



## Donors, implementing agencies and DFI/PDB cooperation

The case of Italy:  
MAECI, AICS and CDP



ETTG study conducted  
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Cooperation

By **Fabrizio Botti (IAI)**


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*This study is part of a series of analyses covering 8 European case studies (France, Germany, Italy, the Netherlands, Spain, United Kingdom, the European Bank for Reconstruction and Development - EBRD and the European Investment Bank - EIB) as well as a synthesis report.*

### THE ITALIAN DEVELOPMENT COOPERATION SYSTEM AND MAIN ACTORS

There are three main actors in the Italian development cooperation system: (i) the Ministry of Foreign Affairs and International Cooperation (referred to by its Italian acronym, MAECI), (ii) the Italian Agency for Development Cooperation (AICS, from the Italian acronym) and (iii) Cassa Depositi e Prestiti (CDP), a prominent Italian investment bank.

The roles of these main players were reshaped in 2014 with the adoption of Law 125/2014, aimed at fostering the involvement of new actors from the non-profit and private sectors and aligning Italian international cooperation with the prevailing models of other European countries.<sup>1</sup> To improve policy coherence, the law introduced the Inter-Ministerial Committee for International Cooperation and Development Policy (known by the acronym CICS, from the Italian name). It also created the position of Deputy Minister for Cooperation, under the MAECI. Furthermore, it established the National Council for Development Cooperation (CNCS), a body for debate and



consultation among public and private, commercial and non-profit stakeholders operating in the sphere of international development cooperation.

AICS began operations in 2016, with the mission to “perform technical and operational activities associated with the examination, development, financing, management and control of cooperation initiatives”.<sup>2</sup> AICS carries out its functions within the directives issued by and under supervision of MAECI. The latter holds political responsibility for development cooperation and coordination of all national initiatives in regard to international cooperation, with a prominent role played by the above-mentioned Deputy Minister for Cooperation.

AICS is headquartered in Rome. The agency has a branch office in Florence and 20 field offices in partner countries worldwide. Personnel at these offices assess local needs, implement development initiatives, monitor results and build partnerships on the ground. AICS contributes to the design of cooperation and development policies through its participation in the formulation of triennial programming and policy planning documents. These programming and planning activities are annual processes, in which the Italian Parliament is involved via its role in approving the triennial programmes and policy plans.

The regulatory framework established by Law 25/2014 is innovative in that CDP is appointed as the Italian financial institution for development. CDP is Italy's primary public financial institution. It has a long-established role in public economic development activities in the country. In 2016, CDP's mandate was expanded to include international development cooperation. Since that time, it has played the dual role of public development bank (PDB) and development finance institution (DFI).<sup>3</sup> CDP is, by law, the managing institution of one of the Italian government's main instruments for financing bilateral cooperation with developing countries: the Revolving Fund for Development Cooperation. Moreover, CDP supports the target countries identified by Italian government policy; specifically, it finances public and

private entities in these countries, employing its own resources and combining its own resources with EU funds or resources from other donors.

CDP is mostly owned by the Italian Ministry of Economy and Finance (MEF). Its main source of funding is postal savings collected through Italy's network of post offices. In managing its own resources for development cooperation purposes, CDP must comply with economic and financial sustainability criteria.

## MECHANISMS AND INSTRUMENTS OF COOPERATION

The so-called Trilateral Convention is the broadest inter-institutional coordination mechanism between the three main actors of the Italian development cooperation system (MAECI, AICS and CDP). Established by Law 25/2014, the Convention provides for coordination of joint activities between CDP and AICS, respectively, on the financial and on the technical-operational side, especially in the case of blended finance initiatives. Furthermore, under the Convention a coordination committee provides a permanent platform for dialogue on and assessment of international cooperation projects using CDP's own resources or co-financing with private, public or international entities. Finally, there is a joint development cooperation committee that approves all cooperation initiatives worth more than €2 million and concessional loans financed from the Revolving Fund, including those involving blending of the latter and CDP's own resources.<sup>4</sup>

The cooperation between MAECI, AICS and CDP is recent and evolving, and concessional loans and early blended finance initiatives are emerging as key Italian development cooperation policy tools. Beyond different types of financing initiatives with the private sector – such as direct and indirect financing to enterprises and financial institutions, as well as innovative financial products such as green bonds, sustainable development bonds and impact bonds –

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1. [https://www.aics.gov.it/wp-content/uploads/2016/07/LEGGE\\_11\\_agosto\\_2014\\_n\\_125\\_ENG.pdf](https://www.aics.gov.it/wp-content/uploads/2016/07/LEGGE_11_agosto_2014_n_125_ENG.pdf)

2. Ibid.

3. For an overview of the evolving landscape of European PDBs, see Bilal, S. (2021). The rise of public development banks in the European financial architecture for development. Elcano Royal Institute Working Paper 12.

4. The Joint Development Cooperation Committee is chaired by the Minister of Foreign Affairs and International Cooperation or by the Deputy Minister of Development Cooperation and is composed of the General Director for Development Cooperation and the Director of AICS. Its meetings involve representatives of the Ministry of Economy and Finance (e.g., for decisions regarding bilateral lending) and of other administrations, according to the items on the agenda.



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CDP's task of acting as an international financial institution for development cooperation is expected to boost public resources for development cooperation by mobilising new channels and fostering greater cooperation with other actors.

The Revolving Fund is one of the Italian government's main development instruments for financing bilateral cooperation with partner countries through concessional lending. The Fund is financed by annual MEF allocations and by repayments from previous lending operations. It is structured in two segments. The first is devoted to bilateral funding for developing countries (Art. 8, Law 125/2014), and the second is allocated via soft loans to public or private investors or to international organisations for the establishment of companies in partner countries (Art. 27, Law 125/2014).

CDP is the managing institution of the Revolving Fund. It is also authorised, within the limits set in annual agreements with the MEF, to use its own resources for development cooperation initiatives or to combine its own resources with financing from multilateral and European financial institutions or private actors. To leverage public resources, innovative financial instruments can be employed (e.g., the government guarantee set out in Art. 22, Law 125/2014). CDP is a "pillar assessed" entity. That means it is eligible to manage all European programmes delegated by the Commission to implementing partners and can apply for grants for development cooperation projects.

In the framework of blending initiatives involving the Revolving Fund and EU grant resources, AICS coordinates project implementation. In particular, it provides technical and operational support, building on its network of field

offices. CDP oversees all activities related to the lending process, including in multilateral and bilateral contexts, to contribute to implementation of Italy's foreign development cooperation policy.

Given the relatively recent launch of the current Italian development cooperation system – as AICS and CDP cooperation only got underway in 2018 – few blended finance initiatives have been implemented so far. One example is the "PRASOC" programme in Tunisia. It promotes the financial inclusion of microentrepreneurs in the agricultural and informal sectors by extending loans to local financial intermediaries and microfinance institutions (MFIs). The loans are funded by a combination of CDP's own resources and the Revolving Fund.


Another example is in Senegal and Niger, where AICS cooperates with CDP to coordinate technical assistance programmes targeting small and medium-sized enterprises (SMEs) and local financial institutions. In Senegal, CDP's technical support to local financial institutions is funded by EU grants and forms part of a previous bilateral lending project financed by the Revolving Fund.

CDP is also partnering with Spain's Agencia Española de Cooperación Internacional para el Desarrollo (AECID) in a financial inclusion initiative funded by grants and guarantees under the European Investment Plan (EIP), with additional public and private capital.

## OPPORTUNITIES AND CHALLENGES

Law 125/2014 responded to the need for Italian legislation better aligned to the principles and trends emerging at the global level in the domain of development cooperation. Particularly, the formal engagement of CDP, the Italian PDB, is consistent with the growing role of financial institutions for development and of the private sector in providing development finance towards achieving the ambitious Sustainable Development Goals (SDGs). Adoption of the law underlined the importance of international cooperation as an integral element of Italian foreign policy.

To boost the impact and scale of Italy's international engagement, skills and financial resources, complementarity among the main Italian development cooperation actors will be crucial. Efforts to strengthen coordination between CDP, on the financial side, and AICS, on the technical and operational side, are reflected in the Trilateral Convention and in the recently established MAECI-AICS-CDP coordination committee. The Trilateral Convention, for example, calls for personnel exchanges,



feasibility assessments on innovative financial products and a commitment to collaborative, joint management of European and international resources.<sup>5</sup>

Blended finance initiatives, in which resources from the Revolving Fund are combined with CDP's own resources, have the potential to expand the scale and scope of Italian development cooperation, while leveraging private investment. The leveraging aspect is key, as most of CDP's own resources are from Italian postal savings. As a result, CDP operates in the development cooperation domain under significant constraints, as it must ensure an adequate return on capital and overall financial sustainability of interventions. Unlike most of its European peers (e.g., France's Agence Française de Développement (AFD) and Germany's KfW Development Bank), CDP's own resources directed to development cooperation are entirely private. Although CDP is a joint-stock company under public control by MEF, almost 16% of its shares are owned by bank foundations. These aspects (its private source of funding and its ownership) affect CDP pricing (market level) and exposure to risk, restricting its operativity in the field far beyond formal requirements. Regarding AICS, the Italian Supreme Audit Institution has observed significant gaps in staff sizes between AICS and corresponding agencies in other EU member states. Moreover, AICS has a relatively small pool of qualified personnel, considering the increasing commitments of the Italian cooperation system towards the SDGs.<sup>6</sup>

At the current, initial phase of the reform, cooperation between AICS (a policy-driven public agency that relies on grants and focuses on sustainable development impact) and CDP (a market-led and for-profit private organisation oriented towards development cooperation) is affected by differences in legal status, institutional framework and objectives. Addressing these will require an ongoing process of alignment focused on language and approach.

Divergences can also be observed between the geographical/ country and sector priorities of the main actors in the Italian development cooperation system. Italian cooperation operates in priority countries, mainly through the AICS field offices.<sup>7</sup> According to the national *Programming and Policy Planning Document 2021-2023*, this limited focus on a number of selected target countries helps avoid fragmentation and enhances the impact of development actions. CDP, however, is not restricted to the priority countries and may use its own funds for projects in any of the 142 countries on the OECD/DAC list, more specifically, in countries with a sufficiently stable economic and political framework as to ensure compliance with the above-mentioned sustainability criteria.

While AICS is mandated to operate in every priority country and in several "secondary accreditation countries" (i.e. countries with no Italian diplomatic and consular representation), CDP manages development cooperation activities from its headquarters, and lacks a staff presence in priority or partner countries. In this regard, it is similar to most European DFIs, but unlike other the larger European national PDBs (e.g., AFD and KfW). The lack of a field presence limits the scope for in-country coordination between CDP and Italian development actors. Moreover, no joint CDP-AICS missions are as yet being carried out.



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5. Ministry of Foreign Affairs and International cooperation - Directorate General for Development Cooperation (2022), "International development cooperation three-year programming and policy planning document 2021 – 2023": <https://www.esteri.it/wp-content/uploads/2022/07/Programming-and-policy-planning-document-2021-2023.pdf>

6. Corte di Conti, Delibera n. 1/2022/G, "La gestione delle risorse assegnate all'agenzia italiana per la cooperazione allo sviluppo. Strumenti finanziari, moduli operativi e sistemi di valutazione", 12/01/2022: <https://www.corteconti.it/Download?id=67da398d-caeb-4e98-ba72-ed3b59023b24>

7. Priority countries targeted through aid and loans are in Africa (Egypt, Tunisia, Ethiopia, Kenya, Somalia, Sudan Burkina Faso, Mali, Niger, Senegal and Mozambique), the Middle East (Jordan, Iraq, Lebanon and the Palestinian territories), the Balkans (Albania), Asia (Afghanistan and Myanmar) and Latin America (Cuba and El Salvador).

## KEY RECOMMENDATIONS

- Cooperation between the public actors in the Italian development cooperation system should extend beyond the planning stage, to also include the management and assessment of interventions, through appropriate initiatives at both the regulatory and organisational levels.
- Development actors should promote dialogue and expertise sharing through informal and institutionalised channels. Recent collaborative efforts led to the creation of the MAECI-AICS-CDP coordination committee. To overcome cultural barriers, the objectives set by the Trilateral Convention (e.g., secondments, joint management of resources) need to be implemented.
- CDP should develop a local presence in priority and partner countries. This would enable it to better understand local demands and needs and promote collaboration with local authorities, international and European donors, and other institutional and non-institutional actors in the field.
- Adequate financial and human resources should be ensured to sustain a more efficient and systematic cooperation between development cooperation actors, as well as to scale up activities and impact.
- Maximal joint activation should be pursued of national and European public guarantees on blending initiatives, in order to relax the operational constraints experienced by CDP affecting the pricing and scale of its financial support. ■



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