportunities for collecting information and seeking clarification.

For all the selected initiatives, evaluation visits in the field were considered in order to integrate and validate the analysis through interviews with beneficiaries and the main stakeholders (local authorities, counterparts, workers involved, etc.). However, the lack of availability expressed, in particular, by the Italian company in Vietnam and other security reasons made it impossible to make these visits.

For each of the cases presented, information was collected on:

- the country or reference geographical area;
- project objectives and main activities;
- the role of the private sector and how it is engaged in the project;
- a project assessment including
  - economic, social and environmental sustainability;
  - poverty and food insecurity reduction in local communities;
  - any violations of human rights or environmental damage connected to the activity;
  - the benefits for the private actor involved;
  - the level of satisfaction of the main stakeholders;
  - problems, and any risks to be evaluated for future plans.
The case studies eventually chosen focused on three initiatives, detailed below, relative to:

- an experience – which appears to be unique in the agri-food sector – of a joint venture created in Vietnam by the Italian company Panapesca and financed through the application of article 7 of Italian Law 47/1989;
- a farming contract signed by the Italian company Pedon-Acos Spa with a network of local producers in Ethiopia;
- a pilot programme, ‘Cafè y Caffè’ launched in 2007 by Italian Cooperation in Central America which, since the beginning, has witnessed the involvement of small and medium-sized Italian coffee roasting companies.

3.2 THE CASE OF PANAPESCA SPA – INDOCHINE CORPORATION: A JOINT VENTURE IN VIETNAM

The Panapesca Spa – Indochine Corporation project was selected as a case study for analysis because it was found to be the only example of a joint venture in the agri-food sector financed by Italian Cooperation using the tools outlined by Article 7 of Law no. 49/1987.

Panapesca Spa is an Italian company, a leader in producing, provisioning and marketing frozen fish products. Founded in the 1960s as a family business, Panapesca experienced a constant growth rate that enabled it to participate in the entire production chain after several years of operation.

Currently the group operations consist of the direct procurement of fresh seafood, the transformation of raw materials into finished products, processing and distribution of frozen/deep-frozen seafood products through different channels (multiple retailers, the food industry, wholesale markets, the catering industry, retail stores). Panapesca’s business also includes the management of a chain of stores specializing in frozen fish products, with more than 150 business units, including direct and indirect sales outlets and franchises. On 1 January 2013, the Panapesca group was composed of 12 companies on four continents: Europe, Asia, Africa and America.43

In April 2011, under Art. 7 of Law 49/1987, the Ministry of Foreign Affairs /DGDC granted Panapesca a soft loan (15 percent of the industrial market rate in 2001, corresponding to a TAEG of about 0.32 percent per year) 44 amounting to €618,733. The purpose was to acquire productive assets, land and buildings in Vietnam, in the province of Ba-Ria, Vung-Tau City in order to establish a new processing plant (squid and shrimp harvesting, cleaning, freezing, packaging and exporting) in a joint venture with a local seafood processor, Indochine Corporation Inc.45

As declared in the proposal, the project aimed to contribute to achieving Millennium Development Goal 8: ‘Develop a global partnership for development’, and the sub-target ‘develop further an open trading and financial system that is rule-based, predictable and non-discriminatory’.46

According to the few public documents released by MAECI,47 the project was intended to improve the quality of the fish caught in Vietnam and the
competitiveness of the local chains by also improving the quality of the final product exported and distributed in Europe by Panapesca Spa.

Beyond that, no monitoring and evaluation of the project have been carrying out by MAECI since 2011 when the first and unique inspection occurred at the production plant in Vietnam. The visit took place in May 2011, approximately one month after the implementation of the decree, and was aimed to:

- verify the state of the new company and in particular verify whether the funds provided by MAECI/DGDC for the start-up and management of the joint venture were being used correctly;
- assess the operability of the new company;
- assess the results of the joint venture as a cooperation between an Italian company and a Vietnamese company.

According to the plant visit report provided by MAECI to Oxfam, at that time the assets subject to the loan (land, property and machinery) were still registered in the name of the Vietnamese Panapesca’s partner Indochine Corporation. Further evidence of the finalization of the joint-venture company - with the subsequent transfer of the goods to the new company, Indochine JCS - has never been searching by MAECI through ongoing monitoring and ex-post evaluation. 48

In 2017, although Panapesca Spa is formally continuing to regularly repay its loan, Oxfam’s investigation at country level confirmed that there is still no evidence of the joint-venture existence in Vietnam. 49 Moreover, no Panapesca management or technical staff are currently working within the plant, with either strategic or technical/operational responsibilities.

Panapesca Spa, once asked by Oxfam to validate these information, denied the request and refused to provide any further evidences.

According to Oxfam analysis, Panapesca Spa would appear to have played the role of a financial intermediary for a local supplier, enabling it to access more favourable loan conditions than those which it would have been obtained from local commercial banks. Meanwhile, the company Spa has been able to ensure a constant supply of higher quality fish products, at very competitive prices, so reducing its business risk and without maintaining direct ownership of the joint venture from 2013.

This case clearly highlights the limitations of legislation which does not clarify the differences between development objectives – to be achieved through ODA – and investment aimed at maximizing the economic interests of the private sector. Legally, Panapesca fully respected the Article 7 of Italian Law no. 49/1987. However, the spirit of the law has been partially betrayed.
Although this case belongs to the former legislation (Law no.49/1987), the results would not be different under the new law – which still failed to ensure that the objectives of both internationalization and cooperation would converge to achieve sustainable development.

The experience of this joint venture in Vietnam has also highlighted the shortcomings of the law in terms of monitoring and accountability of ODA used by the private sector. The law does not require that all private sector programmes and partnerships include a results-based framework. Proposals presented by private companies for concessionary or soft-loans are now selected by MAECI based mainly on the existence of standards of suitability and an assessment of the economic, social and environmental impact of the project, but only carried out when the loan is granted.

Oxfam Italia believes that the total lack of transparency, monitoring and accountability in the intervention of Italian company Panapesca Spa in Vietnam is an alarming sign that Italy is not respecting the principles of aid effectiveness, a situation which must be rectified by the implementation of adequate legislation.

3.3 THE CASE OF PEDON-ACOS SPA: CONTRACT FARMING IN ETHIOPIA

The contract-farming programme agreed between ACOS ETHIOPIA PLC (a company of the Italian group Pedon Spa) and two Ethiopian unions representing five farmer cooperatives in the area of Bale, Oromiya Region, is a good example of the potential for private sector engagement in terms of creating sustainable commercial channels for small-scale producers in developing countries.

The Pedon Spa group is among leading European companies in the processing, packing and distribution of dried legumes and cereals. The group is composed of two divisions: one managing distribution, Pedon Spa, and the other involved in the production and sale of agricultural raw materials (legumes, cereals and oil seeds), Acos Commercial Spa. In 2015 the group generated a turnover of €100m in 45 countries and employed 600 people in its own plants in Italy, Ethiopia, Egypt, Argentina and China.50

The agreement is the result of the intermediation and technical assistance of the Overseas Agronomic Institute (IAO), the consulting and assistance agency of the Italian Ministry of Foreign Affairs for technical and scientific agricultural matters, today incorporated in the Italian Agency for Development Cooperation, AICS. In 2013 IAO identified a strategic partner in ACOS as part of the wider programme ‘Filiere Agricole Oromia’ bilaterally launched in 2010 by Ethiopia and Italy, with the aim of increasing the productivity of two crops harvested for millennia in Ethiopia: durum wheat and coffee.51

The agreement was financed under Article 6 of Law 49/87, providing aid to the Ethiopian government in the form of technical and financial support and designed to reinforce the production and productivity of local producers.

The aim was to promote a North–South private partnership between the industrial sector and small-scale farmers, in order to provide the small-scale farmers with secure access to the international high-value market for their products; so adding value to the intergovernmental cooperation programme which had been more
oriented to increasing the production base.

According to the agreement, the Ethiopian branch of the Italian group would supply a total of 130 quintals of legume seeds (beans and chick peas) to five local agricultural cooperatives, thus purchasing the entire production at local market prices, with a coefficient that would increase or decrease the price based on the quality of the final product. Thus, the cooperatives would be able to benefit from a direct relationship with the company, avoiding intermediaries and making use of the input and technical assistance provided by the company and supported by the IAO. The Italian Cooperation would also support the introduction of insurance mechanisms to cover the cost of the seeds and the farmers’ economic loss in case of drought and/or infestation.52

Although it was not possible for security reasons to perform an evaluation in the field by conducting interviews with beneficiaries and local partners, interviews with an IAO officer and Pedon Group CEO enabled us to identify both the potential benefits of this type of operation and several concerns.

Farming contracts have the potential to guarantee small-scale food producers access to international markets and production inputs such as credit, seeds, fertilizers, pesticides and any kind of technical assistance, without compromising their rights on land and other natural resources. The more fairly these contracts are defined – with risks and profits jointly and impartially managed – the bigger the potential benefits are for the parties involved. These benefits are also more significant when the contracts are developed in countries where the potential of small-scale agricultural growth is undermined by the difficulty or impossibility of selling the produce under fair and favourable conditions.

Unfortunately, this programme seems not to have delivered the expected positive impacts, either for the small-scale farmers involved or for the contract owner, Pedon-Acos Group. After Pedon-Acos had provided leguminous seeds, fertilizer and phyto-sanitary inputs to growers organized in rural cooperatives, the first yield was disappointing: while the quality of the crop was satisfactory, the available quantity did not justify immediate purchase by Pedon-Acos as formerly agreed.

The company then proposed to the contracted growers to use the yield resulting from the first less productive cultivation campaign as seeds for the next season. Seemingly, the growers agreed, but once the new yield was available, farmer-cooperatives executives decided to sell their beans to other buyers; probably at a higher price than that which was established when the contract-farming scheme was set up. This failure to enforce the contract resulted in Pedon-Acos withdrawing from the commercial relationship with the growers.

The interview with the senior agronomist of the IAO responsible for overseeing the entire ‘Filière agricole Oromia’ project provided useful information to explain the reasons behind this result. According to his assessment, a possible explanation could be that at the time the farming contract was defined, the local communities, their leaders, local organizations and authorities had not been sufficiently involved. Their input would have helped the producers to better understand and evaluate the implications and the sales strategy around which the agreement was established.
Apparently, the farmers’ decision to use the company’s seeds and then resell the final product to other buyers was influenced by their lack of awareness of the long-term benefits that they would have obtained if they had ‘honoured’ the agreement; compared with taking the opportunity to generate income based on short-term sales strategies.

One of the most important positive characteristics of contract farming is its ability to stabilize the prices for crops, compensating any losses occurred during the first year with prospects for a stable profit in the long term, even when market conditions become less favourable.

In order to make farming contracts a winning type of cooperation between the private sector and small-scale producers, the various local stakeholders who represent the producers’ interests must be more closely involved. When the agreements are being defined, local and international civil society organizations undertake a key role in the process of informing and empowering the producers and the local communities and helping them to better understand the risks, opportunities and contractual obligations for both parties. Other external donors, such as, for example, institutional donors which can make use of the technical collaboration of competent NGOs, must also provide guarantees and insurance mechanisms which sufficiently protect local producers from the risks connected to a failed or reduced crop caused by extreme weather, illness or plant infestations by parasites etc. 

Except for the last case, where the insurance tools were put in place by MAECI/IAO to cover any potential risks to legume producers in Oromia, none of the other conditions identified as necessary for structuring fair and effective models of contract farming were encountered in the experience of Pedon-Acos in Ethiopia.

3.4 THE ‘CAFÈ Y CAFFÈ’ PROGRAMME: TECHNICAL AND COMMERCIAL SUPPORT PROVIDED BY ITALIAN COFFEE ROASTERS IN CENTRAL AMERICA

The ‘Cafè y Caffè’ programme is one of the very first experiences of Italian development cooperation in the agricultural and rural field with an active involvement of the Italian private sector. Implemented over nearly 10 years, it has enabled a more in-depth assessment of the collaboration between public and private actors in terms of social, economic and environmental sustainability, poverty reduction and food security impact among the communities involved.

The programme ‘Cafè y Caffè’ is a regional initiative funded by MAECI and implemented by the IAO in five major coffee-producing countries in Central America (Guatemala, El Salvador, Honduras and Nicaragua) and the Caribbean (Dominican Republic). Its goal was to maximize the benefits of small-scale cultivation of coffee in rural and mountain areas characterized by a high level of environmental and social fragility, in order to improve the living standards of the producers, reduce the social and economic vulnerability of the community and contribute to the national and regional economies.

The overall strategy to be implemented at local, national and regional levels
aimed to improve the quality and quantity of the product in line with a growing demand for fine quality coffee with a distinct identity, linked to its geographical origin. It was based on an integrated approach along the value chain both vertically (from producer to consumer) and horizontally (through the reinforcement of productive and sales capabilities and the self-sustainability of the producer associations and their networks). This approach made it possible for small-scale, local producers to access a growing niche market, consolidate sales channels and improve production margins.

The programme involved a large number of local institutions and partners, including the Italian NGOs Slow Food and Ucodep (now Oxfam Italy). From the beginning, it also promoted engagement with the private sector, particularly Italian small and medium-sized coffee roasting companies.

The engagement of the private sector was not designed as a long-term public–private partnership, but rather through agreements aimed at identifying the needs for improving the value chain and thus providing technical assistance. This ‘low-cost mechanism’ did not ensure a medium-term engagement or generate leverage effects in relation to private sector resources, but it did automatically pave the way for an integral course of theoretical and practical training that was a key factor in the success of the programme.

Thanks to this engagement, in 2013 the Italian companies launched the ‘Scuola Italiana Caffè’, a training course internship on coffee roasting and bar-tending targeting technicians of Central American coffee organizations. Additional courses for ‘catadores’ were conducted for training technicians specialized in tasting the roasted coffee. This contribution brought about two results: on the one hand, it improved the quality of the coffee, and on the other, it promoted a market segmentation based on local, regional and international consumption.

Finally, the Italian companies’ support facilitated a convergence between supply and demand, thus enabling the producers to enter into the overall dynamics of the global coffee value chain and more easily into the Italian market.

Although a final evaluation assessing the global impact of the programme is not yet available, some data allow us to assess its impacts in terms of reducing poverty and food insecurity in local communities. The programme positively affects the incomes of approximately 4,000 coffee producers in Central America and the Dominican Republic by improving both the quality and quantity of roasted coffee sold at fairer prices. It also contributed to diversifying agricultural production and sources of income, thanks to the integration of rotating crops for sale and self-consumption, and the use of coffee waste, such as pulp, for growing edible mushrooms (Pleurotus Ostreatus). This initiative also favoured the creation of micro businesses run by women, especially in Guatemala.

Currently, two women’s cooperatives in Guatemala export on average 2,000 sacks of coffee directly to coffee roasters by obtaining approximately $25 per sack. Additionally, around 120 women of the La Voz cooperative in Guatemala have increased their incomes by about 20 percent, thanks to the income generated by ‘coffee tours’ and coffee bars. In the Dominican Republic, the cooperative Coprocasine, composed of 1,200 active shareholders, began to autonomously sell its coffee, thanks to a new treatment and drying system, a catación lab and a small roasting chamber; an infrastructure still in full working order today, 10 years after its installation.
Overall, the Italian private sector contributed significantly in terms of technical and commercial support, promoting an inclusive access to markets by small-scale producers previously excluded by formal systems. Although less tangible, the added value in terms of awareness and motivation generated by the visits of the various coffee roasters to the communities, particularly among young people and women, was also significant. The Italian companies involved benefitted from a consolidated network of fine quality coffee roasters, formalized by the establishment of the Café Latino Association.

Although considered overall to be a positive experience in terms of its impact, there are several noteworthy aspects relative to sustainability and to the scaling up mechanisms that provide useful recommendations for the future design of similar initiatives. On a local level, the need for the Central American network of producers to gain more financial stability and autonomy in its commercial operations would require the involvement of local microfinance institutions to ensure access to credit of small-scale producers.

A mechanism that could be easily applied is the creation of a guarantee fund for pre-purchase for the producers' cooperatives, so that payment could immediately be made for them. This could also prevent the need to rely on intermediaries for liquidity problems.

In this type of programme, where the private sector directly intervenes, the presence of external actors such as the NGOs was essential, and ensured the compliance of private actors with the commitments undertaken and the respect for the rights of local communities. Full transparency and accountability of the programme must be ensured by implementing the full participation of all the actors from the very early stage of the intervention, by ensuring that the strategy, the roles of each party involved, and the mechanisms of the partnership are accurately defined.

4 CONCLUSIONS AND RECOMMENDATIONS

Making a significant investment to support small-scale food producers with tools which are able to meet their needs and not the economic interest of larger investors and private companies is crucial to eradicate the injustice of hunger. In the world today, 795 million people, equivalent to one person in nine, still experience constant scarcity and limited access to a proper quantity of healthy, nourishing food, essential for helping children to develop properly and for fostering good health. Of these, 98 percent live in the rural areas of developing countries, especially in Africa, where one person in four suffers from hunger. Paradoxically, those who suffer from hunger are mainly farmers, or people who depend on agriculture as their main source of income.

However, reaching the ambitious goal of eradicating hunger with the current level of committed resources will not be possible if global challenges – such as worsening climate change, fluctuating energy prices, diversifying diets in emerging economies and a growing pressure on natural resources such as land and water for purposes other than food – are allowed to continue to increase their impact on people and the planet.
The analysis of ODA reported in section 1 highlighted some improvements in terms of quality and quantity of Italian ODA spent on agriculture and food security. However, the level of aid provided to partner countries is still not in line with those of the other G7 countries and above all, fails to reflect, in terms of financial coherence, the political and media attention that Italy traditionally pays to this theme, and the presence in Rome of three UN food agencies.

The strong emphasis currently being placed, including in Italy, on the role of the private sector in development policies relies on a small amount of evidence on the potential benefits and positive impacts that it may have on sustainable development. The structural lack of data and information on how public funds are used by the private sector argues for caution when it comes to the promotion of the private action as a panacea for development processes.

Donor–private partnership has the potential to make positive development impacts, but it also implies various challenges, opportunities, risks and potential. This is why Oxfam Italy believes that it must be carefully regulated, planned and monitored through more comprehensive national legislation.

Oxfam recommends to the institutions of Italian development cooperation – the National Development Cooperation Board, the Ministry of Foreign Affairs and International Cooperation, the Italian Agency for Development Cooperation and Cassa Depositi e Prestiti, that they promote private sector engagement based on three fundamental pillars:

1. Resource allocation for small-scale agriculture and rural development

   a) Increase the share of ODA for small-scale agriculture and rural development in partner countries. Resourcing is a key issue. Although the private sector can play a crucial role in allocating additional funds for development, private funding cannot substitute for public funding. A dollar of ODA cannot be spent twice: if it is used as a lever to mobilize private resources, this means that it is subtracted from activities traditionally financed by international cooperation policies. Without a general increase in public resources for development, the fulfilment of the SDGs by 2030 will not be achieved.

   b) Improve the quality of ODA by investing in small-scale agriculture and rural development in partner countries. ODA must continue to be a straightforward transfer of resources to be used in the struggle to fight poverty, reduce inequality and promote sustainable development. In the agricultural and rural sector, donors’ aid must therefore be used for providing goods and services (infrastructures, credit, training, productive inputs, cooperative development) to support poorer small-scale farmers who find it more difficult to access markets, often have little power in setting contract terms with companies and usually operate in more fragile and vulnerable economic contexts which offer fewer incentives to private economic players. Strengthening their capacity to engage with the private sector is especially necessary where donors seek to promote the roll of the private sector.

   c) Improve and increase the transparency of the information regarding financing for agriculture and rural development in partner countries. Italy must reinforce efforts to reporting timely, accurate and complete information to the OECD Development Assistance Committee and/or the International Aid Transparency Initiative (IATI). In particular, more transparency must be ensured on aid flows provided through multilateral channels.
2. Additionality and complementarity of private sector contribution in achieving the Sustainable Development Goals (SDGs)

a) Ensure that private sector objectives are aligned for achieving development impacts. Italian institutions should select private partners that demonstrate shared development objectives coherent with host country priorities, linked to the SDGs and in compliance with ODA’s purpose. Mechanisms to select private partners should include strict due diligence for ensuring compliance with human rights laws, social and environmental standards and development, aid effectiveness principles and value for money. Donor–private partnerships should ensure that all the operations are aligned with national laws and international principles and standards for corporate responsibility and the respect of human rights; including the principle of free, prior and informed consent of the local communities affected by the investments; fair payment measures and equally shared profits.

b) Managing donor–private partnerships for results that deliver positive impacts for poor people in low-income countries. Donors should ensure that all their private sector programmes and partnerships include results-based frameworks that are aligned to the programmes’ and partnerships’ development objectives. Specifically, it should ensure that these frameworks are defined in collaboration with all partners involved in the activity (partners, governments, public institutions, international and local civil society) and not only by donors and private sector partners. This approach must therefore focus on achieving results which a) enable the fulfilment of development objectives defined by the host country; b) take into account the gender aspect, not only by increasing the resources allocated to this target group of beneficiaries but also by making women’s rights central to the development strategies of host countries; c) can be measured in terms of impact and linked back to the aid effectiveness framework; and d) envisage the formulation of performance indicators. To this end, mechanisms must be designed for monitoring and assessing donor–private partnerships by involving all the interested parties: partner governments, public institutions, civil society, the private sector and the financing source.

c) Demonstrate the development, financial and value additionality of donor partnering with the private sector. A donor–private partnership cannot be executed without ex-ante publicly disclosed assessments demonstrating a development and financial additionality and value for money, because there is no other source of finance available to realize the project. Financial and developmental indicators should be included in the plan and monitored and assessed ex-post with the involvement of all the stakeholders.

3. Building transparent, responsible partnerships

a) Improve the accountability of public private partnerships that respect the principle of democratic ownership of the partner country and the smallholder farmers that are often the target group of these partnerships. Ensure that:

- The alignment of the partnership with the departmental, local, regional, institutional and national development strategies of the host countries in order to promote the reinforcement of the country’s system;
- The full participation of civil society and farmer organizations operating in the host country and of all the stakeholders, intermediaries and beneficiaries in
defining development priorities and designing, executing, monitoring and assessing the projects;

• The provision of unrestricted aid, favouring open mechanisms for choosing the suppliers of goods and services in order to stimulate the development of the private sector in partner countries, and particularly that of small and medium-sized local businesses.

b) Ensure full transparency of the partnership in terms of plan and project, demonstrating that local communities are fully informed and consulted about the implementation of the investment and the relevant technical details (name of the project and the partner company, timeline, development objectives, environmental and social impact, theory of change, expected results, monitoring and evaluation, risk management mechanisms, financial component, procurement procedures). All private participants must be asked to provide detailed and freely accessible information on the investments made. Multinational companies involved in the partnership should also be obliged to present a detailed financial report providing data for each country and project, indicating the profits generated, the taxes paid and the social and environmental impact generated.

c) Ensure the accountability of the partnership. Prior to any intervention, the donors and the governments of the partner countries should ensure that local communities benefitting from, or affected by the intervention are consulted. During the project they must also guarantee that civil society will be fully involved in monitoring respect for rights and commitments and the progress of the public–private partnership. This implies providing public access to information and data on the investments in progress.
ANNEX 1

Survey on the Italian agri-food companies’ involvement in international development cooperation programmes

The survey was conducted between 27 February and 10 March 2017, and the data collected remained anonymous.

<table>
<thead>
<tr>
<th>Type of company</th>
<th>Number of employees</th>
<th>Share capital</th>
<th>Annual turnover 2015</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Industry segment</th>
<th>Production</th>
<th>Processing</th>
<th>Sale</th>
<th>Services for the industry (inputs, etc.)</th>
</tr>
</thead>
</table>

| Brief description of the core business |

Questionnaire

1. Does your company have production, processing, sales or procurement plants for agri-food products in developing countries (Africa, Asia, Latin America, Pacific region)? If you have answered yes, please indicate where they are located.

______________________________________________________________________________________________________________________________

2. Has your company ever benefited from public financing under favourable conditions for the installation or reinforcement of your assets in developing countries? If you have answered yes, please indicate the types of financial aid you received, briefly describing the type of investments that were made thanks to this aid.

______________________________________________________________________________________________________________________________

3. Has your company ever participated in development cooperation projects in developing countries? If it has, please specify the role and type of activity performed (e.g. philanthropic donations to NGOs, technical partnerships, assigning tenders/contracts for the execution of activities or the provision of services …).

______________________________________________________________________________________________________________________________

38
4. What role do you think the Italian government should play in facilitating and accompanying the internationalization of your company in developing countries? Which guiding measures do you think the Italian government should promote to ensure that your company can make productive, sustainable investments in developing countries?

5. Alongside the traditional tools used to support the internationalization of businesses, the new law on International Development Cooperation provides Italian companies with financial tools for promoting sustainable investments in the partner countries and to sustain forms of partnership promoted by the private sector with a positive impact in the struggle against poverty in developing countries. Are you aware that these tools exist, and do you know how they work? If you do, which channel provided you with this information?

7. If your company were to benefit from public funds for promoting investments in developing countries in line with the objectives of international cooperation, would you think that it would be correct of the government to place restrictions on the use of the funds and the requirements to make the activities conducted thanks to the funding publicly accountable?

8. Finally, please indicate the main reason why the presence of your company in a developing country would be a key factor in the struggle against poverty and for the promotion of social and economic development in the country in which it operates.

9. Please add any additional comments you would like to make.
ACRONYMS

AFSI   Aquila Food Security Initiative
AICS   Italian Agency for Cooperation for Development
CDP   Cassa Depositi e Prestiti
CICS   Interministerial Cooperation for Development Committee
CNCS  National Development Cooperation Council
CRS   Creditor Reporting System
DFI   Development finance institutions
DGCS  Directorate General for Development Cooperation
ECA   European Court of Auditors
FAO   Food and Agriculture Organization of the United Nations
IAO   Istituto agronomico per l'oltremare (Overseas Agronomic Institute)
ICE   Italian Trade Agency
FDI   Foreign direct investment
FIDC  Financial Institution for Development Cooperation
IFAD  International Fund for Agricultural Development
ILO   International Labour Organization
MAECI Ministry of Foreign Affairs and International Cooperation
OECD/DAC Organisation for Economic Co-operation and Development/Development Aid Committee
PPPs  Public–private partnerships
SDGs  Sustainable Development Goals
SIMEST Italian Society for Companies Abroad
UNCTAD UN Conference on Trade and Development
LTU   Local Technical Unit
WFP   World Food Programme
Notes

   In December 2015, the total contribution made by all the members of the G7, together with other international donors, to support the bilateral and multilateral programmes for promoting food security amounted to $23.4bn.
5. Food security, nutrition and sustainable agriculture are a priority of the agenda of the Italian chairmanship of the G7 in 2017. www.g7italia.it
6. The objective of the ‘CRS Aid Activity’ database is to provide data that enable an analysis of the sectors and policies which are funded by the DAC countries through Public Development Aid. The data are collected based on single projects and programmes. The main focus of the CRS is on financial data, but the database also contains some information describing how the aid is allocated and its main objectives.
12. The main ones are DAI, ACDI-VOCA, Chemonics, FHI360, Tetra Tech and Pact Inc., to which the United States government provides an average of $6bn per year for the implementation of development projects. For more information see: www.usaid.gov
15. The 2030 Agenda says: ‘We recognize that we will not be able to achieve our ambitious Goals and targets without a revitalized and enhanced Global Partnership and comparably ambitious means of implementation. The revitalized Global Partnership will facilitate an intensive global engagement in support of implementation of all the Goals and targets, bringing together Governments, civil society, the private sector, the United Nations systems and other actors, and mobilizing all available resources.’
16. Futuro, Imprese, Istituzioni e Ong a Sistema per le nuove opportunità di sviluppo nella Cooperazione Internazionale, Migrando: Pronti Per Il Futuro, Maeci-Dgcs, Genova, 2015
17. There is no universal definition of blending, but it is appropriate to distinguish between mechanisms for blending public (ODA) and private resources used to incentivize private investments in partner countries and the blending of public resources with other funds deriving from other public institutions (public–public blending) which do not necessarily mobilize additional resources for development.
18. Recently Oxfam compared the main definitions of blending used on a European level, assessing i) the nature of the financial resources used (e.g. ODA, other); ii) whether these can be combined with other forms of financing; iii) whether the blending mechanism needs to mobilize additional resources; iv) the nature of the beneficiaries of the project. See J. Pereira (2017). Blended Finance: What it is, how it works and how it is used. Oxfam. February 2017. http://policy-practice.oxfam.org.uk/publications/blended-finance-what-it-is-how-it-works-and-how-it-is-used-620186
20. Ibid.
23. European Court of Auditors (ECA) Special Report no 16/2014: The effectiveness of blending regional
monitoring the activities of the special programming units, guarantees a legal framework for the approval of development cooperation initiatives 2014. Carocci Editore, Rome.


40 The provisions in question are articles 2, 8, 12, 16, 17 paragraph 3, 23 paragraph 2, 27.

41 Article 27 explicitly appoints the CICS to formulate the criteria for the selection of the initiatives for the granting of subsidized loans to companies, bearing in mind the purposes and geographic or sector-specific priorities of Italian cooperation, and also the guarantees offered by the partner countries to protect foreign investments.

42 An emblematic example of this trend is the expensive project for the Gilgel Gibe hydroelectric plant, assigned by the Ethiopian government to the Italian company Salini Impregilo under an EPC – Engineering Procurement and Construction (or ‘turnkey’) project – funded by aid credits provided to the partner countries, in the form of conditional credits, provided by the Italian Foreign Ministry. Considering the entirety of the financing provided for the three different phases of the project from 1999 to date, Gilgel Gibe is the most burdensome project ever agreed on in the history of the Revolving Fund of the Italian Foreign Ministry, and it has not been free from controversy, signalled by an independent investigation of the Campaign for the Reform of the World Bank in 2008. This highlighted human rights violations and environmental damage connected to the execution of this hydroelectric complex, which led to the people resident in the area of what today is the basin being forced to move, substantially worsening their daily living conditions.


44 In line with the law, the easy-term interest rate is established in the measure of 15% of the fixed reference rate established by the Ministry of Economy and Finance for the industrial market and in February 2015. This was equal to 0.32% per year.


Ibid.

Till 2014, the company Indochine Eximfood Corp proposed to NAFIQUAD to change its name in EU TRACES - LIST MANAGEMENT SYSTEM to Pacific Seafoods Company Limited (PASECO) with the same EU code DL 533. In the latest Vietnam fishery product documents of 2017, the company PASECO is still in the list of exporting to EU, there is no any information of Indochine Eximfood in any list of D-FISH. There is some advertisement of PASECO’s product on Alibaba website but company website and telephone is unreachable. The address of the company seems a private house instead of a factory.

For some activities carried out in Guatemala, Honduras and Nicaragua, complementary financing was provided by the Common Fund for Commodities (CFC), which used the International Coffee Organization (ICO) as the body designed to oversee the technical aspect of the initiative.

These include Asociación Nacional del Café, ANACAFE – Consejo Salvadoreno del café (CSC) and Fundaccion Salvadorena para Investigaciones del Café (PROCAFE) in Salvador; Instituto Hondureno del Café, IHCAFE, in Honduras; Instituto del Café de Costa Rica (ICAFE) in Costa Rica; Consejo Dominicano del Café (CODOCAFE) in the Dominican Republic.

In particular, Slow Food provided methodological and strategic elements regarding the mechanism for promoting local specialities; also facilitating the link with commercial initiatives in Italy (for example, with the company Pausa Caffè). Ucodep played an operative role, following the component of the programme in the Dominican Republic.

As per the definition of the PPP Knowledge Lab of the World Bank: ‘A long-term contract between a private party and a government entity, for providing a public asset or service, in which the private party bears significant risk and management responsibility, and remuneration is linked to performance.’ https://pppknowledgelab.org/ppp-cycle/what-ppp

The course is presented as an opportunity for exchanging technical/practical elements with a view to mutually uniting the producer countries and Italian companies active in the espresso and coffee roasting field. The school relies on the contribution of various Italian companies if the sector, which collaborate offering learning materials and theoretical knowledge.

Equipping the producers with processing structures meant that they were no longer dependent on intermediaries who would have previously purchased the freshly harvested coffee, and establishing the price. Today the producers have equipment for removing the pulp and drying the beans, without running the risk of fermentation which led to a loss of product value, limiting the product margin and contracting power.

Source: monitoring and evaluation reports.

Micro-entrepreneurial initiatives, primarily conducted by women for the promotion of typical products of high quality in the territories where coffee is grown.