

**DEVELOPMENT CO-OPERATION DIRECTORATE
DEVELOPMENT ASSISTANCE COMMITTEE**

Peer Review

**REVIEW OF THE DEVELOPMENT CO-OPERATION POLICIES AND PROGRAMMES OF
AUSTRIA**

THE DAC'S MAIN FINDINGS AND RECOMMENDATIONS

3 DECEMBER 2014

This document was discussed at the Peer Review meeting of AUSTRIA on 3 DECEMBER 2014 and at the editorial session with the Delegation of AUSTRIA and Examiners from GERMANY and SWITZERLAND. The revisions have subsequently been approved by all delegations and the Main Findings and Recommendations are now issued in their FINAL form.

The Secretariat's report is released separately as [DCD/DAC/AR(2014)2/2/PART2/FINAL]. Please note that this document is only available for download from OLIS in PDF format.

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1: Towards a comprehensive Austrian development effort

Indicator: The member has a broad, strategic approach to development and financing for development beyond aid. This is reflected in overall policies, co-ordination within its government system, and operations

Main Findings

1. Austria effectively engages in the international development landscape, and delivers on its commitment to addressing global public risks and processes that affect development. The government's strategy takes a realistic approach, focusing on a few policy areas, such as the rule of law, human rights, peace and security, where it believes it can add value. For example, Austria makes an important contribution to tackling global and regional security challenges through its active participation in United Nations (UN) and European Union (EU) peacekeeping operations around the world. Its "perpetual neutrality" – a core element of Austrian foreign policy – reinforces its international role as a mediator, enabling it to carry its weight and enhance its influence at the global level.

2. At home, Austria is working to make its policies more development friendly and coherent. Policy coherence for development is an explicit objective in the government's Work Programme 2013-2018 and has guided Austria in the elaboration of its national positions on the post-2015 development agenda. Moreover, in keeping with the EU framework on policy coherence for development, Austria has identified the environment and security as its priority objectives for policy coherence, supported by cross-ministerial strategic guidelines endorsed by the Cabinet. During the review, Austria mentioned that the ongoing evaluation of the strategic guidelines on environment and development offers an opportunity to reinforce a coherent approach to climate finance and finance for development.

3. Ensuring that development concerns are better understood and discussed across the federal government is challenging, however. While the Federal Act on Development Co-operation provides the legal basis for the Federal Ministry for Europe, Integration and Foreign Affairs (MFA) to act as the main conduit for ensuring policy coherence for development, in reality, clear procedures, mechanisms and adequate human resources are not in place for the ministry to fulfil this role effectively. There also remains a general perception among federal ministries that policy coherence for development is only about co-ordinating development co-operation policy and interventions. The MFA acknowledges the need to improve awareness within the federal government of the impact of Austria's non-ODA policies on the development prospects of its partner countries.

4. Furthermore, Austria does not have a clear approach to addressing policy incoherence. This prevents Austria from fully translating its political commitment to policy coherence for development

into practice and actual policy changes. Like many OECD Development Assistance Committee (DAC) members, Austria lacks the institutional mechanisms or capacity to measure, monitor, analyse and report the impact of its domestic and foreign policies on development. The existing expertise and analytical capacity found in Austrian think tanks and non-governmental organisations (NGOs) are also not yet exploited fully to gather sound evidence on coherence issues.

5. Austria recognises the importance of using innovative financing as a means to broaden its approach to international development. Austria's desire to deepen private sector engagement in development co-operation is clearly reflected in its increased emphasis on using ODA as a catalyst to leverage private finance. However, its objectives and expected results linked to development effectiveness are not well defined. How Austria ensures that its private sector activities and instruments contribute to poverty reduction outcomes, is unclear. The committee was informed that Austria is preparing interministerial guidelines on private sector development which provides an opportunity to address this concern.

6. Since the last peer review, Austria has raised substantial amounts of non-ODA funds in addition to its traditional ODA engagement through its small but fast-growing development finance institution, the Austrian Development Bank. Building on this, the Austrian Development Agency (ADA) and the Bank are encouraged to deepen their partnership and look for more positive synergies to achieve greater development impact.

Recommendations

- 1.1. Austria should develop a clear approach to addressing policy incoherence, prioritising selected topics and mechanisms and including means of monitoring and reporting across government, while drawing on the expertise and analytical capacity existing in the country.
- 1.2. To ensure development effectiveness, Austria needs to set out clear developmental objectives and expected results of using ODA as a catalyst to leverage private investment.

2: Austria's vision and policies for development co-operation

Indicator: Clear political directives, policies and strategies shape the member's development co-operation and are in line with international commitments and guidance

Main Findings

7. The mission statement which is included in Austria's Three-Year Programme 2013-2015 identifies the overall purpose and main priorities of Austrian Development Cooperation (ADC) and has wide ownership. The 2003 Federal Act on Development Co-operation and the Three-Year Programme provide the legal and strategic focus for Austria's ODA programme, with poverty reduction at the centre. The Three-Year Programme is more strategic and result-oriented than previous rolling triennial programmes. However, it does not cover all the aid-spending federal ministries. Bringing these ministries in line with, and making them accountable for achieving the objectives of the three-year programmes would contribute to improving the coherence and effectiveness of Austria's development co-operation.

8. The Three-Year Programme 2013-2015 notes that the least-developed countries, European neighbours and fragile states are at the heart of Austria's approach to development co-operation. However, it does not provide a sufficient rationale for allocating resources to these countries and regions, and to the different channels and instruments of Austrian aid. Allocation criteria are necessary to safeguard aid predictability for partners and Austrian actors. Austria's approach to the EU focuses on implementing and influencing the EU's development agenda. Its approach to the international financial institutions shows a clear profile, but is less strategic as concerns the UN organisations. Funding to these organisations has become unpredictable, mostly as a result of decreases in Austrian ODA.

9. Austria's development co-operation covers a wide range of sectors and themes relative to its limited ODA resources. It is committed to focusing on two to three sectors in each priority country and has elaborated strategic documents for most of its priority sectors and themes. A number of strategies could better reflect the changing global context and Austria's funding realities. When revising these documents, Austria needs to be realistic about what it can achieve and to focus on areas where it can add value. Linking the priorities for reducing poverty to result-oriented methodologies and tools for reporting and learning would be useful.

10. Austria's guidance on working in fragile contexts has increased dialogue on these issues within government. It reports that all its programmes in

fragile states take into account its peacebuilding and statebuilding goals. How this is done in practice is not entirely clear. Although Austria's funding to NGOs can be multi-annual and thus can allow them to incorporate recovery elements as the context evolves, there are no formal links between humanitarian and development programmes, including in priority countries.

11. The security and development guideline seeks to achieve a comprehensive, whole-of-government approach to human security, recognising the centrality of the Fragile States Principles. The planned review of this guideline could provide a useful opportunity for Austria to reinforce its political commitments to addressing fragility, and to develop a strategy for designing programmes with a fragility lens.

12. Mainstreaming gender and the environment throughout Austria's development co-operation continues to be work-in-progress. The share of its bilateral aid targeting these topics has been falling in recent years, and is well below the DAC average. Given its limited ODA resources, Austria is encouraged to clarify its priorities for mainstreaming cross-cutting themes throughout its development co-operation, and to ensure that it has the tools and resources to follow through on these priorities.

Recommendations

- 2.1. Austria should bring all aid-spending ministries in line with, and make them accountable for, achieving the objectives of the three-year programmes.
- 2.2. Having a clear rationale for allocating resources geographically, by channel and by instrument, would increase the predictability of Austrian aid.
- 2.3. Austria is encouraged to clarify its priorities for mainstreaming cross-cutting themes, and to ensure that it has the tools and resources to follow through on these priorities.

3: Allocating Austria's development assistance

Indicator: The member's international and national commitments drive aid volume and allocations

Main Findings

13. In 2013 Austria's net ODA amounted to USD 1.2 billion, the equivalent of 0.28% of its gross national income (GNI). Its aid levels declined substantially in 2009, mostly as a result of the drop in debt relief, which was exceptionally high between 2005 and 2008. The decrease in debt relief posed some challenges for the government in regard to coming up with fresh resources for aid. Nevertheless, Austria has managed to keep its ODA volume relatively stable.

14. The Austrian authorities remain committed at the highest level to providing 0.7% of GNI as ODA. Their intention to develop a legally binding roadmap to achieve this target is therefore a positive step. However, the review team has learned that cuts in the ODA budget are foreseen in 2015 and beyond. How Austria will deliver on its ODA commitment without safeguarding the budget from further cuts is uncertain.

15. The share of Austria's bilateral aid that is programmed at country level remains small. In 2012 that share reached only 15% of Austria's total bilateral aid, far below the DAC average of 55%. A low level of country programmable aid means Austria is limited in what it can aspire to as a bilateral donor. For instance, even though most of Austria's country programmable aid targets its 11 priority countries and territories, the share of Austrian aid to these countries and territories represented only 14% of its total bilateral aid in 2012. Therefore, Austria's priority partner countries and territories do not figure prominently among the overall top Austrian aid recipients. Equally, even though nearly 45% of its country programmable aid goes to the least-developed countries (LDCs), Austria's stated poverty focus is challenged by the drop in its gross bilateral ODA to LDCs, excluding debt relief, since the last review.

16. Contrary to the 2009 peer review recommendation, Austria continues to rely on debt relief as a significant component for meeting its ODA commitments. It has forecast its 2013-15 bilateral ODA budget based on expected debt cancellations. However, the inclusion of debt relief before this has been agreed by the Paris Club is not practised by any other DAC member. Doing so inflates projections and undermines Austria's credibility and the predictability of its future aid flows. The failed Paris Club negotiations between Sudan and its creditors in 2012

have demonstrated the risk in using over-optimistic forecasts.

17. OECD data show that Austria supported an average of six sectors in its main partner countries in 2012. Austria's "nexus approach" to implementing its thematic priorities often requires a multi-sector approach to be effective, giving the impression that its aid portfolio is fragmented. Nevertheless, Austria's overall sectoral allocations appear to reflect its policy priorities, with nearly 60% of its bilateral ODA (USD 339 million) allocated to social infrastructure and services in 2011-12. A large part of that amount was spent on education (including imputed student costs) followed by health. Support to economic infrastructure has also been increasing over the years.

18. Austria mostly provides core funding to its multilateral partners and is committed to increase this funding further. The EU alone receives a quarter of Austria's total ODA, while another quarter goes to international financial institutions. It also actively contributes to the governing boards of these institutions. Austrian funds provided to the UN organisations have declined in recent years, mostly affecting core contributions. For Austria to engage with its multilateral partners with a long-term perspective, it will need to ensure predictability in its contributions to the UN organisations over the medium-term.

Recommendations

- 3.1. Austria should deliver on its commitment to develop a realistic time-bound roadmap to increase ODA in order to make progress towards meeting the 0.7% ODA/GNI target.
- 3.2. Austria should include debt relief in its ODA forecasts only after this is agreed by the Paris Club.
- 3.3. Austria should reverse the decline in the share of its ODA allocated to the LDCs, in keeping with its commitment to poverty reduction.

4: Managing Austria's development co-operation

Indicator: The member's approach to how it organises and manages its development co-operation is fit for purpose

Main Findings

19. As there are nine government institutions involved in Austrian aid, managing the system efficiently around the objectives of the three-year programmes requires strong political will, as well as buy-in from the relevant federal ministries. The MFA has overall responsibility for Austria's development co-operation, including co-ordinating and formulating policy, overseeing ADA's operational and administrative budget, and representing Austria in relevant EU committees. However, the ministry directly manages less than 5% of total ODA and has no formal authority over the other federal ministries, which operate independently with separate mandates and discretionary budgets. This makes the MFA's co-ordinating role a challenging task.

20. The Austrian Development Agency (ADA) implements development programmes together with other public institutions, NGOs and private enterprises. Its operational budget has shrunk significantly, from EUR 103 million in 2008 to EUR 66 million in 2012. The budget was stabilised in 2013 and 2014 despite expected cuts. Further cuts were planned in 2015 and beyond but the Committee was informed that no cuts are expected in 2015. The uncertainty of funding makes the agency's financial planning and programming difficult. By implementing EU-financed projects with other development partners, ADA is able to increase the volume of aid which it manages and retain technical expertise. This complies with the EU Agenda for Change and its business plan. At the same time, that approach puts ADA in a competitive position with respect to other European development agencies, making its resource base less predictable. This could put at risk the agency's ability to implement the official aid programme effectively.

21. Austria has vested a substantial amount of decision-making authority in the country offices since the last peer review. In Moldova the joint representation of the MFA and ADA, under the strategic leadership of the head of Austrian Development Cooperation (ADC), strengthens the visibility and role of ADC, facilitates interactions between these entities and with the partner country, and reduces the layers and levels of project approval. However, there is no formalised system for bringing the other federal ministries in line around ADC's country strategy, and ADC's head does not have the authority to do this. Thus the effectiveness of Austria's aid at country level is not maximised.

22. Managing human resources efficiently within ADC remains challenging. The number of development experts in the MFA is expected to decrease, with several retirements upcoming and no plans to replace

them. Staff exchanges and rotations with other organisations, including federal ministries, are rare. Recognising development co-operation as a career path within the ministry, and ensuring that the right skills are in the right places, including for dealing with fragile contexts, would be important steps forward. For its part, ADA has experienced staff reductions since the last peer review and is vulnerable to additional budget cuts. It does not sufficiently prioritise staff training and institutional learning. By contrast, the Austrian Development Bank's growing activities have led to the recruitment of new staff, and staff numbers at the Federal Ministry of Finance working on the aid programme have remained stable.

23. The follow-up to the post-2015 sustainable development agenda will offer Austria an opportunity to review the range of competencies needed to address the development challenges linked to that agenda, review the division of labour among the different institutions involved, and increase the coherence of the entire aid system with a view to improving the delivery of Austrian aid. An important step towards a more unified approach would be for the federal ministries, ADA and the Bank, when involved in the same priority partner countries, to agree on a set of common development objectives so that these countries can fully capitalise on the range of Austria's competencies. Drawing on the experiences of other DAC members, including Switzerland's, might be useful in this context. ADA and the Bank, in particular, are well placed to build strong linkages across their respective programmes and combine their activities to meet the development priorities of Austria's partner countries.

Recommendations

- 4.1. Austria should ensure that, when involved in the same priority countries, the federal ministries, ADA and the Austrian Development Bank agree on a set of common development objectives, elaborate joint country strategies, and report on a single set of country results.
- 4.2. Austria needs to develop a staff development strategy to ensure that it has the competence and expertise to engage in and deliver quality aid in its priority partner countries.

5: Austria's development co-operation delivery and partnership

Indicator: The member's approach to how it delivers its programme leads to quality assistance in partner countries, maximising the impact of its support, as defined by Busan

Main Findings

24. Austria has worked to make its development co-operation more predictable since the last peer review. Its multi-year ODA forecast is updated annually in line with the rolling four-year national budget framework. Aid predictability at country level remains partial, however. Austria formally communicates indicative spending plans to only three of its priority countries. Providing similar information consistently to all priority countries would enhance these countries' ability to plan.

25. Austria's support is aligned to partner countries' strategies and draws upon its own experience. As the review team observed in Moldova, Austria identifies projects in close consultation with its local partners. This has helped ensure alignment.

26. Austria also actively supports and engages in donor co-ordination in the field. Moreover, it actively supports the EU Code of Conduct on the Division of Labour. The programme in Moldova clearly demonstrates Austria's ability to identify opportunities for delegated co-operation in line with the EU Agenda for Change.

27. While Austria is making some progress in implementing the aid effectiveness principles, project-based assistance continues to be its preferred approach for delivering aid, and country systems are not used by default. Where these systems are not robust, working together with the partner government and other external stakeholders to strengthening them would allow Austria to support the long-term development of partner country capacities.

28. Fiduciary risk is analysed in Austria's development co-operation. However, how major risks to the success of its overall development portfolio are identified, analysed, managed or monitored is not clear. For instance, while the country office in Moldova takes a systematic approach to risks in its activities in the breakaway region of Transnistria, its staff are left to decide the best ways to incorporate risk management into programming, thus possibly exposing the overall aid portfolio, and Austria's aid institutions, to significant unmanaged threats.

29. Austria's untying performance has been well below the DAC average. With respect to ODA covered by the DAC Untying Recommendation, the share of untied aid fell from 95% in 2010 to 77% in 2012, well

below the DAC average of 88%. Overall untying of Austria's total bilateral ODA fell even more dramatically, from 58% to 37% over the same period. These changes are a result of a reduction of bilateral ODA. In contrast, the DAC average (78% in 2012) has held up well since Accra despite the global economic and financial crisis.

30. NGOs are important development partners of the Austrian aid programme. However, Austria's approach for engaging with civil society in partner countries does not appear strategic. Clear engagement policy or objectives at both strategic and delivery levels are needed.

31. Austria is committed to the Fragile States Principles, but does not yet consistently apply a fragility lens for programming in these complex and constantly changing contexts. Reducing the scope of its priorities for peacebuilding and statebuilding in order to be more realistic could be a useful next step. Partnership with civil society actors in fragile contexts is good practice, given that most fragility programmes are delivered through partners and multi-donor trust funds. Austria also makes a significant contribution to peacebuilding efforts.

Recommendations

- 5.1. Austria is encouraged to introduce a more comprehensive and systematic approach to risk management in its development co-operation programme, including at partner country level.
- 5.2. Austria should reverse the decline in the share of its aid that is untied, bearing in mind the Accra and Busan commitments.
- 5.3. Austria should engage more strategically with civil society in the countries where it works, based on clear guidelines.
- 5.4. Austria should consistently apply a fragility lens to programming in fragile states.

6: Results management and accountability of Austria's development co-operation

Indicator: The member plans and manages for results, learning, transparency and accountability

Main Findings

32. Austria has taken a number of important steps in favour of managing for results since the last peer review. These include annexing a results matrix to the Three-Year Programme, with expected outcomes for the sectors and themes of Austria's priority countries and regions; introducing results management approaches in NGO funding guidelines, applications and reporting; and dedicated training and experience-sharing workshops for staff at headquarters and at field level. Austrian Development Cooperation (ADC) has also begun to use country data and national monitoring frameworks in a number of priority countries, and the new format of country strategies comprises output and outcome indicators aligned with the national priorities. These practices need to be systematised as Austria further develops results frameworks for all its country programmes. For its part, the Federal Ministry of Finance requires project-specific results frameworks in multi-bi programmes, and the Austrian Development Bank measures results using a rigorous and comprehensive framework.

33. While these efforts are significant, Austria still lacks a consistent and coherent approach to development results, as well as a system to inform programming decisions and serve accountability needs. Developing a differentiated approach to setting out, monitoring and reporting expected results in fragile contexts, and ensuring that this approach supports learning and accountability, also remains to be done.

34. Austria has made good progress with respect to evaluation. The management response system for strategic evaluations is a welcome initiative. The next step is to get senior managers to ensure that the findings are acted upon, so that evaluations effectively inform strategic decisions and are used as a management tool. Setting up an evaluation committee under an independent oversight body would contribute to increasing commitment at all levels to follow up on recommendations from evaluations. Austria includes national experts in project evaluation teams and is encouraged to support country-led efforts in this area.

35. The culture of sharing knowledge and the system for managing knowledge are still weak within ADC. ADA's new knowledge management strategy, dedicated core team and action plan are important steps towards a more structured and institutionalised

system. At this stage, however, efforts have focused primarily on elaborating rules for managing knowledge assets and integrating knowledge goals into ADA's business plan. As observed in Moldova, the resources for organising and capitalising on project information at field level are insufficient, and experience sharing is therefore limited. The lack of updated technology and systems for managing information appears to constitute a bottleneck.

36. Austria has published an implementation schedule for the common and open standard for electronic publication of development co-operation resources. It performs well on sharing organisation-level information, but does not sufficiently communicate on development results and risks. Improving domestic accountability is also challenging. The MFA may want to reflect strategically on how to sensitise parliamentarians more and ensure that they are informed about development results achieved.

37. Austria's approach to communication and development education has been reinforced with a strategy and dedicated budgets. Austria works with civil society actors to raise development awareness. Supporting domestic advocacy NGOs, and reaching out to civil society beyond the traditional Austrian actors, could stimulate a broader public debate on development within Austria.

Recommendations

- 6.1. Austria is encouraged to develop a consistent and coherent approach to development results as well as a system to inform programming decisions and serve accountability needs.
- 6.2. Setting up an evaluation committee under an independent oversight body would contribute to increasing commitment at all levels to follow up on recommendations from evaluations
- 6.3. Having a more strategic approach to communicating about development results and risks, and increasing transparency on how ADC is working, would contribute to promoting a culture that is more open to public information.

7: Austria's humanitarian assistance

Indicator: The member contributes to minimising the impact of shocks and crises; and saves lives, alleviates suffering and maintains human dignity in crisis and disaster settings

Main Findings

38. Austria has a strong historical involvement with some themes of humanitarian assistance, especially the protection of civilians and human rights. There is also a commitment to support the “self-help capacities” of vulnerable populations; this is mostly done through the World Bank’s risk reduction facility. Civil-military co-ordination is also a focus for Austria, including training its own peacekeeping troops and those of the Economic Community of Western African States (ECOWAS), in an effort to enlarge humanitarian space.

39. There are good practices in the programme; Austria can provide multi-annual funding to NGO partners, allowing them to adapt programmes to evolving recovery contexts, partners report good relationships with Austrian humanitarian staff, and information about the humanitarian programme is made public.

40. However, there is significant fragmentation in Austria’s humanitarian system. Reflection on cross-governmental co-ordination is encouraged, so that Austria can make the most of its humanitarian resources and expertise to forge more effective humanitarian results. In addition, Austria does not yet have clear funding allocation criteria, applicable across government and based on its comparative advantage. This makes it difficult to deliver consistent and measurable results across the fragmented programme, and decreases predictability for partners. Moreover, funding from the Foreign Disaster Relief Fund is determined by the Council of Ministers, potentially a risk to the apolitical and principled nature of humanitarian assistance, as well as a rather slow process in practice. In addition, many grants and bilateral interventions are very small; these grants could be scaled up or consolidated to increase efficiency.

41. Austria’s funding to multilateral agencies is only lightly earmarked; this is good practice. However, allocations fluctuate significantly and must be renegotiated each year, hampering predictability. This also contributes to a high administrative burden for Austria’s partners. In addition, the timeliness of disbursements for new and escalating crises is an issue; here Austria relies on its civil protection deployments, which are much quicker than providing funding to partners. Partner activities and results are monitored, mostly through

reports, dialogue and field visits, but this is difficult when Austria provides funding for so many different crises.

42. The evaluation of Austria’s humanitarian aid in 2010 was useful, but most recommendations were not implemented. The management response indicated that this was due to the lack of volume and predictability of the humanitarian budget; however the recommendations on strategy, reducing fragmentation, and improving monitoring could have been taken on board. Monitoring of Austria’s on-going performance as a humanitarian donor is complicated, as it has not yet set verifiable indicators for the cross-government programme.

43. Finally, Austria allocated 3.3% of its total ODA to its own humanitarian assistance programme in 2012, a smaller share than would be expected from a DAC member. Sixty percent was provided as assessed contributions to the EU, leaving Austria with only USD 18.1 million for its own humanitarian efforts. These limited financial resources do not allow Austria to play a “distinctive role”. Austria has made a political commitment to allocate EUR 20 million per year to the Foreign Disaster Response Fund, compared to the current EUR 5 million; however, this has not yet become reality, despite broad cross-party support.

Recommendations

- 7.1. Austria should reflect on its humanitarian achievements, and develop a strategic focus and allocation criteria for its humanitarian programme, in order to increase predictability, facilitate performance monitoring, and to raise its profile on the international stage.
- 7.2. Commitments to scale up the humanitarian budget should be kept, so that Austria can match its strategic ambitions with adequate resources.