

# AUSTRIA

Development Assistance Committee (DAC)  
PEER REVIEW



ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

## ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

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### The Peer Review Process

The DAC conducts periodic reviews of the individual development co-operation efforts of DAC members. Each member is critically examined approximately once every four or five years, with five members examined annually. The OECD's Development Co-operation Directorate provides analytical support and is responsible for developing and maintaining the conceptual framework within which the Peer Reviews are undertaken.

The Peer Review is prepared by a team, consisting of representatives of the Secretariat working with officials from two DAC members who are designated as "examiners". The country under review provides a memorandum setting out the main developments in its policies and programmes. Then the Secretariat and the examiners visit the capital to interview officials, parliamentarians, as well as civil society and NGO representatives of the donor country to obtain a first-hand insight into current issues surrounding the development co-operation efforts of the member concerned. Field visits assess how members are implementing their own policies and objectives as well as DAC policies and principles. The field visits assess particularly how the donor implements the aid effectiveness agenda, works with the partner government and co-ordinates with other donors. The peer review team meets with representatives of the reviewed country, government officials of the partner country, bilateral and multilateral donors, local and international civil society organisations, and other relevant partners to hear their views on the reviewed country's performance.

The Secretariat then prepares a draft report on the member's development co-operation drawing also from a wide range of other sources (see bibliography). This report is the basis for the DAC review meeting at the OECD. At this meeting senior officials from the member under review respond to questions formulated by the Secretariat in association with the examiners.

This review contains the Main Findings and Recommendations of the Development Assistance Committee and the report of the Secretariat. It was prepared with examiners from Luxembourg and Norway for the Peer Review on 29 April 2009.

*In order to achieve its aims the OECD has set up a number of specialised committees. One of these is the **Development Assistance Committee**, whose members have agreed to secure an expansion of aggregate volume of resources made available to developing countries and to improve their effectiveness. To this end, members periodically review together both the amount and the nature of their contributions to aid programmes, bilateral and multilateral, and consult each other on all other relevant aspects of their development assistance policies.*

*The members of the Development Assistance Committee are Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, the United Kingdom, the United States and the Commission of the European Communities.*

## LIST OF ACRONYMS

ADA	Austrian Development Agency
ADC	Austrian development co-operation
AEDC	Austrian Embassy Development Co-operation
AGEZ*	Working Association for Development Co-operation (Arbeitsgemeinschaft Entwicklungszusammenarbeit)
BMLV*	Bundesministerium für Landesverteidigung Federal Ministry of Defence
BMeiA*	The Federal Ministry of European and International Affairs (Bundesministerium für europäische und internationale Angelegenheiten)
BMI*	Federal Ministry of the Interior (Bundesministerium des Inneren)
CDM	Clean Development Mechanism
CERF	Central Emergency Response Fund
DAC	Development Assistance Committee
DAG	The Development Assistance Group, Ethiopia
EU	European Union
FAO	Food and Agriculture Organisation
FDRF	Foreign Disaster Relief Fund
GDP	Gross domestic product
GHD	Good humanitarian donorship
GNI	Gross national income
IFIs	International financial institutions
ICRC	International Committee of the Red Cross
JI	Joint implementation
MCDA	Military and Civil Defence Assets
MDG	Millennium Development Goal
MFA	Federal Ministry for European and International Affairs
MoF	Federal Ministry of Finance
MOPAN	Multilateral Organisations Performance Assessment Network
MoU	Memorandum of Understanding
NAPA	National Adaptation Programme of Action
NGO	Non-governmental organisation
OCHA	Office for the Co-ordination of Humanitarian Affairs (United Nations)
ODA	Official development assistance

PASDEP	Plan for Accelerated and Sustained Development to End Poverty
PCD	Policy coherence for development
PIU	Programme implementation unit
PRSP	Poverty Reduction Strategy Paper
UN	United Nations
UNCDF	United Nations Capital Development Fund
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNFPA	United Nations Population Fund
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development Organization
UNRWA	United Nations Relief and Works Agency for Palestine Refugees in the Near East
WFP	World Food Programme

\* Denotes acronyms in original language

#### Signs used:

EUR	Euro
USD	United States dollars
( )	Secretariat estimate in whole or part
-	(Nil)
0.0	Negligible
..	Not available
...	Not available separately, but included in total
n.a.	Not applicable

Slight discrepancies in totals are due to rounding.

#### Exchange rates (EUR per USD) were:

2006	2007	2008
0.7967	0.7305	0.6933

## Austria's aid at a glance

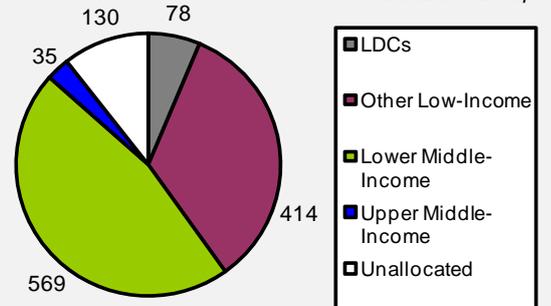
### AUSTRIA

*Gross Bilateral ODA, 2006-07 average, unless otherwise shown*

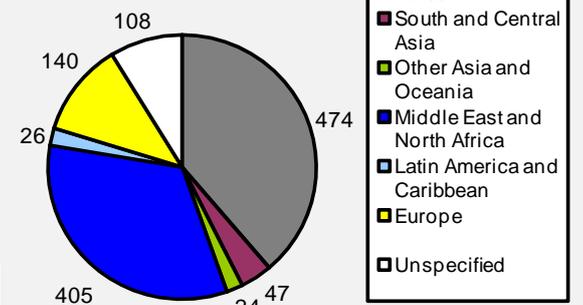
Net ODA	2006	2007	Change 2006/07
Current (USD m)	1 498	1 808	20.7%
Constant (2006 USD m)	1 498	1 622	8.3%
In Euro (million)	1 194	1 321	10.7%
ODA/GNI	0.47%	0.50%	
Bilateral share	73%	73%	

Top Ten Recipients of Gross ODA (USD million)	
1 Iraq	369
2 Cameroon	222
3 Nigeria	161
4 Serbia	43
5 Bosnia and Herzegovina	31
6 Georgia	28
7 Egypt	24
8 Turkey	23
9 Malawi	16
10 China	15

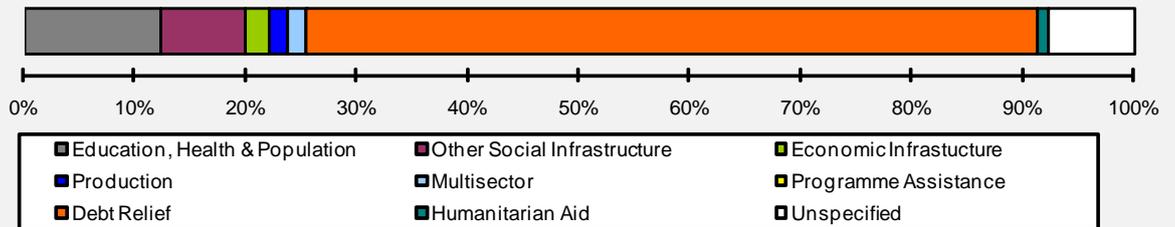
**By Income Group (USD m)**



**By Region (USD m)**



**By Sector**



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## DAC'S MAIN FINDINGS AND RECOMMENDATIONS

### Overall framework for development co-operation

#### *Strengthening Austria's legal and political orientations*

*The Federal Ministries Act (1986)* and the *2002 Federal Act on Development Co-operation*, amended in 2003 to create the Austrian Development Agency (ADA), provide the legal basis for Austrian development co-operation. The Development Co-operation Act sets out the objectives and principles of Austria's development co-operation. It mandates the Ministry of Foreign Affairs (MFA) to execute the act and to co-ordinate aid policy in Austria. The act identifies three overarching development co-operation objectives: (i) combating poverty; (ii) ensuring peace and security by promoting democracy, rule of law, human rights and good governance; and (iii) preserving the environment and protecting natural resources.

The Austrian aid system is fragmented among many institutional actors. Austria does not have a consolidated ODA budget; rather at least eight separate ministries fund aid-related activities from their own budgets. Nevertheless, the Ministry of Foreign Affairs, ADA (a limited company owned by the government) and the Ministry of Finance are the main development co-operation actors in Austria's aid system.

The *Three-Year Programme on Development Policy*, which is updated annually and is approved by cabinet, complements the legislation. It is Austria's main instrument for giving strategic direction to all government bodies involved in aid and defines priority themes, countries and aid channels for achieving the act's objectives. Three-year programmes are prepared by the Ministry of Foreign Affairs in close collaboration with the Ministry of Finance (MoF). However, while theoretically the MFA has a clear mandate to execute the act and to co-ordinate a coherent aid policy, in practice it has little power to do so. According to the act each aid spending ministry is responsible for aligning their activities to Austria's development co-operation objectives and the priorities of the three-year programme. Yet, the Ministries of Foreign Affairs and of Finance appear to be the only ones adhering to the three-year programme.

The experience of other DAC members shows that having a medium to long-term policy that guides strategy and operations, commits the whole aid programme across government departments, and is relevant for a sufficient period of time is good practice for aid management.<sup>1</sup> At present, Austria's three-year programme mixes together a three-year strategy with an operational plan for the MFA and ADA. It falls short of being a medium-term policy which is applicable to all of Austria's development assistance. Furthermore, the Development Co-operation Act stipulates that the three-year programme is updated and submitted to cabinet annually. This rolling nature of the three-year programme can dissipate Austria's aid through an accumulation of priorities. Finally, the absence of a politically-endorsed policy statement and the lack of a policy debate on the international aid

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<sup>1</sup> Lesson 1 from *Effective Aid Management: 12 Lessons from DAC Peer Reviews* (OECD, 2008).

programme may reduce the programme to an administrative exercise, left to the civil service to design and implement. Austria would, therefore, benefit from a medium-term, politically-anchored policy with strategic guidance which could help trigger a debate on the complexities of the current set-up. The *Federal Act on Development Co-operation (2003)* may need to be amended so that the three-year programme can meet this need effectively. If it were designed through participatory mechanisms, a medium-term policy could help achieve, and reflect, consensus on Austria's aid strategy and strengthen ownership of the strategy across the whole government and civil society.

#### *Approval of the poverty reduction guidelines*

The 2004 peer review recommended that Austria should implement its policy commitment to poverty reduction and the MDGs and allocate resources to achieve this. This current peer review found evidence that Austria is prioritising poverty reduction. For example, its regional programmes on rural development and health in Ethiopia specifically target women and marginalised groups. The DAC welcomes Austria's poverty reduction guidelines which were approved in early 2009. The MFA and ADA should ensure that these guidelines strengthen and mainstream poverty reduction as a central objective of all aid allocations and of Austria's policy dialogue with development partners, including the private sector.

#### *Winning political and public backing for aid and development co-operation*

Austria has a long tradition of solidarity with the poor through church-related charitable giving. Public support for helping poor people in developing countries is high (77% in 2007), similar to levels in other DAC countries (GfK Austria, 2007). However, unlike other DAC member countries with a similar tradition of charity, Austrian solidarity does not translate into political support for development assistance. Aid is a minor political issue and political support for aid is not deep-rooted. Moreover, there is limited debate on development in parliament. But Austrian development co-operation will require strong public and political backing if the country is to meet its international commitments to reach 0.7% ODA/GNI and to achieve the MDGs. The DAC encourages Austria to strengthen its efforts, and to find new ways of engaging parliamentarians and the public in an informed debate about aid and development issues. The Ministries of Foreign Affairs and Finance and ADA need to invest strategically in communicating Austria's aid policy, focusing particularly on development results. This would help promote public debate. Other aid-spending ministries should also review how their development co-operation experiences can be better shared with the public and how they, too, can raise the profile of Austrian development co-operation.

Development education, which is called "global learning and education" in Austria is well established. Austria is currently preparing a national strategy for development education, which focuses on the formal education system and non-formal ways of learning. This strategy should give more Austrians access to education about global development challenges, including how Austria's policies in other areas can support or undermine its development policy. The DAC commends Austria for its efforts to improve the quality of its global education and urges it to approve and provide adequate resources for the national strategy for global learning.

#### *Promoting policy coherence for development*

Austria has made some progress against the three measures of policy coherence for development agreed by the DAC: political commitment and policy statements; policy co-ordination mechanisms; and monitoring analysis and reporting systems. Awareness of policy coherence for development is increasing among politicians, across the administration and in civil society, partly thanks to discussions about this issue in parliament in 2007 and 2008. The *Development Co-operation Act*

(2003) and the 2008-2012 Government Programme stress that all Austrian policies should strive to be coherent with the government's development policy. The 2007-2009 three-year programme identified five priority areas where Austria can improve coherence (e.g. international economic relations, migration and development, global energy issues). However, this programme lacks a strategy or objectives for making progress in these areas. Furthermore, Austria's fragmented aid system means that MFA's efforts tend to focus only on making the aid policy more coherent. Experience from other DAC member countries suggests that Austria now needs to prepare clearly prioritised, time-bound action agendas for achieving policy coherence for development.

#### *Institutionalising policy coherence for development*

The Federal Government is responsible for ensuring the coherence of non-aid policies with Austria's development objectives. As for other DAC members, cabinet is the highest level forum for discussing and arbitrating on policy priorities. The MFA has established an inter-ministerial working group on coherence and there are informal consultations on issues such as defence, environment and climate change, and trade and investment. But it remains unclear which issues of coherence or incoherence are brought before cabinet and how. While the federal government is responsible for ensuring policy coherence for development, Austria could take a more systematic approach by identifying, mandating and resourcing a focal point, located where it will have sufficient clout to raise coherence issues effectively in Cabinet. For the MFA to play this role effectively, it would need to strengthen its position as co-ordinating ministry for development. This could mean giving a clearer, more visible mandate to the unit for policy co-ordination.

The OECD's *Synthesis Report on Policy Coherence for Development* (OECD, 2008) found that Austria has had partial success in putting monitoring, analysis and reporting systems in place. Austria needs to build an evidence base for promoting and monitoring policy coherence for development across government. At present, despite limited financial resources, the MFA has started to co-operate with the Austrian Research Foundation for International Development to conduct research on policy coherence for development. By mandating a policy coherence unit, Austria could both improve analytical and monitoring capacity within government and outsource policy coherence research to universities and research institutes in Austria, internationally, and in priority countries.

#### *Environment and climate change: one step towards coherence*

Austria is commended for having taken steps towards policy coherence for climate change. Environment is a key priority in the Development Co-operation Act and in Austria's environment laws, which contain provisions on Austria's responsibility in developing countries. For example, the Environment Law of 2008 specifies that any projects undertaken in developing countries under the flexible mechanisms of the Kyoto Protocol must respect the goals and principles stated in the Development Co-operation Act, as well as international provisions. The Federal Ministry of Agriculture, Forestry, Environment and Water Management is mandated to implement this law with three other ministries (Foreign Affairs, Finance, and Economy, Family and Youth).

### **Recommendations**

The DAC notes efforts made by Austria to give strategic direction to its development co-operation and to make aid policy more coherent. To build on this, Austria should:

- Prepare a medium-term development policy such as a "white paper", which addresses all ODA activities and is endorsed at the political level. This should commit all Austrian aid at the strategic level to the primary objectives of Austrian development co-operation, including

Austria's commitment to implementing the Paris Declaration principles. Such a medium-term development policy, prepared under the leadership of the MFA, could be an effective instrument for increasing coherence in Austria's aid system and bringing all aid-spending ministries in line with, and accountable to, the objectives of the Development Co-operation Act.

- Strengthen efforts to win political and public support for development co-operation, and in particular for achieving international aid targets and the MDGs. The MFA should take the lead on developing, in consultation with the MoF, ADA and other government stakeholders, a comprehensive and well-targeted communication and advocacy strategy that promotes public and political debate about development in Austria. Austria is encouraged to build on its good practice in global education and share this experience with other donors.
- Deepen commitment to and move forward on policy coherence for development. Austria needs to publish clearly-prioritised and time-bound action agendas; to clarify mandates and responsibilities for policy coherence for development; and to build a system for analysis, monitoring and reporting which includes perspectives and experiences from the field. Austria should look to the experiences of other DAC members.

### **Aid volume, channels and allocations**

In 2007, Austria's net ODA was USD 1.8 billion or 0.5% of GNI. The striking feature of Austria's aid performance between 2005 and 2007 was the sharp increase in debt relief, which in 2007 accounted for USD 947 million or 52% of total ODA — an unprecedented situation for any DAC member. Excluding debt relief, Austria's 2007 ODA/GNI ratio would have been 0.24%; lower than the DAC average (0.26%). ODA would have fallen sharply in 2007, as it did for other DAC members, but for Austria's decision to postpone to 2007 part of the debt relief agreed by the Paris Club for Nigeria in 2005. Whilst this decision did not break Paris club or DAC statistical rules, it impaired the comparability of Austria's ODA figures over time and with other donors. Furthermore, postponing debt relief for Nigeria lacked any developmental justification.

The DAC welcomes Austria's renewed commitment to meeting the EU minimum target of 0.51% of GNI allocated to ODA in 2010. This commitment has been reiterated in the 2008-2012 Government Programme and in the Federal Chancellery's response, in January 2009, to the OECD's Aid Pledge. Nevertheless, the DAC notes that Austria will need to increase its aid sharply to meet the target. It regrets that inter-ministerial discussions in 2007 to establish an ODA growth path, which was recommended by the DAC in 2004, did not lead to concrete measures or agreed targets. The absence of agreed targets have prevented the Ministries of Foreign Affairs and Finance from preparing three-year aid forecasts in the three-year programmes from 2007-2009. Austria's plans to move to a multi-annual budget framework should provide a new impetus for identifying annual aid targets, and make Austria's aid more predictable.

One important aspect of the inter-ministerial discussions on the ODA growth path is that additional aid funds would be earmarked for ongoing bilateral country and regional programmes and for UN organisations so that Austria can catch up with the EU average. This is a good plan and Austria should stick to it. For example, Austria's country programmable aid — which excludes food aid, humanitarian aid and NGO core funding — was just 10% of total gross ODA (USD 158 million) in 2005/06. The MFA should make clear its strategy and priorities for allocating increased aid to country programmes and make a credible case for increasing multilateral assistance to UN agencies. An increase in country programmable aid will enhance the effectiveness of Austria's aid and make it less fragmented. With larger country programmes Austria could increase its voice in policy dialogue with

development partners, allocate more resources to priority sectors, scale-up projects and programmes in these sectors, play a more active role in the division of labour between donors, and make full use of ADA's capacity. All the same, Austria should be very strategic when it comes to allocating some of the new bilateral aid to regional programmes. It should ensure that these programmes are regional in scope, respond to regional problems, do not diminish the share of aid to priority countries, and keep transactions costs low for ADA and regional organisations alike.

#### *Addressing the fragmentation of Austrian aid*

Austria has made exceptional progress in reporting to the DAC's Creditor Reporting System the aid activities of all ministries involved in development. However, with at least eight ministries allocating aid, Austria's aid budget is poorly integrated. Experience from other DAC members shows that an integrated budget improves the coherence of the aid system, simplifies monitoring and reporting of development-related expenditures and decreases transaction costs for both donor and partner countries. While the transition to a single aid budget may not be immediately feasible in Austria, ministries should plan their ODA commitments at the beginning of the financial year and communicate them in their annual budget submissions. The MFA could use this as a tool for discussions to promote a coherent aid policy. Once Austria has approved a development policy, all ministries should demonstrate how their planned aid expenditures will contribute to it.

Austria can be commended for its efforts to focus on 15 priority partners and 2-3 sectors in each country programme. It is phasing out of two priority countries (Senegal and Cape Verde) and has exited from 15 other partner countries. Nevertheless, ADA manages 15 different financing instruments which are predominantly project-based: 55% of ADA's budget went to classic projects, NGOs and the private sector in 2007. In 2007, ADA financed 253 new projects, of which 154 had a budget less than EUR 200 000. To make management of projects less labour-intensive, ADA introduced in 2008 a minimum threshold of EUR 200 000 for the whole portfolio except for specific small-scale activities. There has been a welcome shift away from projects to more programmatic support in country programmes. This was evident in Ethiopia. The DAC encourages Austria to continue its move to more programmatic support, and to allocate 10-15% of ADA's budget through budget support.

#### *NGO co-operation: an evolving relationship*

Austria's NGO co-operation policy clarifies the role of non-state actors in its development co-operation, as recommended by the DAC. A structured dialogue with NGOs has been established and seems to work well. In 2007, USD 72 million of Austria's ODA was channelled through NGOs. This represents 4% of total net ODA, less than the DAC median of 7% (although the proportion in Austria would be 8.6% if debt relief were excluded). Payments disbursed to or through NGOs represented 40% of ADA's annual operational budget in 2006. This is explained by ADA's use of NGOs as contractors to implement the bilateral programme. In 2006 ADA allocated EUR 11 million (USD 13.8 million<sup>2</sup>) to NGOs to co-finance their own activities, representing 12% of ADA's operational budget. The difficulty with Austria's NGO co-financing instruments is that they finance a specific project portfolio: this imposes a higher administration cost on both ADA and the NGOs than non-earmarked multi-annual programme financing would. The DAC encourages Austria to move away from multi-project funding towards multi-annual results-oriented programme funding for NGOs as development partners. Austria could learn from the experience of other DAC members which provide such funding.

Austria's co-operation with NGOs as contractors is set to evolve over the coming years as Austria implements the Paris Declaration and Accra Agenda for Action. Contractor NGOs could see a

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<sup>2</sup> Constant 2006 USD.

decrease in aid flows when Austria increases aid for direct and sector budget support, especially if the aid budget does not increase. Austria should ensure that there is an open dialogue between the MFA, ADA and the NGOs on Austria's aid policy which could help clarify how the role of Austrian NGO contractors will evolve in the future, including how the government can help NGOs play a stronger capacity building role with civil society in developing countries.

## **Recommendations**

In light of Austria's restated commitment to meet EU aid targets by 2015 and its plans to increase programmable aid, Austria should:

- Continue to make progress towards meeting the ODA/GNI target of 0.7% in 2015. Reaching its interim target of 0.51% in 2010 is essential even in an environment of financial crisis. This would send a strong, positive signal to the development community.
- Develop a specific plan containing annual targets for reaching these commitments. This is necessary to give credibility to Austria's aid promises and will make aid volumes more predictable for partner countries and other development partners. Any increase in Austrian aid should prioritise existing country and multilateral programmes. Austria should not rely on debt relief as a significant component for meeting its ODA commitments.
- Implement Paris Club debt relief decisions without delay to ensure that recipients receive the benefit of relief promptly, and that Austria's ODA figures are fully comparable with those of other donors. It is important for the Ministry of Finance to communicate Paris Club decisions in a timely manner to the MFA.
- Concentrate the aid programme to improve efficiency and effectiveness, as previously recommended in the 2004 DAC peer review. Austria should step up efforts to diminish the fragmentation of total ODA and of the aid programme managed by ADA. The MFA should use *ex ante* aid allocations by all ministries to help achieve greater coherence in the aid policy, and build the transparency and predictability of total ODA.
- Provide co-financing for multi-annual results-oriented programmes of NGOs with sufficient demonstrated capacity in programme management. This will help reduce transaction costs and give NGOs more flexibility and predictability.

## **Organisation and management**

### *The 2004 organisational reform*

Austria has made headway with the organisational reform which commenced in 2004 with the creation of ADA. The rationale for the reform was to increase the implementation capacity of Austrian development co-operation and, through the transfer of aid implementation to ADA, to permit the MFA to co-ordinate all governmental development co-operation activities more efficiently and coherently in Austria and internationally.

ADA is now fully established and operational. The overall conclusion of the evaluation of ADA, conducted in 2008, is that it has the capacity to fulfil its mandate and the potential to manage a larger aid budget. Yet the anticipated scaling-up of resources that motivated (in part) ADA's creation has not materialised. Nevertheless, ADA is currently reformulating its mandatory business plan and intends to refine its working methods so as to strengthen its capacity to deliver increased aid in ways consistent

with the principles of the Paris Declaration and the commitments in the Accra Agenda for Action. It may be useful for ADA to see how similar aid agencies in other DAC member countries have adapted to new ways of delivering aid, including their human resource management.

However, it is difficult to see how the organisational reform has reinforced the Ministry of Foreign Affairs and, in particular, Division VII's capacity to execute the Development Co-operation Act, and to deliver and co-ordinate aid policies, country and regional strategies. Improving Division VII's staffing and technical expertise would enable it to fulfil its mandate. However, this has not happened. Consequently, the MFA often relies on ADA to perform strategic and policy-making tasks that, in fact, fall under the MFA's mandate. Limited capacity can delay the completion of strategic guidance which is crucial for country programming.

Moreover, while ADA has a clear mandate to manage co-operation offices in priority countries, co-operation offices have limited interaction with the MFA. This can prevent Austria from reaching its full potential in priority countries. For example, the peer review team observed limited contact between Austrian foreign and development policy in Ethiopia even though development co-operation is a pillar of its foreign policy. Both the MFA and ADA need to review the optimal level of interaction between foreign and development policy in the field, and to define roles clearly so that Austria has a stronger and more coherent profile in partner countries.

#### *Building a results focus into programmes and institutionalising knowledge management*

While there is a detailed *Checklist for the Country Programming Process*, programme documents — including their logical frameworks — have remained process-oriented and do not focus on results. The introduction, since the last peer review, of logical frameworks and training in project cycle management for ADA staff is a positive move towards a results-based approach. Ongoing work at the MFA to finalise guidelines on results indicators for country programmes is also welcome. These guidelines should be translated into country specific results frameworks as a matter of priority. Such a framework should be aligned with partner governments' results frameworks. Currently, some of Austria's country programmes are being implemented by ADA despite not having been signed off by the MFA. Accountability would be strengthened if the present monitoring system that accounts mainly for expenses and outputs were clearly linked with the results-based monitoring systems agreed upon by the partner countries and the donor community. ADA and the MFA could also strengthen individual accountability through staff performance assessments that link individual objectives and results within the staff member's sphere of influence to the goals in the annual work plan or country strategies.

The MFA and ADA take an informal approach to knowledge management, relying mainly on learning from evaluations and through the training programme. MFA and ADA staff would benefit from a more systematic approach to collecting and exchanging good practice and lessons among co-operation offices and development partners. The MFA and ADA also need to find ways, such as a shared interactive intranet site, to strengthen communication between both institutions across thematic and country lines, and especially between MFA and ADA headquarters and the co-operation offices. The yearly heads of co-operation meeting, currently organised by ADA, could serve this need for exchange and institutional learning.

#### *Establishing and resourcing an independent evaluation function at the MFA*

DAC experience shows that evaluations and the assessment expertise associated with them can be central to the broader evolution of development co-operation system learning and knowledge management. The evaluation function needs to be independent to ensure the objectivity and reliability

of findings. In the MFA, Quality Management and Evaluation is a sub-unit of the Development Policy and Strategy Unit and is therefore not independent as recommended by the DAC. In addition, the ministry's evaluation function has no budget and only one staff member as a focal point who has insufficient evaluation expertise. ADA has set up its own separate and independent evaluation office, as recommended in the 2004 peer review. The MFA's Division VII leads evaluations on sector policies, instruments, and strategies, as well as overall co-ordination and oversight, according to the *Guidelines for Evaluation* (OEZA, no date), which are in line with the DAC principles for evaluation

## **Recommendations**

To continue the organisational reform started in 2004, Austria should:

- Fine-tune the organisation of Austria's aid system to deal with capacity pressures and to clarify roles and responsibilities between the MFA and ADA. Austria should ensure that the MFA has the required resources to meet its responsibilities to set policy, give strategic direction, monitor and evaluate, and report on results.
- Develop a culture of managing for results in Austria's aid system by placing results at the centre of planning, implementation, disbursement reporting, monitoring and evaluation and staff performance objectives. Country programmes should have specific results frameworks, which should align with partner countries' own objectives.
- Bring Austria's evaluation system in line with DAC guidelines on evaluation. An independent evaluation unit with sufficient staff and budget needs to be established within the MFA.

## **Practices for better impact**

### ***Implementing aid effectively***

The principles of the Paris Declaration on Aid Effectiveness are well integrated into Austria's development co-operation act, core policy documents and country programmes. The *Austrian Action Plan on Aid Effectiveness 2006-2010/1* sets out general objectives for the different indicators of the Paris Declaration and establishes a clear division of labour between the MFA, ADA and co-operation offices. This encouraging commitment can be translated into an operational plan with Austria-specific targets for all Paris Declaration indicators. For example, an approach to assessing the risks of different modalities could be developed in collaboration with the Ministry of Finance, and aid could be made more predictable through a multi-annual aid plan and budgetary framework. Furthermore, Austria's provisions to make aid more effective only apply to bilateral aid activities managed by MFA and ADA. This could usefully be extended to the Austrian aid system as a whole.

The OECD's 2008 monitoring survey (OECD, 2008) shows that Austria's performance against several Paris Declaration indicators has improved for some aspects (*e.g.* capacity building, public financial management and joint country analysis), but slipped back for others (*e.g.* the use of common arrangements or procedures and joint missions). The target of allocating 10-15% of ADA's budget as budgetary support demonstrates Austria's willingness to extend aid through the country system. Austria is encouraged to achieve this target, and the budget support guidelines, which are currently being prepared by the MFA, should clarify the principles and the decision-making criteria for using this modality. In the spirit of transparency and mutual accountability, Austria should share these guidelines with partner country governments.

Like all donors, Austria faces challenges in positioning and preparing itself for future co-operation in line with the Paris Declaration and the Accra Agenda for Action. It will be crucial for Austria to scale up aid in priority countries; if not, Austria risks losing credibility with partner governments and the donor community in these countries. Austria needs to consider carefully how it will balance the mix of approaches and modalities in diverse partner situations and how it will fully participate in the international division of labour while retaining its capacity to operate in the sectors where it can make a real difference.

### ***Learning from experience on priority topics***

#### *Capacity development*

The Federal Act on Development Co-operation emphasises that Austria “shall primarily use the administration and project implementation capacities of developing countries and thus strengthen the structures of civil society and public structures in these countries.” Elements of capacity development can be found in many relevant policies and strategies. Qualitative criteria on capacity development were developed by ADA in 2005 but have yet to be mainstreamed. ADA’s Work Programme 2009 emphasises the new importance capacity development has gained since the Third High Level Forum on Aid Effectiveness held in Accra in 2008. Drawing on DAC experience, Austria could benefit from translating its approach to capacity development into operational guidelines.

Austria integrates capacity development most prominently into two areas: strengthening local administrations and private sector co-operation. Increased collaboration with local consultants is a priority for Austria. This was clear in its programme on food security and sustainable resource management in Ethiopia, which is managed and steered at the regional level by local experts. However, Austria’s scholarship programme, which constitutes a large proportion of technical co-operation, has yet to comply with either the Paris Declaration principles or Austria’s vision of capacity development. It needs to be demand-driven, based on needs assessments and should build both individual and institutional capacity in partner countries or regions. The DAC thus welcomes Austria’s intention to reform the scholarship programme.

#### *Environment and climate change: building a strong strategic basis*

Preserving the environment has been one of Austria’s three pillars of development co-operation since 2002. Austria is currently developing strategic guidelines for environment and development, including climate change, through an inter-ministerial process. This is a welcome move; Austria is active on many fronts in this area and requires more focus. Austria actively supports international negotiations on environment and climate change. It assists the preparation of National Adaptation Programmes of Action (NAPA) in partner countries as part of the Least Developed Countries Expert Group (LEG) on Climate Change. Austria also sets itself high environmental standards, and is at the cutting edge in developing renewable energy and organic agriculture at home. In 2007, Austria launched the Austrian Clean Development Mechanism in Africa initiative to foster CDM projects in Sub-Saharan Africa, the fruit of close co-operation among various key institutions.

Avoiding separate budget lines, Austria treats environment as an integral, cross-cutting component of development and emphasises it especially in four fields of action: (i) sustainable natural resource management, combating desertification and preserving biodiversity; (ii) addressing climate change; (iii) water and sanitation; and (iv) environmentally sound chemicals and waste management.

Total commitments to environment (as a sector or a policy objective) increased from USD 78.35 million in 2005 to USD 107.4 million in 2007.<sup>3</sup>

Austria's programmes have a growing focus on environment in general, and specifically on biodiversity and climate change (mitigation). Its focus paper on climate change states that one of Austria's development co-operation principles is to ensure that additional greenhouse emissions are minimised or avoided in programmes and projects. A major challenge for Austria is to focus on a few clearly defined areas of intervention so as to have maximum impact. Austria's expertise in renewable energy production bodes well for a more substantial engagement internationally and in partner countries on mitigation and its experience with organic agriculture as a tool to cope with adaptation might be another entry point.

## **Recommendations**

To build on its commitment to make aid more effective and to focus on preserving the environment, Austria should:

- Complement the Aid Effectiveness Action Plan with a binding, system-wide operational plan for taking forward the lessons from Austria's aid effectiveness review. These include increasing the emphasis on results; clarifying the division of labour between ADA and the MFA in their relations with the field; making aid more predictable; using partners' monitoring, evaluation and reporting procedures and systems; and identifying appropriate niche sectors as it improves division of labour and increases country programmable aid.
- Develop guidance on practical approaches to capacity development jointly with other donors and partners, including for situations of fragility. Austria should assess the capacity needs of partner countries together with partner governments and donors and establish systems for ensuring that technical co-operation remains demand-driven.
- Continue to reform the scholarship programme as a matter of priority. This should involve providing a coherent and holistic approach to ensure that scholarships are an efficient and cost-effective way of contributing to building sustainable capacity in partner countries. They should also contribute substantially to Austria's geographical and thematic development priorities.
- Approve without delay the inter-ministerial strategy on environment and development making it binding on all relevant governmental bodies. The DAC welcomes Austria's initiative in this area and asks Austria to ensure that human and financial resources dedicated to environment and climate change at headquarters and in the field match the strategic importance these issues are given in policy.

## **Humanitarian action**

The *Three-Year Programme on Development Policy* identifies the international legal basis for Austrian humanitarian action. However, the setting of the Austrian Government's humanitarian action within domestic legislation is vague. The *Development Co-operation Act* and its 2003 amendment do not make specific references to humanitarian objectives, which are assumed to be encompassed within the broader umbrella objective of "ensuring peace and human security". In the absence of formal guidance, ensuring coherent approaches to humanitarian crises across three ministries and ADA

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<sup>3</sup> Constant 2007 USD. Source: OECD Statistics

appears to depend on *ad hoc* co-ordination and personal contacts rather than formalised structures. For external partners, this often leads to confusion about the entry point for dialogue on humanitarian issues and is a source of some frustration in decision-making processes.

The aims of Austria's humanitarian aid generally mirror the humanitarian objectives identified by the Good Humanitarian Donorship (GHD) initiative. However, some caution is needed to ensure that elements of Austria's wider aims (*i.e.* state-building support) do not compromise humanitarian principles. Austria's first-ever humanitarian policy (2007) outlines a multi-dimensional vision of "humanitarian aid", which embraces disaster risk reduction, response rehabilitation and recovery. It further distinguishes between immediate short-term responses to sudden onset crises (disaster relief) and responses to slower onset and protracted crises (humanitarian relief). The policy represents a welcome statement of intent but its critical deficiency lies in the lack of clearly defined pathways to meet commitments (including GHD commitments) and specific targets to underpin policy objectives.

A very encouraging development is the recent announcement that Austria will "substantially increase financial means for humanitarian aid", stated in the government programme for the 24<sup>th</sup> legislature in November 2008. In particular, the opportunity to increase support to multilateral agencies and Red Cross agencies will provide Austria with a humanitarian profile more commensurate with its position within the international community — notably as a current member of the UN Security Council. It also provides an opportunity to establish an annual budget allocation for the Foreign Disaster Relief Fund in order to increase the predictability of Austrian responses to emerging crises.

Increased funding for humanitarian assistance should also be an incentive for Austria to bring its way of delivering humanitarian aid into line with contemporary global practices. Multi-annual agreements with multilateral key partners and NGOs, based on core or programming modalities, would significantly enhance the quality and predictability of Austrian humanitarian support without diluting accountability. Once established, these mechanisms would relieve administrative pressures on Austria's aid system and create space for more strategic dialogues with partners.

Shortcomings in demonstrating the impact of Austrian humanitarian action are likely to become increasingly critical as humanitarian assistance is scaled-up and comes under greater scrutiny. The proposed thematic evaluation of all aspects of Austrian humanitarian action in 2009 therefore takes on critical importance, not only as a potential trigger for revising humanitarian policy and establishing a stronger platform for future humanitarian action, but also as an important opportunity to reflect on learning and accountability practices within the humanitarian domain.

## **Recommendations**

As it increases funding for humanitarian assistance, Austria should:

- Bolster support to UN agencies and Red Cross organisations with un-earmarked core funding, as recommended in the Good Humanitarian Donorship Initiative, and in line with its position within the international community, as well as to establish an annual budget allocation for the Foreign Disaster Relief Fund. The recent pledge to increase significantly Austrian humanitarian assistance is very encouraging.
- Consider more streamlined approaches for support channelled through multilateral partners, including (but not limited to) multi-annual framework agreements. As the budget increases, efficiency dividends could also be gained by establishing humanitarian partnership

agreements with accredited NGOs, such as those that already exist in the development sector.

- Strengthen evaluation and learning functions within the humanitarian sector in line with the greater scrutiny likely to emanate from increased financial flows to the sector.

## CHAPTER 1

### STRATEGIC ORIENTATIONS

#### **The foundations of Austrian development co-operation**

Austria has strong historical, social and cultural links with countries in central and eastern Europe which were part of the Austro-Hungarian Empire before 1918. In the latter half of the twentieth century Austria became a frontline asylum country for displaced people and other migrants from eastern Europe. During the 1990s, conflict in the former Yugoslavia brought humanitarian crises and displacement to the borders of Austria, which became an asylum destination for many thousands fleeing conflicts in Bosnia, Croatia, Serbia and Kosovo. Furthermore, Austria has geo-political, commercial and trading interests in east European countries. For example, the share of Austria's total exports to central and eastern Europe rose from 12.5% in 1991-95 to 18% in 2001-05 (OECD, 2007). Like several other DAC members, Austria's relationship with countries in the South evolved from the church's tradition of charitable assistance to Africa, Asia and Latin America.

Development co-operation policy was integrated in the Federal Ministry for European and International Affairs (MFA)<sup>4</sup> in 1995 for co-operation with non-European developing countries and in 2000 for co-operation with central and eastern Europe.<sup>5</sup> For Austria, global burden sharing and achieving the Millennium Development Goals (MDGs) are central to this relationship between foreign and development policy.<sup>6</sup> Nevertheless, while Austria's regional focus on south-east Europe is highlighted, development co-operation in this and other regions is not mentioned as one of the seven thematic priorities in the new government's foreign policy agenda.<sup>7</sup>

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4 Also referred to as the Ministry of Foreign Affairs.

5 Before 1995, development co-operation moved between the Chancellery and the Ministry of Foreign Affairs. It first moved to foreign affairs in 1985 where it stayed until 1991 and then returned to the Chancellery until 1995.

6 Statement by State Secretary Winkler at Doha, Dec. 2008.

7 Respect for human rights and the rights of minorities is one of the priorities. Source: Austrian Foreign Ministry website, 12 January 2009, <http://www.bmeia.gv.at/en/foreign-ministry/foreign-policy.html>.

*The Federal Ministries Act (1986)* and the *2002 Federal Act on Development Co-operation*, amended in 2003 to create the Austrian Development Agency (ADA), provide the legal basis for Austrian development co-operation (Box 1). The development co-operation act states that the term “Austrian development co-operation (ADC)” applies to all institutional actors which report aid flows to the DAC. Both acts identify the Minister of Foreign Affairs as the competent minister for development co-operation policy. The MFA is responsible for executing<sup>8</sup> the development co-operation act and co-ordinating development policy in Austria. At the same time, each ministry that reports aid flows is responsible for enforcing the act’s objectives and principles and for ensuring that aid activities are in line with the three-year programme on development policy (see Section 1.2 below).

### **Box 1. Legal foundations of development co operation in Austria**

#### ***Federal Act on the Deployment of Personnel in the Framework of Development Cooperation (1983)***

The act defines both the conditions for personnel working in developing countries as well as responsibilities of organisations deploying personnel.

#### ***Federal Ministries Act, 1986***

This act assigns to the Ministry of Foreign Affairs responsibilities for co-operation with the Central and East European States and the New Independent States; co-operation in development and co-ordination of international development politics; the United Nations High Commissioner for Refugees (UNHCR) and the International Red Cross. It gives the Ministry of Finance lending and borrowing competences, as well as relations with international financial institutions. The act gives development-related competencies to other ministries (Figure 1): the Ministry of the Interior for immigration and international disaster relief; and the Ministry for Economic Affairs for the United Nations Conference on Trade and Development (UNCTAD) and issues of substance at the World Trade Organization (WTO).

#### ***Federal Act on Development Co-operation (2002), amended (2003)***

**Definition of development policy:** development co-operation shall comprise any measure by the Federal Government that aims at promoting the sustainable economic and social development of developing countries or preventing any impairment of that development.

**Three objectives of development policy:** (i) combating poverty by promoting economic and social development; (ii) ensuring peace and security by promoting democracy, rule of law, human rights and good governance; (iii) preserving the environment and protecting natural resources that form the basis for sustainable development.

**Four principles of development policy:** (i) consider the aims of partner country governments and populations; (ii) give special regard to culture and the appropriate use of technology for each social environment; (iii) gender equality; (iv) needs of children and people with disabilities.

### ***Development co-operation: in need of political support***

For Austria to meet its commitment to development co-operation it needs strong political support for aid and development. However, aid is a low profile political issue in Austria and political support for aid is not deep-rooted. Austrian non-governmental organisations (NGOs) comment that the political context has resulted in mainstream political parties being cautious of politicising aid. Consequently, aid is not a priority political issue in Austria. The Council of Ministers approves the three-year programme on development policy. The programme is then submitted to Parliament for

8 The English translation of the act uses the term “enforcing”. The German term is Vollziehung.

information. The parliamentary sub-committee on development co-operation can submit motions on development to parliament but it has no decision-making authority. In reality, there is limited debate on development in parliament and it is rarely on the agenda of plenary sessions. Furthermore, parliamentary debates and approval of the government's budget do not provide an opportunity to discuss aid policy since ODA – an annex to the national budget – is not central to the debate. More engagement by the MFA with parliament on aid and development issues might advance development priorities at the political level.

The creation of a State Secretary position in the MFA in 2005<sup>9</sup> meant that the Minister of Foreign Affairs could give the State Secretary responsibility for development co-operation, among other things. In 2007 the State Secretary was thus charged with drawing up an ODA road map in collaboration with a State Secretary at the Ministry of Finance (Chapter 3). However, the State Secretary position was abolished at the end of 2008, which is regrettable, not least given the need to secure the political commitment required to meet the European Union (EU) aid target of 0.51% in 2010 (see below). Lessons from other DAC peer reviews show that assigning clear responsibility for the delivery of effective development co-operation to a senior political and publicly accountable figure strengthens an aid ministry or agency's operational authority. Such a champion within the government helps secure and advance political commitment to development co-operation (OECD, 2009).

The Advisory Board on Development Policy to the Minister of Foreign Affairs is chaired by the minister and has well known development experts as members. It is a forum for development policy that could also catalyse political interest and support. The board and the MFA might consider how these meetings with the minister could have a higher public profile in Austria, through, for example, publishing recommendations to the minister or by commissioning reports on strategic issues. Austria could look at how advisory boards promote aid policy in other DAC member countries.

### **The challenges of a fragmented institutional framework**

The Austrian aid system is fragmented among many institutional actors. Austria does not have a consolidated ODA budget (Chapter 3); rather at least eight separate ministries fund aid-related activities from their own budgets (Figure 1). Experience from other DAC members shows that a poorly-integrated aid budget undermines the coherence of the aid system, complicates monitoring and reporting of development-related expenditures, and increases transaction costs for both the donor and the partner countries (OECD, 2009). Nevertheless, the MFA, the MoF and ADA, a limited company owned by the government, are the main development co-operation actors in Austria's aid system.

The 2004 DAC peer review of Austria mentioned that the MFA's role as focal point for development strategy was expected to be strengthened by the foundation of ADA, provided that the MFA had the necessary capacity to formulate strategies and co-ordinate other ministries. It seems, however, that the Ministry of Foreign Affairs and its department with responsibility for development co-operation (Division VII, Figure 5) are, in practice prevented from effectively co-ordinating Austria's aid system. While the MFA has a clear mandate to execute the act and to co-ordinate a coherent aid policy, in practice it has little power to do so. According to the act each aid-spending ministry is responsible for aligning their activities to Austria's development co-operation objectives and the priorities of the three-year programme. With the exception of the Ministries of Foreign Affairs and of Finance, other ministries are not obliged to adhere to the three-year programme.

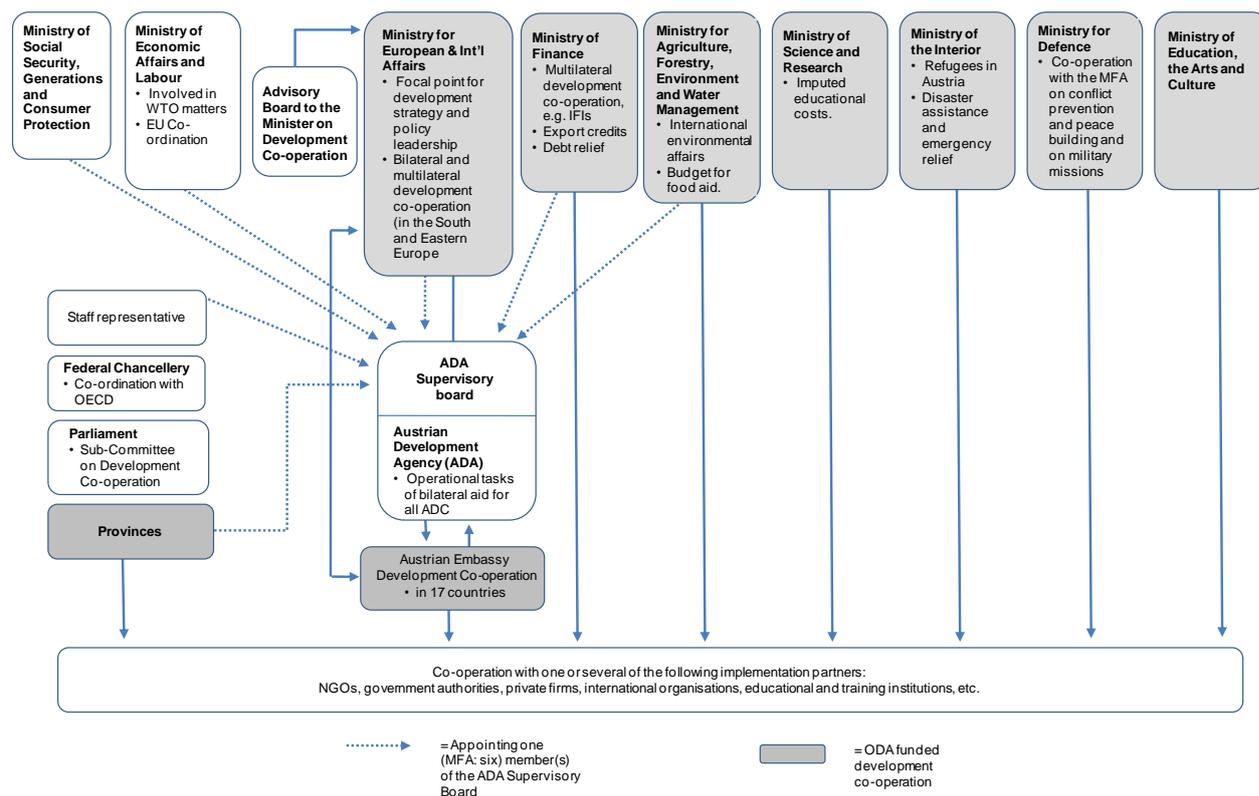
Furthermore, Austria's development co-operation offices in partner countries are managed by ADA but work for the whole aid system. These offices are thus incorporated into Austria's diplomatic

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9 Position created to help Austria prepare for the 2006 Presidency of the EU.

mission structure (see Annex D for an example from Ethiopia). A co-operation agreement<sup>10</sup> between the MFA and ADA lays out the extent to which Austrian embassies are also involved in development co-operation; however, their involvement can hinge on the knowledge of development and the instructions that diplomats get from the ministry, and can result in a strict separation between embassies and the co-operation offices.<sup>11</sup> In addition, the MFA headquarters must communicate with the co-operation offices through ADA and its role in selecting the head of the co-operation office is limited (Chapter 4).

Figure 1. Austria's aid system



Source : OECD

### *Fine-tuning the division of labour between the Ministry of Foreign Affairs and ADA*

On paper, the division of labour is clear between the MFA and ADA in terms of policy formulation and implementation; however it is less clear in practice. Policy formulation is particularly hazy. For example, the act provides that ADA can offer policy and strategy-making consultancy services to the ministry. It was apparent to the peer review team that due to resource constraints within Division VII, the Ministry of Foreign Affairs depends on ADA for fulfilling its policy mandate

10 Vereinbarung zwischen dem Bundesministerium für auswärtige Angelegenheiten und der Österreichischen Gesellschaft für Entwicklungszusammenarbeit m.b.H. (Austrian Development Agency – ADA)

11 The weak links between diplomacy and development at the field level may also be a legacy of the past, when development was not integrated into the MFA and was not a diplomatic function.

(Chapter 4).<sup>12</sup> In addition, Division VII cannot steer ADA through its supervisory board. While 6 of the 12 members of ADA's supervisory board represent the MFA, the political affairs division in the MFA, not Division VII, has chaired the supervisory board since 2007.<sup>13</sup>

ADA's Managing Director sits on the MFA's Advisory Board on Development Policy, though this is not mandated by the Development Co-operation Act. The board, which is chaired by the Minister of Foreign Affairs, is composed of independent development experts and has 11 members, including a representative from the Ministry of Finance and one from the NGO platform. It meets twice a year to discuss the draft three-year programme and broader topics that touch on the jurisdiction of several ministries. As the operational agency for all Austrian development co-operation, ADA could be perceived to have unjustified policy influence over the MFA and other ministries through the board.

### **A rolling three-year strategic framework for development policy**

The Three-Year Programme on Development Policy is Austria's main instrument for giving strategic direction to all official bodies involved in aid. According to the development co-operation act, the programme should include all aid contributions and outline the priorities of development co-operation, as well as the required funding. When the national budgetary process permits, the programme includes a three-year financial forecast drawn up through close co-operation between the MFA and the Ministry of Finance (MoF). The act states that the forecast should show past ODA flows, as well as planned disbursements over the next three-year period (Chapter 3).

The current three-year programme appears to be a mix of a rolling three year strategy and an operational plan for the MFA and ADA. It falls short of being a medium-term development policy applying to all government development actors. The MFA and the MoF submit an updated three-year programme to the Council of Ministers annually, and these annual updates tend to continue the strategic orientation of previous programmes, most notably in the matrix of activities. They include new international and governmental priorities, for example aid for trade in 2007 and regional integration in 2008. However, unless explicitly stated, "new" priorities in previous programmes continue to apply. The strategic vision is, therefore, cumulative. This can have the effect of diminishing the concentration of Austria's aid. In addition, while the three-year programme applies to all ministries involved with aid and is approved through the principle of unanimity by the Council of Ministers, ownership of the programme appears weak beyond the MFA and the MoF.

Austria would benefit from having such a medium term development policy, which, designed through participatory mechanisms, would give direction to the whole ODA system and ensure that the selection of sectors, channels and instruments contributes to the primary goals of Austria's development co-operation. *The Federal Act on Development Co-operation (2003)* may need to be amended so that the three-year programme can be changed to meet this need effectively.

### **Aims and priorities of Austrian development co-operation**

The overarching aims of Austria's aid are poverty reduction; ensuring peace and human security by promoting democracy, rule of law, human rights and good governance; and preserving the

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12 The ADA evaluation (Breier and Wenger, 2008) suggests that ADA charges MFA for the services it provides.

13 The remaining six are representatives from the ministries of finance, economic affairs, social affairs and agriculture, provincial governors and a staff representative.

environment. These aims are achieved through six thematic areas which have remained consistent since the last peer review (Table 1). Gender equality and environmental protection are cross-sectoral issues and should be applied to all programmes and projects (Memorandum of Austria),<sup>14</sup> Humanitarian action (Annex C) was identified in the 2006-2008 three-year programme as a priority area for co-operation with the international community. The latest three-year programme (2008-2010) stated that climate change and food security would receive greater attention in the future. Austria also prioritises aid for trade and strengthening regional co-operation. Finally, Austria is committed to concentrating bilateral aid allocations in 15 priority countries/territories, focusing on two or three themes/sectors per country.

Since 2005, the MFA and ADA have prepared a suite of policy instruments, strategies, and procedures in consultation with line ministries and Austrian NGOs. These policies guide most thematic aspects of programmes and projects, as well as Austrian interventions at the international level. They pave the way for managing more aid, more effectively and more efficiently, in line with the principles of the Paris Declaration. However, while it is positive that the policies build on international and EU guidelines, they are not specific about the outcomes and results that Austria hopes to achieve in its priority thematic areas.

The MFA has started to implement the 2004 peer review recommendation on poverty reduction (Annex A) through the poverty reduction guidelines which were approved in early 2009. These guidelines recognise that poverty reduction is not sufficiently targeted in programmes and projects which do not measure results or impact in terms of poverty reduction and contribution to the MDGs. The MFA and ADA should ensure that these guidelines strengthen and mainstream poverty reduction as a central objective of all aid allocations and of Austria's policy dialogue with development partners, including the private sector.

**Table 1. Austrian development co-operation thematic priorities and priority countries**

<b>ADC thematic priorities</b>	<b>Priority countries/partners</b>
<p><b><i>Development co-operation act</i></b></p> <ul style="list-style-type: none"> <li>• Poverty reduction</li> <li>• Peace and human security</li> <li>• Preserving the environment</li> </ul>	<ol style="list-style-type: none"> <li>1. Nicaragua</li> <li>2. Cape Verde</li> <li>3. Burkina Faso</li> <li>4. Ethiopia</li> </ol>
<p><b><i>Three year programme (six core thematic areas)</i></b></p> <ol style="list-style-type: none"> <li>1. Water and sanitation</li> <li>2. Rural development</li> <li>3. Energy</li> <li>4. Private sector development</li> <li>5. Education and scientific co-operation</li> <li>6. Good governance: including human rights, rule of law democratisation, conflict prevention and peace</li> </ol> <p><b><i>As well as:</i></b></p> <ul style="list-style-type: none"> <li>• Humanitarian assistance</li> <li>• International financial institutions</li> <li>• Multilateral aid</li> </ul>	<ol style="list-style-type: none"> <li>5. Uganda</li> <li>6. Mozambique</li> <li>7. Bhutan</li> <li>8. Albania</li> <li>9. Bosnia and Herzegovina</li> <li>10. Macedonia</li> <li>11. Serbia</li> <li>12. Kosovo</li> <li>13. Montenegro</li> <li>14. Moldova</li> <li>15. Occupied Palestinian Territories</li> </ol>

14 Referred to as Memorandum from this point forward.

<ul style="list-style-type: none"> <li>• Aid for trade</li> <li>• Health</li> </ul> <p><b>Cross-cutting:</b> Gender; environment</p>	
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Austrian development co-operation during conflict and other unstable situations is guided by the policy document *Peacebuilding and Conflict Prevention* (Federal Ministry for Foreign Affairs, 2006). The policy, which is grounded in OECD DAC guidance,<sup>15</sup> identifies eight principles and four areas of intervention to underpin Austrian ODA in support of conflict prevention and peace-building in these settings (Box 2). However, to date application of the policy directions appears to have been selective. In particular, conflict-sensitive approaches will have to be systematically integrated throughout the aid system if conflict prevention is really going to be viewed as an integral component of poverty reduction in conflict prone regions.

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15 Principally, the work of the former DAC Network on Conflict, Peace and Development Co-operation (CPDC) and the former DAC Fragile States Group.

### **Box 2. Austria's peace-building and conflict prevention policy**

#### **Eight principles:**

1. Conflict prevention is understood as an integral component of poverty reduction and takes account of the interaction between poverty reduction and peace-building in all phases of programme and project work.
2. Austria increases its commitment to a proactive approach to the prevention of violent conflicts.
3. Austria encourages a conflict-sensitive approach to prevent possible escalation.
4. Austria is in favour of long-term commitments to ensure lasting peace and structural stability.
5. Austria favours "positive peace" by eliminating not only direct, but also structural violence and its root causes, and by promoting human security.
6. The integration of gender-specific perspectives and measures is of prime significance.
7. Austria recognises the importance of civil society and promotes its participation in conflict prevention and peace-building.
8. Austria promotes dialogue between the conflicting parties and between the state and civil society.

#### **Four areas of intervention:**

1. Conflict-sensitive approach of ADC: mainstreaming.
2. Strengthening local organisations active in the field of conflict prevention.
3. Fostering reintegration.
4. Strengthening the justice and security systems' outlines.

*Source:* Federal Ministry for Foreign Affairs, 2006

At present, a number of instruments support private sector development in priority partner countries, including the programme on private sector partnerships and the Austrian development bank, which was created in 2008. Austria is finalising a private sector and development strategy with a strong focus on fostering pro-poor growth in partner countries. The strategy will also apply to Austria's emerging focus on aid for trade and define the inter-linkages with the Austrian development bank. The MFA stressed that the strategy will set targets against which the impact on poverty of support to the private sector can be measured. While Austria provides a convincing rationale for setting up the Austrian development bank (Box 3), the peer review team questioned whether the bank's creation was justified (i) in light of the fragmentation of the aid system, and (ii) since one of the rationales for creating ADA was to promote private sector development (Chapter 4). To avoid duplication between ADA and the bank, Austria should ensure that there is a clear and complementary division of labour between the two organisations.

### **Box 3. Promoting private sector development through the Austrian Development Bank**

The OeEB, Austria's official development bank, was established in March 2008 and acts on behalf of the Federal Government. It was created because Austria considered that having a loan / equity / mezzanine instrument would complement other aid financing instruments. As a wholly-owned subsidiary of the Export Credit Agency of Austria (OeKB) it is a private financial entity with a public mandate.

The bank's mandate is to finance commercially viable private sector projects in developing countries. It is specialised in realising private-sector projects that: (i) require long-term financing; (ii) can service their borrowings out of their own cash flow; and (iii) have a sustainable impact on regional economic development.

To complement the financing offered by OeEB, the Republic of Austria has earmarked special budgetary resources for project-supporting measures. These so-called advisory programmes can be made available for the purpose of identifying, preparing, inspecting, monitoring and implementing projects, and shall be creditable as ODA.

In order to ensure coherence and co-ordination, all OeEB projects will be approved by the inter-ministerial Business and Development Committee whose task is twofold: to appraise projects from a development perspective, and to provide advice to the bank on its development policy. This committee is composed of representatives from the

## **Commitment to development co-operation at the international level**

Austria is committed to promoting effective multilateralism which it considers as an efficient means of countering threats to peace and security in the 21<sup>st</sup> century (Federal Ministry for Foreign Affairs, 2007b). The MFA has committed to strengthen co-operation with eight UN agencies as part of its plans to bring all UN voluntary contributions up to the EU average. While three-year programmes provide some strategic orientation for multilateral co-operation with the EU, the UN and the international financial institutions, the MFA would benefit from elaborating on its strategy for increasing multilateral aid. A comprehensive strategy would guide the MFA's allocation decisions, increase transparency towards UN agencies on Austria's priorities and selection criteria, and would serve as a useful communication tool to justify and win political backing for achieving the objective to catch up to the EU average.

In October 2008, Austria won a non-permanent seat on the UN Security Council for 2009-10. Its campaign manifesto pointed to its contribution to development co-operation and especially ODA/GNI performance over the period 2005-2007. In his statement to a meeting at UN headquarters in September 2008 on "Africa's Development Needs", the Federal President of Austria reiterated Austria's commitment to meeting international aid targets and devoting 50% of Austria's total aid to Africa.<sup>16</sup> Development co-operation featured prominently in Austria's bid and the international community will look to Austria to consolidate support for multilateral development co-operation (including humanitarian assistance) during its tenure. Women and children in conflict and especially full implementation of Security Council Resolution 1325 on women, peace and security (2000) and resolution 1612 on the protection of children in armed conflict are a top priority for Austria.<sup>17</sup>

At the EU level, Austria supports and implements the European Consensus on Development and the European Consensus on Humanitarian Aid. It participates in partnerships of the Joint EU-Africa Strategy on peace and security and on energy and is chairing the group on climate change adaptation for the Czech presidency of the EU in 2009.<sup>18</sup> Austria is highly appreciated for its continuous support to building the capacity for development co-operation of new EU member states.

## **Public support for official development assistance**

According to representative polls, public support for aid and development is relatively high in Austria, with 77% of Austrians thinking it is important to help poor people in developing countries to develop themselves (GfK Austria, 2007). Forty per cent think that Austria should provide as much aid as other EU countries, 5% think that it should provide more than other EU countries, and 31% think the amount given should stay the same as in 2007 (at 0.50% of ODA as a proportion of gross national

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16 <http://www.bmeia.gv.at/en/austrian-mission/austrian-mission-new-york/news/statements-and-speeches/2008/high-level-meeting-africa-s-development-needs-statement-of-heinz-fischer-federal-president-of-austria.html>

17 <http://www.bmeia.gv.at/en/austrian-mission/austrian-mission-new-york/austria-at-the-un/sc-candidature-20092010.html>

18 Federal Ministry for European and International Affairs (2007b), Austrian Foreign Policy Yearbook 2007, Federal Ministry for European and International Affairs, Vienna, pp. 126-127

income it was close to the EU target for 2010). The Austrian Government therefore has public support for meeting its EU aid commitments. Yet according to Austrian NGOs and opinion leaders, strong individual solidarity in Austria does not translate into solidarity at the political level. Austrians do not actively support and lobby their politicians for more aid in public debates on international issues. Indeed, opinion polls suggest that Austrians trust NGOs more than official Austrian institutions working on development. Furthermore, 70% of Austrians claim that they are poorly informed about development co-operation (GfK Austria, 2007). Austria will need to strengthen public engagement in order to transform this public support for aid into political support. Austrian development co-operation would benefit from, and can contribute to, an informed and critical public debate about global development including development co-operation policies and international commitments.

### ***Increasing critical public awareness of development***

The MFA and ADA take the lead in communicating Austria's aid policy and promoting learning about development. A small unit in Division VII deals with information and communication in the MFA and aims to achieve a coherent public information policy. However, the MFA relies on ADA to communicate the official development policy. ADA therefore needs to both communicate Austria's official development policy whilst implementing a broader and more ambitious strategy to build critical public awareness of development, including the government's development policy. There can be tensions between these two mandates.

#### *ADA's approach to communication and global learning*

Information, communication and development education are separated in ADA's organisation chart (Chapter 4, Figure 6) into the Information Office and the Public Awareness and Education Division, which is one of four divisions. Both report directly to ADA's Managing Director. ADA allocated EUR 6.5 million of its operational budget to communication and education activities in 2007. Of this, EUR 4 million went towards global education activities, run mainly by Austrian NGOs. The objective of the latter is to create and support lively debate among Austrians about development challenges and aid effectiveness.

It is ADA's role to ensure that there is a coherent brand for Austrian development co-operation. However, this can cause confusion. For example, the Austrian development co-operation website also serves as the ADA website.<sup>19</sup> On this website, ADA presents an image of ADC in which the MFA and ADA fit together as two pieces of a puzzle, with the other ministries shown as unconnected pieces of the puzzle. However, the Federal Act on Development Co-operation and the three year programme apply to all aid-spending ministries. The MFA, MoF, ADA and other relevant ministries could improve clarity by taking a more active role in using this brand name when communicating about their activities and by developing and implementing a shared communication strategy that focuses on results. ADA could then communicate its specific contribution to Austrian development co-operation.

Development education which is called global education and learning in Austria is well established. The *Austrian Strategy Group for Global Learning* was set up by public institutions together with civil society organisations in 2003 to strengthen the quality of global education in Austria. In response to a recommendation in a review of Austria's global education in 2005,<sup>20</sup> the Austrian Ministry of Education has mandated the Strategy Group, with ADA in the chair, to develop

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19 <http://www.entwicklung.at/akteure.html>

20 This peer review was conducted by Global Education Network Europe, which was hosted by the North-South Centre of the Council of Europe in 2005.

an all-Austrian national strategy for global learning. After a series of roundtables with experts and organisations in the field, the first part of the strategy (Global Education/Learning in the Formal Educational Sector) is complete and will be presented to the Ministry of Education in spring 2009. The strategy group has followed similar processes in Finland and Ireland and has advised the Portuguese aid agency and SlovakAid on the development of their own strategies. Austria should continue this good practice.

A challenge for ADA's public awareness and education programmes, which have a long history of working through NGOs, will be to reach out to civil society beyond the traditional NGOs. Austria should look to the experience of other DAC members who have taken this step (e.g. Ireland, the Netherlands and the United Kingdom). Furthermore, the MFA and ADA could strengthen collaboration with and support for NGO advocacy for development. NGOs claim that ADA is less supportive of awareness-raising activities with an advocacy dimension in case they challenge official development policy.<sup>21</sup> Support for NGO advocacy domestically, even if it challenges development policy, stimulates broader public debate on development and can provide new opportunities for the MFA and ADA to engage in more political debates about development.

### **Future considerations**

- Austria should prepare a medium-term development policy such as a “white paper” which addresses all ODA activities and is endorsed at the political level. This should commit the whole aid system at the strategic level. Preparing such a policy would give direction to ODA and ensure that the selection of sectors, channels and instruments contributes to the primary objectives of Austria's development co-operation, including Austria's commitment to implementing the Paris Declaration principles.
- The DAC welcomes Austria's poverty reduction guidelines. The MFA and ADA should ensure that these guidelines are implemented as a matter of priority and that they strengthen and mainstream poverty reduction as a central objective of all aid allocations, of Austria's policy dialogue with development partners, including the private sector.
- Efforts to win political and public support for meeting international aid targets and the MDGs need to be strengthened in Austria. The MFA should take the lead on developing, in consultation with the MoF, ADA and other government stakeholders, a comprehensive and well-targeted communication and advocacy strategy that promotes public and political debate about development in Austria. Austria is encouraged to build on its good practice in global education.

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21 Information obtained at peer review team meetings with NGOs in Austria.

## CHAPTER 2

### POLICY COHERENCE FOR DEVELOPMENT

Applied to development, policy coherence is defined as “working to ensure that the objectives and results of a government’s development policy are not undermined by other policies of that same government which impact on developing countries, and that these other policies support development objectives where feasible” (OECD, 2005, p.4). This chapter examines policy coherence in Austria at two levels: (i) the coherence of aid-related activities (internal coherence of aid) and coherence between aid and non-aid policies (policy coherence for development).

#### **The need for conceptual clarity**

The *2002 Act on Development Co-operation* (amended in 2003) states that “the Federal Government, in the fields of policy it pursues that may have effects on developing countries, shall take into consideration the objectives and principles of development policy”. Three-year programmes since 2006 give further expression to Austria’s commitment to policy coherence for development and are considered the most important instruments to promote this. However, they do not set out a strategy for how Austria will achieve policy coherence for development. Chapter Five of the 2007-2009 Three-Year Programme outlines five priorities: (i) international economic relations; (ii) global energy issues, environment and climate change; (iii) gender equality; (iv) amendment of the development aid workers act; and (v) other coherence themes such as fragile statehood, security sector reform, and migration and development. The 2008-2010 Three-Year Programme also states that Austria’s aid for trade strategy should aim for stronger coherence between ministries. It welcomes reflections on a “strategic partnership between development co-operation and foreign trade within the framework of the new Austrian Foreign Trade concept” (Federal Ministry of European and International Affairs, 2008).<sup>22</sup> Finally, the 2008-2013 government programme for the 24<sup>th</sup> legislature stresses that sustainability and coherence with development must be recognised as a goal in all policy areas (Federal Government of Austria, 2008).

Achieving consistency between the goals and objectives of different aid activities is a major issue given that the Austrian aid system is fragmented between ministries (Chapters 1, 4 and 5). In addition, while several ministries finance aid activities from their regular budget, policies emerging from their core work could also have a bearing on development. Therefore, Austria needs to address the coherence of aid-related activities and coherence between aid and non-aid policies. However, the peer review team felt that there is a weak understanding of the difference between these two coherence agendas in Austria.

Political commitment and policy statements are key elements of policy coherence for development as defined by the DAC in the *Synthesis Report on Policy Coherence for Development* (OECD, 2008d). According to the synthesis report, Austria had made moderate progress with political

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22 The Commitment to Development Index 2007 (CDI) rates donor countries for their “development friendliness.” Austria scored well for environment but not for security, trade or investment. See [http://www.cgdev.org/section/initiatives/\\_active/cdi/](http://www.cgdev.org/section/initiatives/_active/cdi/).

commitment to PCD and some progress with policy statements in 2004.<sup>23</sup> While there has been further integration of policy coherence for development within the policy framework since the last peer review, Austria could strengthen this commitment by publishing clearly prioritised and time-bound action agendas for progress. Furthermore, MFA's dialogue with NGOs should provide an opportunity to discuss policy coherence with civil society and could promote public debate about politically sensitive coherence issues.

### ***Growing government and public awareness of policy coherence for development***

Policy coherence for development has grown in significance in Austria since it appeared on the EU agenda in 2001. Awareness has also increased among NGOs and in parliament, notably within the Sub-committee on Development Co-operation. Since 2001, Austria has signed several international agreements in the EU, UN and OECD (Box 4.) These agreements provide a frame for policy coherence for development, increase public discussion and understanding and affirm Austria's international commitment to the issue at the political level.<sup>24</sup> The MFA tries to participate in various international networks, including the EU and the OECD, though it lacks capacity in this respect.

#### **Box 4. The European dimension of Austrian policy coherence for development**

The EU's common development policy, which has taken shape at major UN conferences since 2000, is an important platform for Austria's development policy and has particular relevance for Austria's understandings of policy coherence for development. The European discussion in 2001 about the 3Cs (co-ordination, collaboration, coherence) was an important moment in Austria's conceptual thinking about policy coherence for development. In 2005, the EU Consensus on Development became an important frame of reference for Austria regarding policy coherence for development. The rolling EU work programme requires regular reporting by member states of their progress and record on policy coherence for development. The Austrian three-year programme still refers to the 3Cs when discussing Austria's contribution to EU development policy.

During its presidency of the EU in 2006, Austria added the energy-development interface to the agenda by organising conferences and encouraging more work among members on sustainable development (CEPS, 2006).

However, there seems to be limited awareness of the issue at field level. In Ethiopia, the embassy had no formal mandate to promote and monitor policy coherence for development and the co-operation office did not have sufficient capacity to monitor these issues. The embassy, in its commercial role, had informally reported to headquarters on coherence issues related to the export of Austrian equipment to the energy sector.

In 2008, the Information Office on Economics and Development was established in the Austrian Ministry of Economy, Family and Youth under the Internationalisation Offensive. Its aim is to orient development more strongly towards economic aspects. Through expert meetings and outreach it strives to create awareness of the complementarity between development and economics. The information office targets Austrian businesses as well as the general public. An Advisory Board on Economics and Development aims to ensure coherence with other Austrian activities.

Austrians increasingly recognise issues relating to policy coherence for development. The emergence of a market for fair trade products (*e.g.* chocolate and coffee) shows some recognition

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23 Analysis was based on the 2004 peer review.

24 The three year programme (2007, p.47) refers to the EU Consensus on Development (2005), biennial EU report on policy coherence for development, various OECD/DAC Good Practices, and the recommendations of the Panel for System-wide Coherence (2006) for the UN system.

among the public of the impact of Austrian behaviour on international development. NGOs with an interest in and understanding of policy coherence for development are working, with limited resources, to increase public awareness of the issue. An entry point for engaging with the public and political leadership appears to be to locate development within the context of global public goods, global concerns and globalisation that affect Austrian lives and livelihoods. However, building public awareness that effectively connects with the political discourse may be a challenge, but there are opportunities. For example, the longer term impact and linkages to developing countries of the food crisis could be debated with farmers, trades unions and chambers of commerce, and through their strong links to the political level help raise the profile of policy coherence for development.

### **The need to address policy coherence for development systematically**

In Austria, there appears to be no systematic basis for tackling policy incoherence. While the development co-operation act states that the Federal Government is responsible for ensuring policy coherence for development, it does not state which ministry has responsibility for ensuring coherence in practice. The MFA is only mandated to co-ordinate internal coherence in development policies. The lack of designated leadership on this issue has system-wide implications for analysis, monitoring and evaluation, reporting, policy arbitration and engagement with other stakeholders.

#### *Co-ordination mechanisms*

Another building block of the policy coherence cycle is co-ordinating and implementing policy (OECD 2008d). The synthesis report found that Austria had moderate success in putting policy co-ordination mechanisms in place. The Federal Government is responsible for ensuring the coherence of non-aid policies with Austria's development objectives. As in other DAC members, cabinet is the highest level forum for discussing and arbitrating on policy priorities. However, cabinet is the only forum with a mandate for addressing policies that are inconsistent with Austria's development priorities. Furthermore, Austria's unanimity principle is a constraint for policy coherence for development because ministers have an implicit veto in Cabinet. While the Federal Chancellor (the head of government) can try to resolve ministerial differences and negotiate a compromise, s/he cannot take an arbitrary decision.<sup>25</sup> At the same time, bringing coherence or incoherence issues to Cabinet depends on each Minister's willingness to raise the issue as well as the capacity of the administration to submit evidence-based analysis on how other policies support or undermine development efforts. Policy coherence needs to become a political priority in Austria if Cabinet is to develop the will to debate and negotiate compromises for PCD. In addition, Austria should take a more systematic approach by identifying, mandating and resourcing a focal point located where it will have sufficient clout to raise coherence issues effectively in Cabinet. This could mean giving a clearer, more visible mandate to the unit for policy co-ordination in the MFA. Austria could usefully consider how other donors such as Sweden and the Netherlands have resolved this issue.

The MFA has enhanced its negotiations with Austrian ministries working on aid in priority ODA policy areas, showing how joint activities can have beneficial outcomes. Efforts to ensure coherence in the development co-operation programme are evident in the chapter dedicated to policy coherence in Austria's three-year programmes and through several co-ordination mechanisms. An inter-ministerial working group, chaired by the Director General for Development Co-operation, was established in 2005. This group meets yearly to discuss the aid policy and has contributed to improved information exchange and collaboration between participants. At the same time, the good will of respective ministries determines the level of coherence achieved. In the case of security policy, for example, the

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25 The Federal President appoints the ministers and the Federal Chancellor, who has no authority over the ministers. See <http://www.bka.gv.at/site/3521/default.aspx>.

Federal Ministry of Defence regularly consults the MFA on development issues. Officials in the Federal Ministry of Defence expect that work on a three-year security programme will lead to a coherent policy which will include engagement with development. The MFA has committed to explore the scope for joint projects with the Ministry of Defence in Kosovo but will have to exercise caution to ensure that these do not impinge on fundamental humanitarian principles (Annex C). Similarly, the Federal Ministry of Economy, Family and Youth is consulting with the MFA on strategic guidelines for trade and investment. More forward looking planning and comprehensive policies in these sectors, with strategic guidelines, could improve outcomes.

In pursuing broader consultations on policy coherence for development, the administration could usefully involve civil society stakeholders. For example, the Austrian private sector is a key stakeholder in the areas of trade and investment, with some companies taking fair trade initiatives. At the same time, certain NGOs express their willingness to play a watchdog role in some sensitive areas, e.g. export of small arms, which comes within the competency of the MFA. Austria could encourage improved corporate social and environmental responsibility across the private sector and encourage NGOs to be more active in the area of policy coherence for development to supplement the government's own capacity.

#### *Monitoring, analysis and reporting*

Government capacity for analysing policy coherence for development is limited. Austria has had partial success in putting in place monitoring, analysis, and reporting systems (OECD, 2008d). However, while ADA can analyse internal coherence and a unit within Division VII promotes coherence in the aid system, Austria has no dedicated government unit which could conduct and commission research, analysis and reporting on policy coherence for development. This is a weakness. At present, co-operation takes place between Division VII and the Austrian Research Foundation for International Development.<sup>26</sup> The administration could build on this co-operation and explore how to use universities and research institutes more systematically to prepare analytical studies of policy coherence for development. Improving analytical capacity would allow Austria to promote PCD across government; to monitor implementation, including of new government bills and whole-of-government studies on this topic.<sup>27</sup>

With regard to evaluation, the MFA's responsibility for strategic evaluations (Chapter 4) has not extended to policy coherence for development. No other government agency has responsibility for monitoring and there are no guidelines for other ministries to monitor policy coherence for development. Several NGOs and parliamentarians suggested that the cover sheet for each parliamentary bill should include possible development implications. This would require sufficient capacity in the ministries to identify – through research and monitoring – the development impact of each policy. A dedicated government unit, if created, could help select the relevant bills with a development impact and support the specific ministry in identifying impacts.

Since the last peer review, reporting by ministries on ODA activities in the three-year programme has improved. However, these improvements have yet to extend to broader policy coherence for development. Constraints include the general weakness of parliamentary oversight and, particularly, the lack of a standing parliamentary committee on development.

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26 Österreichische Forschungsstiftung für Internationale Entwicklung (OEFSE)

27 A Ministry of Education paper suggested that there will be an improvement in funding for policy coherence analysis. However, the paper was written before the global financial crisis and the negotiations to form the new coalition government so the current situation remains uncertain.

### ***Achieving policy coherence between environment and development***

The *Austrian Federal Development Co-operation Act (2002)* defines “preserving the environment and protecting natural resources that form the basis for sustainable development” as one of the three key objectives of Austrian development co-operation. National environment laws and strategies, in turn, contain significant development components. Austria’s *Strategy on Sustainable Development* (Federal Government of Austria, 2002) recognises Austria’s responsibility to promote sustainable development in developing countries. Its *Umweltförderungsgesetz (Environmental Support Act)* of 2008 (§ 35 and §39 [1],6)<sup>28</sup> specifies that any projects undertaken in developing countries under the flexible mechanisms of the Kyoto Protocol must respect the goals and principles stated in the development co-operation act, as well as international provisions. The Federal Ministry of Agriculture, Forestry, Environment and Water Management is mandated to implement this law with three other ministries (Foreign Affairs, Finance, and Economic, Family and Youth). Austria is one of only a few DAC members to have taken this step towards policy coherence for climate change.

Climate change is highlighted as a major global challenge in the *Three-Year Programme 2008-2010*. Strategic guidelines on environment and development<sup>29</sup> are currently being developed through an inter-ministerial process, led jointly by the Ministry of Foreign Affairs and the Ministry of Agriculture, Forestry, Environment and Water Management. This is a concrete step towards better policy coherence between environment and development.

The 2003 *OECD Environment Performance Review of Austria* (OECD, 2003) recommended that more attention should be given to the links between environment, diplomacy and development. Box 5 describes aspects of institutional co-ordination between development and environment, a policy area on which the Commitment to Development Index (2007) recorded a high score for Austria.

#### **Box 5. Inter-ministerial co-operation for policy coherence of environment and development**

The MFA has made particular efforts to engage in policy discussions with the Federal Ministry of Agriculture, Forestry, Environment and Water Management regarding environment and development. While there are long-standing international commitments for the environment which have development implications, such as the EU action plan on climate change in the context of development co-operation, the recent volatility of food and fuel prices and supplies has brought these environmental issues higher up the political agenda. Co-ordination mechanisms are in place between the ministries and there is interest in joint analysis of key issues that link the two policy areas. In this case, the two ministries are jointly working on strategic guidelines for environment and development that go beyond ODA. In these areas, a specific intention was for the guidelines to encourage mutually beneficial processes and outcomes (*i.e.* a two-way street).

### **Future considerations**

- Austria has made some progress in integrating policy coherence for development within its policy framework. It could deepen commitment to and move forward on PCD by publishing clearly-prioritised and time-bound action agendas, clarifying mandates and responsibilities for policy coherence for development, and building a system for analysis, monitoring and reporting, which includes perspectives and experiences from the field. Austria should look to the experiences of other DAC members.

28 Federal Law Gazette (BGBl) 185/1993, last amended in 2008 (BGBl I 74/2008).

29 The current draft is entitled Leitfaden (“guidelines”). However, this title may change.

- More strategic attention could be given to increasing political and public awareness and understanding of how policies in Austria affect developing countries.
- Austria could take a more systematic approach to policy coherence for development by identifying, mandating and resourcing a focal point located where it will have sufficient clout to ensure that these issues are brought to the attention of the Cabinet.
- Austria could benefit further from using the capacity of academics, think tanks and NGOs based in Austria and in partner countries to conduct research, analysis and monitoring on policy coherence for development. Austria should look to other DAC members' experience on this issue.

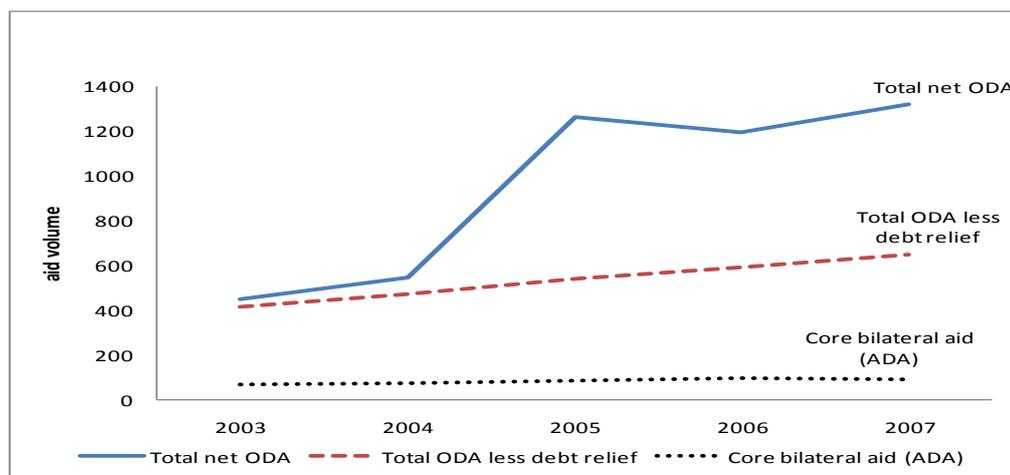
## CHAPTER 3

### ODA VOLUME, CHANNELS AND ALLOCATION

#### Overall official development assistance: meeting aid commitments after debt relief

Austria's total net ODA was EUR 1.3 billion or 0.50% of GNI in 2007. As Figure 2 shows, the striking feature of Austria's aid performance from 2005 to 2007 is the sharp increase in debt relief, which in 2007 accounted for EUR 692 million or 52% of total ODA. Excluding debt relief Austria's 2007 ODA/GNI ratio would have been 0.24%: lower than the DAC average (0.26%). Since the prospects for additional debt relief over the period 2008-2010 are limited, Austria needs to increase its aid sharply to meet the EU minimum target of 0.51% by 2010. Austria restated its commitment to this target in the new Government programme and the Federal Chancellery's response to the OECD's Aid Pledge in January 2009; in practice, there however, appears to be little prospect of the commitment being met.

Figure 2. Trends in Austria's ODA, EUR million



Source: Annex B, and ADA

The 2004 Peer Review of Austria foresaw the need for a forward spending plan in order to meet commitments and recommended that Austria develop a consistent strategy, including an explicit growth path, to fulfil its ODA commitments. While some discussions occurred in 2007 to establish an "ODA growth path" (see below), no concrete measures and targets were agreed.<sup>30</sup>

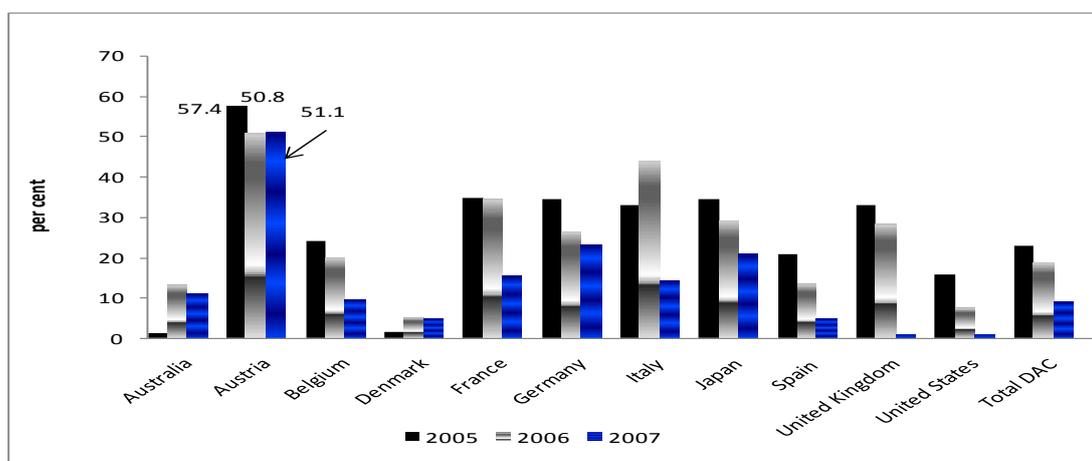
#### *Overdependence on debt relief for achieving aid targets*

Debt relief was the main component of Austria's ODA growth in the years 2005-2007 (Figure 3). Austria's forgiveness of outstanding debt on non-ODA loans far exceeded that of any other DAC

30 Meetings in Vienna and Ethiopia.

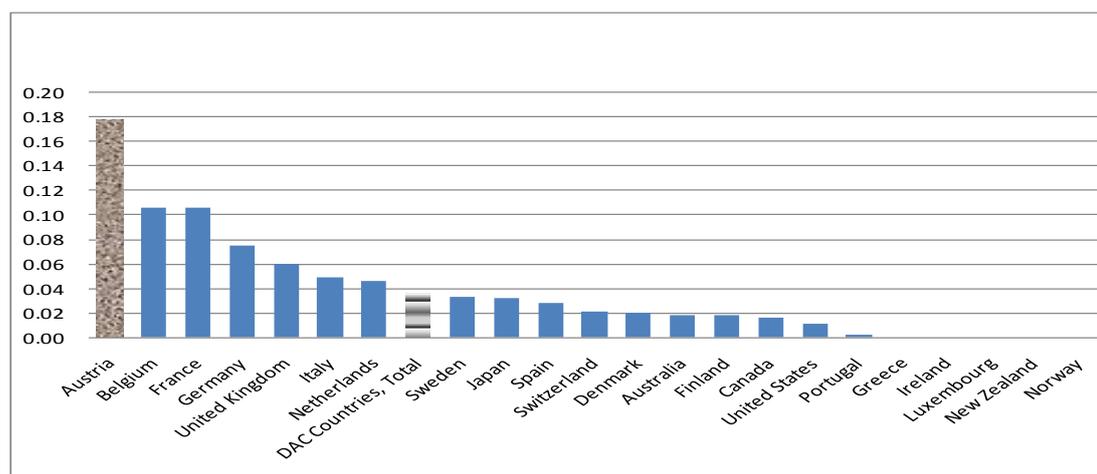
member as a share of GNI (Figure 4). This suggests the need to review lending criteria to better protect the Austrian taxpayer against the danger of excessive lending to borrowers who will be unable to meet their repayments. Debt relief accounted for more than 50% of reported ODA between 2005 and 2007 - an unprecedented situation for any DAC member. However, the apparently stable high level of debt relief in these years needs to be interpreted with caution. ODA would have fallen sharply in 2007 as it did in other DAC members (Figure 3) but for Austria's decision to delay to 2007 part of the debt relief agreed by the Paris Club for Nigeria in 2005. The delay kept Austria's ODA/GNI ratio for 2007 close to 0.5%, as it had been in 2005 and 2006. While the delay did not break Paris club or DAC statistical rules, it did impair the comparability of Austria's ODA figures, both over time and with other donors, and the delay in implementing debt relief for Nigeria lacked any developmental justification.<sup>31</sup> Only one other DAC member (Denmark) delayed some Nigerian debt relief, but Austria's delay had a far more significant effect on its aid data.

**Figure 3. Debt relief as a percentage of net ODA in selected DAC member countries 2005-07**



Source: Statistical Annex, Development Co-operation Report 2008, OECD

**Figure 4. DAC members' forgiveness of non-ODA debt as a share of GNI, 2003-07**



Source: DAC Creditor Reporting System

31 The practice of delaying debt relief continued in 2008 when the Ministry of Finance decided to shift approximately EUR 10 million of Togo's debt relief from 2008 to 2009.

The ministries of Foreign Affairs and Finance were aware that Austria's debt relief would decline after 2008 and that Austria needed a more comprehensive road map for meeting the 2010 and 2015 targets. To address this, they set up a working group in 2007 led by the respective State Secretaries to negotiate and work out a strategy for gradually increasing ODA. One important aspect of these discussions was the suggestion that additional funds would have to be earmarked and used for ongoing bilateral country and regional programmes, as well as for increasing voluntary contributions to UN organisations so as to catch up with the EU average. However, this growth path was not approved by the government at the time, was not published, and is not on the agenda of the current government which came into power in late 2008. In addition, the new government's programme acknowledges the possibility of missing the 2010 aid target due to 'limited budgetary means'.<sup>32</sup> Barring further exceptional payments for debt relief or other purposes<sup>33</sup>, Austria is therefore highly unlikely to meet the minimum EU country target of 0.51% in 2010.<sup>34</sup>

### ***Austria's aid is fragmented***

Austria has made exceptional progress in reporting and capturing the aid activities of all ministries involved in aid to the DAC's Creditor Reporting System. However, with at least eight ministries allocating aid, Austria does not have an integrated aid budget. Experience from DAC members shows that having an integrated budget improves the coherence of the aid system, simplifies monitoring and reporting of development related expenditures and decreases transaction costs for both donor and partner countries. While the transition to one aid budget may not be immediately feasible in Austria, ministries should plan their ODA commitments at the beginning of the financial year and communicate them in their annual budget submissions. Once Austria has approved a binding development policy all ministries should demonstrate how their planned aid expenditures will contribute to it.

### ***The small share of ODA managed by the Ministry of Foreign Affairs***

According to the Austrian authorities, the MFA managed 10.4% of total ODA in 2007 (3.4% for multilateral aid and 7% (USD 126 million) for the ADA budget which is also channelled through the MFA). This is compared to the 77% managed by the Ministry of Finance (for debt relief and international financial institutions<sup>35</sup>) and 5% managed by the Ministry of Science and Research, mainly for imputed student costs (USD 77 million in 2007, Chapter 6).<sup>36</sup> Thus, despite its mandate to implement the Development Co-operation Act, the MFA only has direct control over only one-tenth of Austria's ODA, although it also collaborates closely with the MoF.

Aid excluding debt relief totalled USD 861 million<sup>37</sup> in 2007. However, USD 122 million of this went on imputed student costs and subsistence of refugees in Austria. A further USD 484 million (27% of total ODA), was multilateral aid. Thus, Austria allocated only USD 242 million (15% of total

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32 See the Government programme for the XXIVth Legislature.

33 For example, caused by the timing of capital payments to multilateral development banks.

34 Sudan is one of Austria's remaining debtors. While the Paris Club has not decided when and if Sudan will receive debt relief, Austria's Ministry of Finance foresees relief of approximately EUR 600 million of Austrian lending.

35 Other than debt relief, the MoF allocated EUR 113 million to International Financial Institutions in 2006 (23% of total ODA managed by the MoF).

36 Memorandum

37 Total gross ODA (USD 1836 m) less action related to debt (USD 947 million) (Table B.2 Annex B).

ODA) in traditional bilateral aid in 2007.<sup>38</sup> Its average ‘country programmable aid’, which also excludes food and humanitarian aid and core funding of NGOs, has been calculated for 2005-6 at USD 158 million, just 10% of total gross ODA (OECD, 2008e). Austria is not providing aid to priority countries at levels consistent with those of similarly prosperous EU countries (e.g. Ireland, Sweden, Belgium, and Denmark), undermining its profile among donors and in national policy dialogue (Box 6). Increasing country programmable aid and multilateral aid is the only viable method for Austria to lift its performance in line with its commitments to increase aid. This would help Austria provide more aid for the programmes it supports at regional and national level at an adequate scale and degree of predictability to allow effective aid management by partner countries.

#### **Box 6. Why Austria needs to scale up in Ethiopia**

When the peer review team visited Ethiopia, it was apparent that some of the challenges faced by Austria’s development co-operation there were related to the small size of operations compared to Ethiopia’s large level of needs (see also Box 10). Projects or programmes might be well run and successful, but they need replication and scaling up to make their impact measurable beyond a small group of beneficiaries and a small geographical area. This could be achieved with additional Austrian resources, or through “division of labour” agreements with other donors.

Despite being a priority country since 1993, Ethiopia accounted for only 0.4% of Austrian ODA in 2007. Even discounting the exceptional debt relief to other countries, that percentage would not rise beyond 0.8%. The case for a significant scaling up is therefore particularly clear as such a small programme puts into question the value of an Austrian development co-operation presence in Ethiopia.

Moreover, one-third of aid disbursed to Ethiopia is allocated through five channels: (i) the NGO co-financing programme; (ii) the private sector and development programme, (iii) humanitarian aid, (iv) the education programme, and (v) multilateral programmes. These programmes are not aligned to or even referred to in Austria’s country strategy paper for Ethiopia. Austria should endeavour to integrate these activities into the country programme and consider how these activities can make a greater contribution to the priorities outlined in the country programme.

*Source* : Peer review interviews in Ethiopia

### **Core bilateral ODA: ADA’s operational budget**

Austria’s core aid programme is administered by ADA, which was created in 2003 to implement a scaled-up bilateral programme, amongst other things (Chapter 4). However, ADA’s budget has only increased by EUR 11 million since its establishment in 2004 (EUR 73 million compared to EUR 84 million in 2009). According to Austria’s provisional budget figures for 2009, ADA’s total operational budget will be EUR 102.6 million in 2009.<sup>39</sup> This includes EUR 84.1 million for ADA’s regular operational budget and an additional EUR 10.5 million (carry-over from 2008 funds and supplementary spending authorisation and EUR 8 million for the annual European Recovery Programme funds; ADA’s 2009 administrative budget is EUR 11.7 million, the same as in previous years).<sup>40</sup>

### ***Achieving greater aid concentration at ADA***

With its small core aid programme, Austria should increase the share of aid going directly to partner country institutions so as to meet its ambitions to conform to the Paris agenda. According to the Austrian authorities, in 2006 only 17% of ADA’s budget (EUR 16 million) was allocated to

38 See Table 2 in Statistical Suite, Annex B. Figures in Gross.

39 Final figures will be published only after budget speech on 21st April.

40 2009-2010 budgetary negotiations should be finalised at ministerial level during February and March 2009 (the Finance Minister’s budget speech in Parliament being planned for 21st April).

institutions in partner countries – a 5% increase since 2004 – of which EUR 12 million was allocated to public authorities/ministries. More aid was channelled through international organisations, NGOs and other agencies (25% of ADA’s budget in 2006) than was allocated to country programmes. By contrast, 41% of ADA’s 2006 budget was disbursed to and through NGOs and another 17% through Austrian private companies and institutions. Thus, while the share disbursed to Austrian institutions has decreased by 12% since 2004, it still accounts for approximately 60% of the core aid programme.

ADA uses 15 different financing instruments, quite a high number given the size of its aid budget. In 2007, they included ‘classic’ projects (31% of budget), four co-financing instruments for NGOs and the private sector (24% of budget), scholarships and training in Austria (7%), humanitarian aid (4%), project aid ‘aligned with partner country programmes’ (3%), budget aid (3%) and donor pooled funding and multi-donor initiatives (4%) (Breier and Wenger, 2008). At 3% ADA has made limited progress towards its target of 10-15% of budgetary allocations through general budget support and sector budget support, which became a new priority in the 2006-2008 Three-Year Programme. The peer review team’s visit to Ethiopia confirmed Austria’s willingness to use new aid modalities; however, country programme resources need to increase before Austria can meet its budget support target (Annex D). The ADA evaluation concluded that ADA contracts out too many stand-alone projects and that it encumbers itself with a disproportionately high number of new small projects every year. For example, in 2007 ADA financed 154 new projects of less than EUR 200 000, 77 of up to EUR 1 million and only 22 over 1 million.<sup>41</sup> In 2004, the DAC recommended further concentration of Austria’s aid programme to improve efficiency and effectiveness by creating a critical mass and allowing bigger sector-based programmes. This recommendation continues to apply.

#### *Limited aid predictability*

The 2004 peer review called for a multi-year allocation path to reinforce the predictability of Austrian aid and to bring it more in line with programming needs of partner countries. According to Austria’s Memorandum, predictability in development co-operation has been improved through indicative budget envelopes for each country programme. Yet the absence of a detailed plan for increasing aid and delays in the approval of the national budget mean that MFA and ADA cannot prepare three-year aid forecasts in the Three-Year Programme or in annual work programmes.<sup>42</sup> This undermines aid predictability. Evidence from Ethiopia showed that Austria’s aid to that country was minimally predictable. Without an aid road-map, the multi-annual country strategy could only be prepared on the assumption that aid would increase by a small fraction. The outcome of the ongoing budgetary discussions for 2009/2010 may be decisive for the predictability of Austria’s future ODA because Austria intends to present the annual budget in a multi-annual budgetary framework (Memorandum, 2008).

#### ***Geographic allocation: need to increase aid and to increase concentration***

Austria aims to concentrate its aid on 14 priority countries and the occupied Palestinian Territories: seven developing countries (Burkina Faso, Cape Verde, Ethiopia, Mozambique, Uganda, Nicaragua and Bhutan), and seven countries in South East Europe, the largest being Bosnia and Herzegovina and Serbia. However, due to the distorting effects of debt relief and other non-core ODA, most of these priority countries are not among Austria’s “main recipients of bilateral aid” (Table 4 Annex B). Its top recipients in 2006-07 were countries receiving debt relief (Iraq, Cameroon and

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41 High proportion of aid contracted to NGOs and ADA evaluation pp. 51 & 52.

42 At the time of writing, the 2009 (and 2010) budget had not been approved due to delays associated with the creation of the new government in 2008.

Nigeria) and source countries for refugees and imputed student costs (Turkey, Egypt and China). Only two of its priority countries make the top ten main recipients (Serbia and Bosnia and Herzegovina), and five more (Uganda, Ethiopia, Nicaragua, Albania and Macedonia) make it into the top twenty.

Austria has made efforts to concentrate development co-operation. It has not increased the number of priority countries and the MFA prioritises 2-3 focus sectors in partner countries. Phase-out is planned for two priority countries by 2010 (Cape Verde and Senegal), and co-operation with about 15 former partner countries is being phased out.<sup>43</sup> There has been a small increase in aid for 13 of Austria's priority countries – about USD 20 million between 2004 and 2007.<sup>44</sup> Yet the average annual allocation to the non-European priority countries was still only EUR 4 million in 2007.<sup>45</sup> ADA's total budget needs to increase significantly for it to be in a position to scale-up aid for partner country institutions.

While Austria has established exit criteria for European partner countries (as they accede to the EU) there is no formal exit strategy for developing countries. Instead, it seems that once country-specific co-operation has ended, funds will be transferred into projects or programmes at the regional level through regional organisations such as the Caribbean Community and Common Market (CARICOM), the Economic Community of West African States (ECOWAS) or the Southern African Development Community (SADC) (see Chapter 4 and *Three-Year Programme 2008-2010*, and Memorandum, 2008). There are advantages to a regional approach. For example, Austria could increase the development effectiveness of its aid for scholarships by supporting regional universities rather than by teaching students in Austria. Austria also intends to address regional aspects of conflict prevention, water, energy and environmental issues through this approach. Nevertheless, given the fragmentation of ADA's aid portfolio in general and in partner countries in particular, new bilateral interventions at the regional level will not help Austria to strengthen its concentration in priority countries. Given the current low levels of ADA's aid budget, Austria must prioritise in order to have critical mass, or work through other donors or regional institutions in a manner that lowers transaction costs.

### ***Sector allocation***

The Development Co-operation Act prioritises poverty reduction, environment, and peace and security. The Three-Year Programme identified six thematic priorities which have not changed since 2004 (Table 1, Chapter 1). Sector allocations reported to the DAC reflect these priorities to a certain extent (Table B.5, Annex B). Austria mainly supported social infrastructure and services (USD 228 million between 2005 and 2007), with education dominating (USD 116 million) but only USD 4 million for basic education. The high figure for education reflects the financial support Austria gives to scholarships which are weakly aligned with Austria's development co-operation priorities (Chapter 6).<sup>46</sup> Other main sectors include water and sanitation, government and civil society (including conflict, peace and security), energy and agriculture, forestry and fishery. If Austria increases its bilateral aid for ADA, it will be in a better position to allocate more resources to priority sectors, to scale-up projects and programmes in these sectors, and to play a more active role in sector division of labour.

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43 Bulgaria, Croatia, Romania, Iraq, Afghanistan, Guatemala, El Salvador, Kenya, Burundi, Rwanda, Tanzania, Namibia, South Africa, Zimbabwe, Pakistan.

44 Kosovo is not included in this analysis because there is separate data for Kosovo in DAC CRS.

45 Calculated from total disbursement to these countries, DAC CRS.

46 Evaluation of Education Sector (2007).

Austria's aid to environment is low compared to the priority this area receives in the act and the three-year programme. This may partly be explained by the absence of thematic budget lines within ADA, including a specific budget line for environment, and the inclusion of funds earmarked for the environment in project and programme budgets. Austria is encouraged to continue mainstreaming environment in its budget (Chapter 6).

#### *Need to increase human and financial resources for gender equality*

Support for gender equality which is a priority cross-cutting issue for all Austrian development co-operation is well reflected in Austria's ODA statistical reports. Gender equality focused activities averaged USD 55 million in 2006-2007 or 22% of total bilateral aid excluding debt relief, compared to 28% for the 16 DAC countries which report related expenditures. Women in conflict and post conflict situations was a high priority for the former Minister of Foreign Affairs, and is one of the core areas of Austria's 2006 gender policy.<sup>47</sup>

There is no specific budget line for gender equality and only one full-time gender equality advisor in ADA (none in MFA) to implement an ambitious gender policy (Chapter 4). The advisor is mandated to mainstream gender equality in Austria's development co-operation through gender assessments of all project proposals, promoting the use of the gender sensitive checklist for programme-based aid, and staff training both within ADA and in other ministries (for example police forces). The peer review team learnt that while ADA's projects are screened for gender equality there is no time or capacity for follow-up from headquarters. Furthermore, experience from DAC countries suggests that it is important for gender equality advisors to have access to funds for innovative programmes and a gender equality budget line for giving specific support to, for example, women's NGOs. Austrian NGOs have identified this weakness and are lobbying for a specific budget for women and gender mainstreaming. At present, Austria simply does not have the means to implement its gender equality policy. It would be in a better position if it had specific budget lines, more staff capacity and stronger tools and guidance for the practical implementation of its gender equality priorities.

#### **Multilateral ODA: catching up with average DAC flows to the UN**

Austria states that multilateral development co-operation is a top priority in Austrian development co-operation (Memorandum, 2008). At USD 484 million, multilateral aid exceeded bilateral aid excluding debt relief (USD 405 million) in 2007. According to the Austrian authorities, the MFA manages flows to the UN and the European Commission (EC) (EUR 203 million in 2006 of which EUR 15.5 million to UN organisations) (Memorandum, 2008). The Ministry of Finance is responsible for core payments to international financial institutions (IFIs). Contributions to the EC constituted more than half of multilateral aid in 2007 (USD 234 million) and the World Bank Group received the next largest allocation, USD 100 million, double the amount allocated in 2005 (Table B.2, Annex B).

At present, Austrian support to UN agencies is lower than other DAC Members - 3% of gross disbursements compared to a DAC average of 5%. Nevertheless, the strategy for multilateral co-operation, as outlined in the 2007-2009 three-year programme, states that Austria intends to increase voluntary contributions to the UN when bilateral aid increases (see also discussion on humanitarian

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47 The commitment to women and conflict was outlined in the 100 commitments for gender equality and empowerment of women, published by the Ministry of Foreign Affairs of Denmark, p.68. The core areas of the Austrian gender policy are: capabilities – health, education and self determination; opportunities – economic resources and political agency; and personal security

support through multilateral agencies in Annex C). According to Table B.2, financial support for UN agencies increased from USD 27 million in 2006 to USD 42 million in 2007 and, in its memorandum, Austria reported a 7% increase in support to UN agencies between 2007 and 2008 with increases going to the United Nations Development Programme (UNDP), United Nations Population Fund (UNFPA), United Nations Children's Fund (UNICEF) and United Nations Capital Development Fund, UNCDF (40% increase for UNCDF in 2008). In 2006, an additional USD 21 million was allocated through the UN for specific projects and programmes (multi-bi).<sup>48</sup> While Austria's use of multi-bi contributions may be small compared to other DAC members, it intends to increase the share of core to non-core contributions to a ratio of 70:30 (it is currently 65:35).

The Ministry of Finance's IFI strategy clearly communicates Austria's vision of co-operation with IFIs, and is transparent on how it intends to allocate multilateral aid. Nevertheless, the MFA would benefit from preparing an overarching strategy for multilateral co-operation to guide allocations to UN agencies and to justify and win political backing for increasing the multilateral budget envelope. At present voluntary contributions to UN agencies should help meet Austrian development co-operation priorities such as poverty reduction, empowerment of women, local democratic and economic development and sustainable energy and environment and should support Vienna-based UN agencies.<sup>49</sup> The five UN agencies selected by Austria for increased support – UNIDO, UNFPA, UNDP, UNICEF and UNCDF, seem to reflect this informal strategy. UNDP is the top recipient at USD 8.5 million in 2007 (24% of total contributions to UN Agencies).

#### **NGOs: a significant channel for ADA's aid**

Austria's 2007 NGO co-operation policy sets out a range of co-financing instruments that support civil society initiatives in developing countries. It is necessary to make a clear distinction between aid for NGOs as development partners and for NGOs as contractors or service providers. Austria's NGO policy, which focuses on NGOs as development partners, states that aid for Southern NGOs is increasing and accounted for 5% of ADA's budget in 2007. This is confirmed by Austrian NGOs and by the field visit to Ethiopia where Austria's country programme supports local NGOs in governance-related activities. In the humanitarian sector, accredited NGOs are funded "contractors" through competitive tendering processes, known as "calls for proposals", which specify selection criteria such as targeted location and/or eligible sectors (Annex C). This type of support, which tends to be sporadic and reactive, is less likely to build durable relationships between Austrian NGOs and partner NGOs in developing countries than long-term, capacity-building initiatives funded through a partnership agreements.

In 2007, USD 72 million of Austria's ODA was channelled through NGOs. This represents 4% of total net ODA, less than the DAC median of 7%. But the Austrian figure would be 8.6% if debt relief were excluded, and payments disbursed to and through NGOs represented 40% of ADA's annual operational budget in 2006. This is explained by ADA's use of NGOs as contractors. The share of ADA's budget allocated to NGOs as development partners was lower at EUR 11 million in 2006, or 12% of its operational budget.<sup>50</sup> The bulk of this financing is channelled though the co-financing instrument "NGO framework programmes"<sup>51</sup> (annual average EUR 6.7 million) which finances specific projects.

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48 DAC Report on Multilateral Aid, 2008. DCD/DAC(2008)58/REV1

49 MFA documents (powerpoint presentation on multilateral co-operation).

50 ADA's operational budget in 2006 was EUR 94 million.

51 NRO-Rahmenprogramme

The difficulty with Austria's NGO co-financing instruments is that they are project based: this contributes to aid fragmentation and imposes a higher administration cost on ADA and the NGOs than un-earmarked multi-annual programme financing. While ADA has introduced more flexibility and less reporting through the NGO policy, Austrian NGO's are critical of the system because of the accreditation (especially for humanitarian aid) process which is considered heavy when compared to the small budget available for humanitarian assistance as well as heavy monitoring and reporting procedures. Having access to multi-annual, results-oriented co-financing for NGO programmes, instead of multi-annual, multi-project finance would give NGOs more autonomy including for advocacy, more flexibility, and a longer-term perspective to their actions. Austria should learn from the experience of other DAC donors such as Ireland and the Netherlands in allocating more programme aid to NGOs. Furthermore, NGO contractors could see a decrease in aid flows through this channel in line with Austria's commitment to allocate 10-15% of budgetary allocations as direct and sector budget support and its Paris Declaration and Accra Agenda for Action commitments, especially if the aid budget does not increase. Austria should ensure that there is an open dialogue between the MFA, ADA and the NGOs on how the role of Austrian NGO contractors will evolve in the future.

### **Future considerations**

- Austria's main challenge is to define how it is going to meet its international aid commitments. A specific plan, with annual targets to reach the EU agreed minimum country targets of 0.51% ODA/GNI in 2010 and 0.7% in 2015, is essential to give credibility to Austria's aid promises and will make aid volumes more predictable for partner countries and other development partners.
- Austria should implement Paris Club debt relief decisions without delay to ensure that recipients receive the benefit of relief promptly, and that Austria's ODA figures are transparent and comparable. It is important that the Ministry of Finance communicates Paris Club decisions in a timely manner to the MFA. The MFA and MoF should collaborate closely to ensure that the Austrian Export Credit Agency, as well as the Austrian Development Bank, minimise the risks of bad debt.
- Austria should step up efforts to diminish the fragmentation of total ODA and of the aid managed by ADA. The MFA should use ex ante aid allocations by all ministries to help achieve greater coherence in the aid policy, and build the transparency and predictability of total ODA.
- This review supports the conclusion of the last peer review, the evaluation of ADA, and the unapproved ODA growth path that any increase in Austrian aid should prioritise existing country programmes and multilateral aid.
- Provide co-financing for multi-annual results-oriented programmes of NGOs with sufficient demonstrated capacity in programme management. This will help reduce transaction costs and give NGOs more flexibility and predictability.

## CHAPTER 4

### ORGANISATION AND MANAGEMENT

#### **Organisational reform in 2004: emerging systemic cracks**

At the time of the 2004 peer review, Austria had started restructuring its organization set-up. The creation of ADA, as a public limited company owned by the government, was the central element of this reform. ADA was established to address three challenges:

- i) The need for a structure to effectively and efficiently manage an increase in the aid volume.
- ii) The need to enhance co-operation with the EU and to compete for the execution of EU aid programmes
- iii) The need to implement a new approach in Austrian development co-operation in which links and co-operation between the government and the Austrian private sector were promoted and intensified.

ADA was also created to increase the implementation capacity of Austrian development co-operation; to enable the MFA to focus on development policy and take a leading role in enhancing policy coherence for development; and, by transferring aid implementation to ADA, to permit the MFA to co-ordinate all governmental development co-operation activities more efficiently and coherently in Austria and internationally.<sup>52</sup>

Five years later, Austria has made headway with the reform. An extensive evaluation of ADA was carried out in 2008 to review progress. The evaluation concluded that ADA has established itself as a service provider for development and has the potential to manage a scaled-up programme (Box 7). In addition, ADA is refining its working methods and reformulating its mandatory business plan (see below) to reflect lessons learnt and to integrate the Paris Declaration and Accra Agenda for Action. At the same time, the anticipated scaling-up of resources that motivated (in part) ADA's creation has not materialised. One question is whether the agency is too big if this budgetary increase does not occur.

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52 The Austrian Development Agency, Room Document No. 1 distributed at the request of Austria to the participants of the DAC High Level Meeting of 15-16 April 2004, DCD/DAC/A(2004)5/RD1.

### **Box 7. The evaluation of ADA: organisation and management recommendations for ADA and the MFA**

The evaluation made 11 specific recommendations **to ADA**, including:

- Orient programming, planning and implementation towards outputs and outcomes. Systematically monitor results.
- Make better use of ADA's status as an organisation under private law. This would give ADA greater flexibility with personnel issues, structures, processes, and delegation of competencies. Take measures to decentralise, and base management style on trust, transparency, and dialogue.
- Move away from awarding contracts on the basis of formal, mechanical criteria and "steer" selection through content-related, qualitative and technical criteria.
- Lead outcome-oriented, regular technical dialogue with NGOs and explore possibilities for making procedures less bureaucratic and more flexible.
- Use EU certification to acquire significant programme volume financed by the EU.

The evaluation also made a number of **recommendations to the MFA**. In particular, the MFA needs to:

- Speed up decision-making processes within its administration.
- Focus on strategic orientations. Accelerate the completion of programming and strategic concepts (from inception to approval).
- Concentrate Austria's aid through definition of focus, bundling, and quantitative methods such as increasing Austrian ODA to priority countries and defining yearly volumes. For example, this could be done by defining the minimum size of focus programmes and projects.
- Reduce MFA's dominant role on the ADA board to ensure that co-operation with ADA becomes more attractive for other ministries.
- Thoroughly revise the co-operation agreement between the MFA and ADA so as to clarify the current double role of ADA as a flexible innovator and an out-sourced part of MFA.

Source: Breier and Wenger, 2008

It is difficult to see how the reform reinforced the Ministry of Foreign Affairs' capacity to execute the Development Co-operation Act (Chapter 1). The ministry's organisation chart reveals its capacity shortcomings (Figure 5). For example, Unit 4 is responsible for executing the ministry's key function of co-ordinating aid policy across the system, and has two additional tasks of public information and general affairs relating to Austrian development co-operation. Yet it is only staffed by three diplomats/development experts. While environment and sustainability issues are addressed by Unit 3a, the other priority objectives of the act – poverty reduction, and peace and human security as well as gender equality – are not reflected in the organigramme but they are covered by Unit 2 (gender equality), Unit 4 (peace and human security) and Unit 5 (poverty reduction). Finally, although MFA has a mandate for evaluation, it does not have an independent evaluation unit; neither does it have sufficient human resources. This shows that the MFA does not have the technical expertise to fulfil its mandate. This results in ADA being perceived as the main locus for all aspects of development rather than as an agency responsible for implementation.<sup>53</sup>

Today, ADA employs 86 staff in Vienna and 74 in the field,<sup>54</sup> while MFA Division VII and its five units employ 32 staff (of which 20 are diplomats/development experts and 12 are support staff)<sup>55</sup>.

53 ADA may administer aid of other ministries but is hardly ever utilised by them.

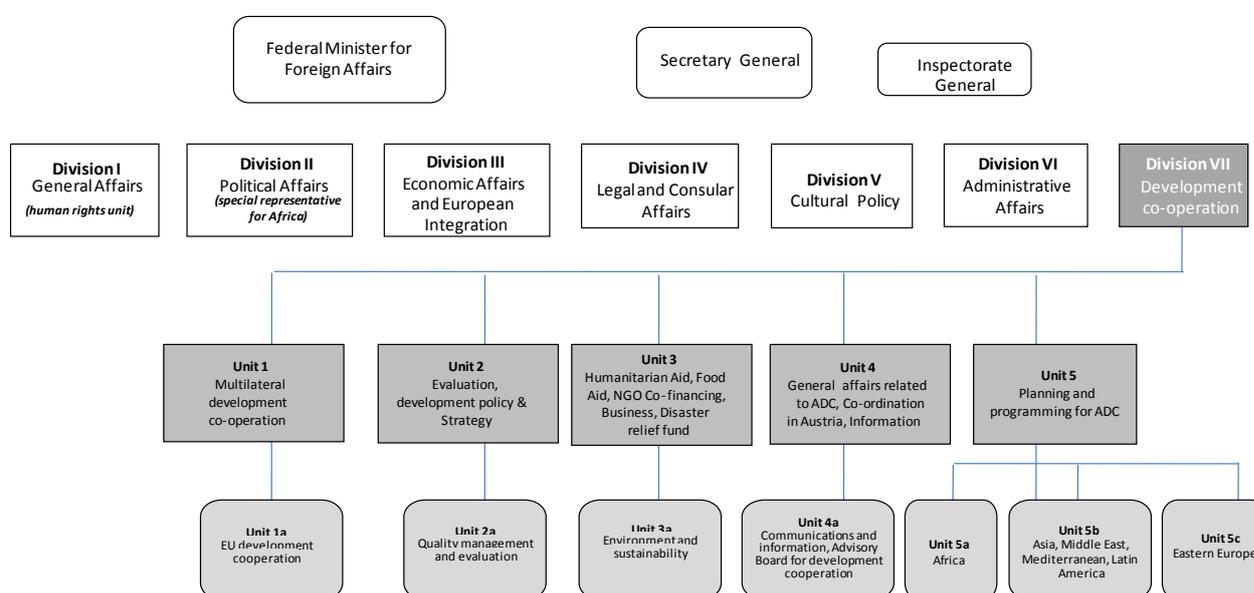
54 ADA Arbeitsprogramm, 2009.

55 Data obtained from MFA, February 2009.

Consequently, the MFA often relies on ADA to perform tasks that, in fact, appear to fall under MFA's mandate. This, in turn, deflects ADA's resources from its core activities. It also means that the division of labour based on the legal and strategic framework cannot function in practice. More capacity needs to be assigned to Division VII. The peer review team agrees with the ADA evaluation (Breier and Wenger, 2008) that in future any task going beyond ADA's contractual agreement with the ministry should be treated as service provision.

The envisaged new business plan of ADA will be a good opportunity to restart a dialogue on a realistic division of labour with the MFA that reflects respective mandates and capacities.<sup>56</sup> However, this alone will not strengthen the MFA. An evaluation of the MFA and Division VII's capacity to fulfil its mandate, a politically endorsed, binding medium-term aid strategy, and an increase in its aid budget (Chapter 1), could help address the MFA's weak capacity.

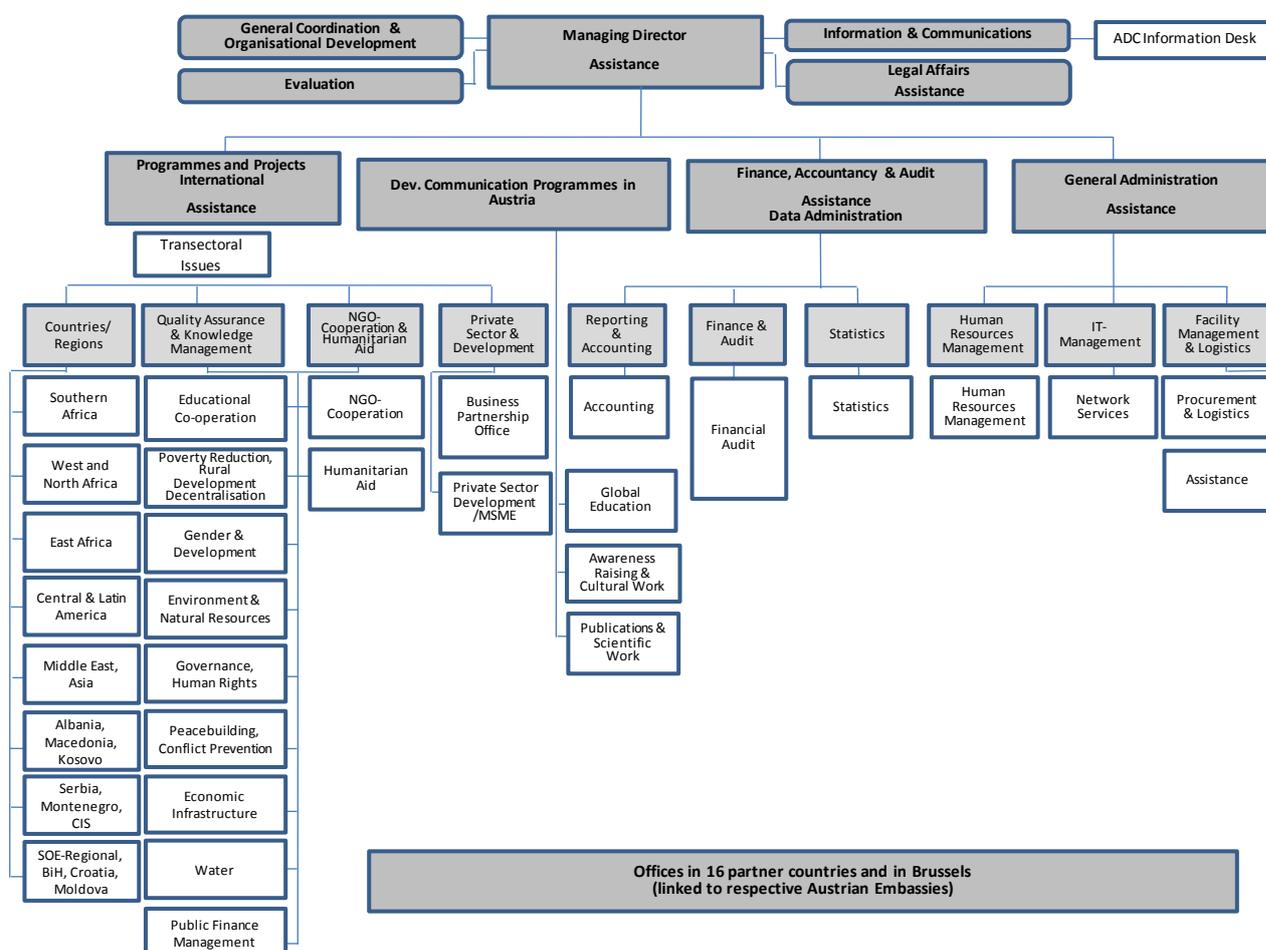
**Figure 5. MFA's organisation chart**



Source: Austrian MFA

56 The first business plan covered 2005 to 2007. An updated business plan is expected for mid-2009.

**Figure 6. Organigramme: Austrian Development Agency**



Source : Austria's Memorandum, October 2008

### The urgent need for a focus on results and accountability in programming

The MFA prepares three-year programmes, bilateral programme agreements, country and regional strategies, and thematic policies and strategies, which form the strategic basis for ADA's work. ADA's business plan and annual work programme are its main operational documents. Joint country teams also facilitate communication between the two institutions on programming even though they only meet twice a year.

The programming process, led by the MFA, demonstrates positive collaboration between Austria's co-operation offices, which are managed by ADA, ADA, the MFA, and the partner government. A detailed *Checklist for the Country Programming Process* guides the complex multidimensional process encompassing many levels. Yet, the peer review team agrees with the evaluation of ADA (Breier and Wenger, 2008) that programming lacks one crucial aspect: a focus on results. Instead, programme documents – including their logical frameworks – have remained process-oriented. The introduction, since the last peer review, of logical frameworks and training in project cycle management for ADA staff is a positive move towards an approach that focuses on results.

The potential of programmes to ensure corporate and individual accountability is not being used. For example, of Austria's 14 current country programmes, only two have an approved up-to-date programme (Albania and Kosovo).<sup>57</sup> Yet ADA can still implement the other programmes because disbursement of funds for country programmes does not depend on their approval. This is a missed opportunity for results-based management. Furthermore, accountability would be strengthened if the present monitoring system that accounts mainly for expenses and outputs were clearly linked with the results-based monitoring systems agreed upon by the partner countries and the donor community. ADA and the MFA could also strengthen individual accountability through staff performance assessments that link individual objectives and results within the staff member's sphere of influence to the goals in the annual work plan or country strategies. About half of Austria's administrative costs are accounted for by ADA, which has an earmarked administrative cost budget line with an annual funding ceiling of EUR 11.7 million.<sup>58</sup> The Ministries of Foreign Affairs and Finance account for the rest of the administrative costs. For the sake of transparency, it would be useful if both ministries explained how these costs are calculated.

#### *Creating a learning system by strengthening policy and field linkages*

As the communication guidelines between MFA and ADA (Federal Ministry of European and International Affairs, 2004) sets out, co-operation offices are directly managed by ADA, and have limited interaction with MFA. Division VII can give clearly defined instructions to ADA and communications can be issued in the ministries name, however it must communicate with the co-operation offices through ADA headquarters. At the same time, the peer review team heard that effective communication between the operational and policy components at headquarters, especially in the area of country programmes, can be challenging and overly bureaucratic. Accordingly, both MFA and the co-operation offices felt that the current situation results in a missing link between foreign and development policy and operations. Yet Austria's development co-operation goals can only be achieved through strong policy co-ordination between co-operation offices, the MFA and ADA. In addition, communication at the operational level between the co-operation offices and ADA is not complemented by an active dialogue on policy issues or an exchange lessons and experiences. The yearly heads of co-operation meeting, currently organised by ADA, would provide an excellent opportunity to do this and should therefore be organised and chaired jointly by ADA and MFA.

Austria has numerous innovative co-operation projects and programmes, such as those on organic agriculture (Box 12, Chapter 6). However, the current informal approach to knowledge management seems to leave little opportunity to document best practice and share lessons among co-operation offices, and beyond. To become a learning organisation, ADA and MFA should develop a system for collecting and exchanging good practice and lessons among co-operation offices and partners.

#### *Financial management: a multi-annual aid budget will improve predictability and reliability*

Memoranda of understanding with partner governments and related country programmes cover three to five-year periods. They include indicative budget envelopes to allow co-operation offices and their partners to plan beyond the short term. Nevertheless, country level planning beyond one year is difficult to achieve. The ADA Company Act (§2, Art. 3) allows for 60% of the first year's funding to be committed for the second year, and 40% for the following years. While this approach to financial management is not unusual in OECD countries, it poses a problem for Austria because it does not have multi-annual aid targets or a multi-annual budget framework against which the MFA, ADA and the

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57 Programmes are often prolonged through letters of extension.

58 USD 16.8 million (2007).

co-operation offices can commit funds. Furthermore, ADA's financial management at headquarters and in co-operation offices may also need to be adjusted so that commitments and disbursements for the whole cycle covered by the country programmes take the funding ceilings into account at the beginning of the cycle. Co-operation offices would thus face less uncertainty every year as to whether their programme will continue at the same level of funding and the bidding atmosphere that seems to exist between co-operation offices would cease (Annex D).

### *The challenge of evaluating without a results framework*

Between them, the MFA and ADA conduct two types of evaluations: strategic evaluations, and programme or project evaluations. They are jointly responsible for the management of strategic evaluations;<sup>59</sup> MFA's Division VII leads evaluations on sector policies, instruments, and strategies, as well as overall co-ordination and oversight, according to the *Guidelines for Evaluation* (OEZA, no date, p.8), which are in line with the DAC principles for evaluation.<sup>60</sup> MFA and ADA set up evaluations in an inclusive way, and meet frequently to monitor them. Yet, planning, capacity, and resources for evaluation require a review. Although a list of 8-10 evaluations is agreed between MFA and ADA for a two-year cycle, including one meta-evaluation, the strategic thinking behind the timing and choice of evaluations is not explicit. As in other areas, the division of labour between ADA and MFA for evaluation requires clarification, and capacity should better reflect specific mandates. ADA now has an operationally independent evaluation office (comprising two staff), as recommended in the 2004 peer review (OECD, 2004). However, MFA's Division VII's Unit 2a *Quality management and evaluation* which sits with policy and strategy is not independent, has little capacity to conduct evaluations with one focal person and no dedicated staff member for policy evaluation and no budget for evaluation. It relies on ADA to fund evaluation activities from its budget line for evaluations (EUR 400 000 per year). This unit therefore struggles to assume its responsibility for evaluation.

ADA has made significant progress in the area of guidance for monitoring and evaluation. Its goal is to implement the motto of the business plan: "no undertaking without evaluation" as well as DAC guidance on evaluations. Evaluation is an integral part of quality assurance and is more structured at ADA. It has developed *Guidelines for Project and Programme Evaluations* (ADA, 2008) as well as quality criteria applicable to all projects on the basis of the development act, including gender and environment. ADA requires that each programme or project earmarks 3-5% of its funds for evaluations. It is also making efforts to improve the monitoring of programmes.

Despite many improvements, progress in evaluation is hampered by the fact that programmes and strategies do not clearly state their objectives and desired results against which they could be evaluated. Furthermore, a well-defined and structured process for feeding the outcome of evaluations back into operations and guidance still appears to be missing.

### *The human resources challenge*

Together ADA and Division VII of MFA are the main providers of human resources within the Austrian development co-operation system (**Error! Reference source not found.** and **Error! Reference source not found.**). ADA's organigramme reflects its mandate in terms of thematic and country priorities as well as development communication and education. The structure reveals a lot of boxes (a total of 52 functions), making ADA appear to be bigger than it actually is. In fact, many

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59 Austria's Memorandum to the DAC.

60 OECD DAC/DCD, 1998

functions have only one person to carry them out. The danger of such a setup is a lack of critical mass and backup.

ADA was set up as a private company, but has inherited a cumbersome human resources system that prevents it from being the flexible mechanism it was intended to become. MFA staff who worked on issues that were transferred to ADA moved to ADA for permanent service. In taking over personnel from MFA, ADA has to use, in parallel, different arrangements for inherited permanent staff, contractual public servants, and employees hired under private law. It has rarely used private-sector instruments to motivate staff. Its flat, compartmentalised structure and the high degree of specialisation of posts offer limited career prospects. It is therefore not surprising that the ADA evaluation noted low job satisfaction and high turnover (Breier and Wenger, 2008). In response to this evaluation, and to the 2004 peer review, ADA developed a personnel development strategy in 2008. The strategy links performance appraisal with training, contains guidelines and programmes for training, and lists opportunities for career development including young professional programmes. This is a positive step towards an improved staff policy. However, the strategy leaves some key issues unresolved:

- It lacks transparency and – containing many unexplained acronyms – is generally only understandable to “insiders”. It does not address local staff in partner countries, or rules applicable and opportunities open to them, and is only available in German.
- It lists opportunities for career development such as headquarters rotation, field rotation, secondments, or permeability with the diplomatic service, but does not describe how they work, and therefore does not offer any new information.

#### *Room for further decentralisation to the field*

Of ADA’s 160 employees, 86 are based in Vienna and 74 in the country offices (including 49 local staff).<sup>61</sup> ADA recognises that effectiveness, donor co-ordination, and development dialogue with partners require decentralised structures.<sup>62</sup> Staff levels have been built up at ADA headquarters and the headquarters-to-field ratio has remained around 1:1 for some years. This reflects that ADA has internalised competence and expertise within headquarters, whereas the MFA previously had to hire consultants. But it is also symptomatic of an organisation that is ready, keen, and waiting to channel more aid and expand its field programmes so as to use its expertise most efficiently.

The career perspective and recruitment of heads of co-operation offices is a point of contention in Austria. The Development Co-operation Act does not allow heads of co-operation offices to rotate even if they are appointed by the Minister of Foreign Affairs. However, Austria’s human resource capacity would be strengthened if it could employ Heads of Co-operation on a longer-term basis and with the possibility to rotate between the field and headquarters. Moreover, while representatives of the MFA sit in the pre-selection board for Heads of Co-operation, can “veto” a candidate and can advise the minister accordingly, this rarely happens. With ADA filtering the candidates that make it to the pre-selection board for heads of co-operation and an ADA majority on the board, the ministry’s views on candidates’ suitability can have limited impact on the choice of the candidate. The recruitment process for Heads of Co-operation could be changed to give more say to the MFA.

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61 ADA Arbeitsprogramm, 2009.

62 ADA Arbeitsprogramm, 2009.

## **An evolving relationship with Austrian NGOs**

Relations with and procedures for working with NGOs have improved in Austria. There is a clear division of responsibilities between the MFA and ADA for NGO relations and activities. MFA conducts policy dialogue with the NGOs and ADA runs operational matters, including NGO co-financing. The NGO co-operation policy (Austrian Development Co-operation, 2007c), which applies to both Austrian and Southern NGOs, introduced special measures to strengthen local partners. The Ministry of Foreign Affairs has strengthened its dialogue with NGOs since the last peer review. A structured dialogue, with a minimum of two annual meetings, has been established and seems to work well. The minister has committed to increase co-operation with NGOs at the inter-ministerial level in the current three-year programme (2008-2010). One of the objectives of this engagement is to ensure that Austria's development co-operation policy represents Austrian society as a whole. Furthermore, *ad hoc* meetings between the NGOs, the MFA, and ADA on thematic and strategic issues take place on a regular basis. However, NGOs felt that they are given too little time to formulate their inputs on policy guidelines and that the consultation process could be more transparent.<sup>63</sup> The MFA and ADA are also aware that there is room for improvement in enhancing the contribution of local civil society to the country programmes in Austria's partner countries. It was evident in Ethiopia that civil society organisations receiving support from Austria had not been consulted over the new country programme.

ADA has prepared specific guidelines for its four NGO co-financing instruments. For example, all NGO projects should be coherent with any national and regional development plans in existence in the country in question. Co-financed projects aligned to Austria's geographical and thematic focuses receive a higher percentage of public funding than projects and programmes of a global nature (up to 50% compared to 25% for single projects and 80% compared to 70% for framework programmes). These guidelines are welcome and bear testimony to Austria's efforts to increase the effectiveness of the NGO co-operation programme.

Austria does face a number of challenges in its co-operation with NGOs, especially in terms of providing un-earmarked multi-annual programme funding to NGOs (Chapter 3) and achieving greater synergies with Austria's country, sectoral and regional strategies. The Ethiopian example shows that while Austria follows international best practice by contributing to pooled funding for NGO projects, it could also use joint donor reporting templates and improving the predictability of aid. The NGO policy also states that NGO co-financed projects should allow for more synergies with Austria's country, sectoral and regional programmes. Evidence from Ethiopia suggests that this is achieved more easily with Ethiopian NGOs which were selected by the co-operation offices than it is for Austrian NGOs which were financed from headquarters – these NGOs were not aware of Austria's development co-operation programme in Ethiopia. Austria could strengthen its dialogue with and use the potential and experience of the NGO community more fully at the country level.

### **Future considerations**

- The organisation of Austria's aid system requires fine-tuning to deal with capacity pressures and to clarify roles and responsibilities between the MFA and ADA. Austria should ensure that resources are available to the MFA to meet its responsibilities to set policy, give strategic direction, monitor and evaluate, and report on results.
- Austria needs to review the recruitment procedure for heads of co-operation (with equal representation by ADA and MFA on the selection panel) and ensure that the annual Head of co-operation meetings are organised and managed jointly by MFA and ADA to ensure that

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63 Interviews with Austrian NGO platform Global Responsibility.

the MFA has an adequate influence and maintains a dialogue with co-operation offices on development policy, aid effectiveness and policy coherence for development.

- ADA's staff development strategy should be complemented by personnel policies that provide a clear explanation of how job rotation and exchanges work and address locally recruited staff.
- A separate MFA budget and independent capacity for evaluation is necessary to bring Austria's evaluation system in line with international good practice.

## CHAPTER 5

### AID EFFECTIVENESS

#### **Commitment to the Paris Declaration and the Accra Agenda for Action**

Austria is actively engaged in the international discussions on aid effectiveness. For example, it co-chaired the DAC working party on statistics to discuss the classification of aid modalities. Austria submitted a progress report to the High Level Forum in Accra (OECD, 2008c) with the caveat that the operations reported substantially relate to bilateral aid, which is only a small proportion of total ODA.<sup>64</sup>

Austria has integrated the aid effectiveness principles into its Act on Development Co-operation, Three-Year Programmes 2007-2009 and 2008-2010 and country strategies. According to the act, “The function of ADA shall be to prepare and implement measures of development co-operation, with particular attention being paid to their effectiveness in developing countries....in co-ordination with other institutions that also undertake development activities.” Further, ADA and MFA have developed a joint action plan on aid effectiveness (Austrian development co-operation, 2008). The action plan states that “the increase of quality of aid will go hand in hand with an increase of the quantity of ODA which will reach 0.33% of GNI in 2006, 0.51% in 2010 and 0.7% in 2015” (ibid). The MFA and ADA have proceeded with internal institutional arrangements to improve aid effectiveness; ADA is now responsible for managing implementation of the plan, with focal points in headquarters following up the international agenda. The co-operation offices are responsible for implementing the plan in the field, with a commitment to further decentralisation. ADA is charged with improving the effectiveness of aid at the field level.<sup>65</sup> Nevertheless, while the arrangements set out in the Federal Act and three-year programmes apply to the whole aid system, in practice the agenda applies to the bilateral aid activities managed by MFA and ADA. Improving the effectiveness of the Austrian aid system as a whole remains a challenge for Austria.

Some of Austria’s stated commitments to the aid effectiveness agenda seem very cautious. Two examples include the commitment to concentrate aid and to allocate funds to budget support:

- i) Concentration in fewer countries will be achieved, in part, thanks to Austria’s efforts to pull out of two priority countries and 15 former partner countries. However, Austria also plans to increase funding to regional international organisations in regions where it is both withdrawing and staying engaged as a bilateral donor (Chapter 3).
- ii) The commitment to allocate 10-15% of ADA’s budget as budget support represents no more than 1.5% of total gross ODA. While there is no DAC guidance on the proportion of funding that should go for different instruments, Austrian officials in Ethiopia acknowledged that for

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64 Section 5.2 discusses multilateral aid effectiveness and 5.1.2 discusses aid through NGOs.

65 While country strategies in Africa routinely address the issues, country strategies for some Eastern European countries point out that the situation is challenging.

Austria to use sector budget support effectively, it will need to have sufficient funding available to have more weight in policy dialogue.<sup>66</sup>

There could be several reasons for this cautious approach, including political concern about the risks of using new modalities and Ministry of Finance concerns about the capacity of MFA and ADA to manage such risks and challenges. In any case, rather than undermining its own effectiveness by being too cautious, Austria should develop an approach to assess the risks of different modalities and to reach inter-ministerial agreement on risk management.

### ***Particular challenges and dilemmas for Austria in implementing the agenda***

Austria has reported on its own performance in several publications (ADC, 2008; OECD 2008c). These documents highlight some important institutional issues, notably the need for continuing political support and effective parliamentary oversight and the need for constant work on improving coherence between the different actors responsible for ODA. A major challenge for Austria's efforts to improve aid effectiveness is that so little aid is allocated to priority countries (Chapter 3). Austria's self-assessments also note the lack of incentives in human resources policies for making aid more effective and staff limitations that constrain the progress of decentralisation, which are discussed below.

Austria has made limited progress in encouraging all stakeholders to address the effectiveness of their aid activities. The coherent application of the principles of the Paris Declaration across other ministries and NGOs is an issue. The MFA's capacity to enforce and monitor strategic issues, such as the Paris Declaration agenda, is also exacerbated by the disconnect between MFA and the co-operation offices managed by ADA. Furthermore, the Development Co-operation Act does not target the Ministry of Finance, which manages the bulk of aid channelled to international financial organisations. Nonetheless, Austria's *Agenda for Coherence* has strengthened co-ordination arrangements to improve coherence between agencies involved in managing aid activities.<sup>67</sup> This peer review endorses Austria's own assessment of these issues, in particular, the highly fragmented institutional structure which is an obstacle to conforming to the Paris Declaration.

NGOs welcome the Paris Declaration and the Accra Agenda for Action, particularly the support given by ADA in promoting the international discussion on NGO effectiveness.<sup>68</sup> However, they are critical of some aspects of this international discussion, especially where it affects their role in development co-operation, though the Accra Agenda for Action addresses several of these criticisms.<sup>69</sup> Austrian NGOs are also concerned that "Harmonisation should not mean reducing Austria's development co-operation to Budget Support and only focus on national programmes (such as PRSPs) or sector-wide approaches". The intention to increase budget support is seen by Austrian NGOs as a way of channelling more aid with less administrative costs. However, budget support should be

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66 In practice, Austria's commitment is for sector budget support rather than general budget support. See Section 5.3.3

67 The Agenda for Coherence concerns a whole-of-government approach to ODA. See Chapter 2.

68 NGOs are reluctant to criticise MFA and ADA, which are allies in certain areas. Nonetheless NGOs are critical that, while the MFA has the legal authority to manage ODA, the Ministry of Finance has the real power but does not believe in aid effectiveness principles. See also Section 5.2.

69 For example the limited focus on development effectiveness, the rights of NGOs as development partners in their own right, and the important role NGOs play in representing local government and community interests.

coupled with increased aid for programmes and projects that promote domestic accountability in developing countries.<sup>70</sup>

### ***Developing a strategy to complement the action plan***

The *Austrian Action Plan on Aid Effectiveness 2006-2010/11* (ADC, 2008) sets out general objectives for the different indicators of the Paris Declaration, but without specific targets, results or assigned responsibilities. The 2007-2009 Three-Year Programme and Austria's contribution to the meeting on Managing for Development Results in Hanoi in 2007 provided further detail. Options include concentrating aid in fewer partner countries and sectors, and setting a target of 10-15% of ADA's budget as budget support. These options are in line with Austria's willingness to extend aid through country systems. Furthermore, ADA produced a matrix showing how the Paris Declaration would be implemented.<sup>71</sup> This matrix shows donor commitments and Austria's response with specific projects or programmes in partner countries. However, the matrix does not include all Austria's development actors and Austria recognises that the way forward in responding to the Accra Agenda for Action should involve these actors (Box 8). To go further, Austria needs a strategy for tackling the major institutional challenges and implementing the action plan.

#### **Box 8. Austria draws lessons for the way forward: 2008-2011**

Austria recognises that the Accra Agenda for Action will require a stronger partnership with all development actors, including civil society, and better co-ordination and division of labour among donors. Austria will adapt its approach to aid effectiveness as follows:

- Enhance country ownership and leadership. Strengthen Austria's field structure through decentralisation and provide information about the role of Austrian NGOs.
- Improve efficiency, effectiveness and harmonisation. Increase ODA volume, concentrate aid on fewer countries and sectors, and change the composition of modalities by reducing the number of small projects and increasing budget support. Increase joint missions and joint financing.
- Strengthen results focus and mutual accountability. Reinforce staff capacities in co-operation offices to adapt to the new aid architecture and to inform the Austrian public.

Sources: ADC 2008 and Peer Review Memorandum 2008

### **Supporting effectiveness of multilateral aid**

Austria has made efforts to improve the effectiveness of its multilateral aid and could extend its efforts to all its multilateral partners. Austria is particularly keen to implement the European Consensus on Development (Chapter 2) and ADA participates actively in the EU technical seminar group. Austria recognises the importance of the EU Code of Conduct on the Division of Labour on Development Policy adopted in 2007. According to the Three-Year Programme 2007-09, Austria will advocate further harmonisation measures among EU bodies to improve European development contributions.

With respect to international financial institutions (IFIs), the Ministry of Finance, following stakeholder consultation, has developed a *Strategic Guide for International Financial Institutions* (Ministry of Finance, 2005). The guide urges concentration in a limited number of sectors – renewable energy and energy efficiency, water and sanitation, and trade and development. Consequently Austria is concentrating its co-operation with IFIs that focus on these sectors. The guide also recognises the

70 Summary paper provided to the peer review team by the NGO umbrella organisation AGEZ.

71 See Annex 3 of the Austrian Action Plan on Aid Effectiveness 2006-2010/11 (ADC, 2008).

importance of national ownership of programmes to reduce poverty (rather than IFI-imposed recipes) and the need for institutional reform processes to go hand in hand with changes in IFI programmes.

In the UN, Austria has supported the system-wide coherence process and reform of the UN development architecture. ADA has given technical support to the Accra process. The MFA was a co-founder of the Multilateral Organisations Performance Assessment Network (MOPAN), and led the evaluation of UNFPA between 2005 and 2008. It plans an evaluation of its multilateral co-operation in 2010. It is not clear, however, how Austria's assessment of aid effectiveness performance affects its funding allocations to multilateral partners.

### Progress and challenges at the country level

The 2008 monitoring survey (OECD, 2008b) shows that Austria improved its performance against many aid effectiveness indicators, while falling back on just a few (Table 3). Particularly noteworthy improvements were recorded for the following indicators: (4)<sup>72</sup> capacity strengthening, (5a) public financial management, (5b) procurement, (7) aid predictability, and (10b) joint country analysis. However, Austria did not engage in any joint country missions (10a), reducing common arrangements through programme-based approaches (9), and increased the number of its programme implementation units (PIUs) by about 50% (6).<sup>73</sup> Overall, this was an encouraging performance showing how Austrian commitments could be translated effectively within the Austrian system into strategic priorities and operational results. Austria should now strive to make improvements against all indicators.

**Table 2. Austria's progress against Paris Declaration indicators, 2005-2007**

	For 6 countries in 2005	For 6 countries from 2005, reported in 2007	For 10 countries reported in 2007
Aid flows are aligned on national priorities (indicator 3)	36%	40%	34%
Strengthen capacity by co-ordinated support (indicator 4)	15%	30%	35%
Use of country public financial management systems (indicator 5a)	22%	38%	34%
Use of country procurement systems (indicator 5b)	32%	49%	46%
Avoid parallel implementation structures (indicator 6)	18	27	32
Aid is more predictable (indicator 7)	23%	36%	31%
Aid is untied (indicator 8)	51%	96%	99%
Use of common arrangements or procedures (indicator 9)	46%	29%	31%
Joint missions (indicator 10a)	14%	0%	0%
Joint country analytical work (indicator 10b)	33%	53%	47%

Source: OECD (2008b), 2008 Survey on Monitoring the Paris Declaration: Making aid more effective by 2010, OECD, Paris.

### *Austria's development co-operation: promoting ownership*

The Development Co-operation Act states that the aims of the partner government “and their right to choose their own way of development” is a key principle for Austrian development

72 Numbers in this paragraph refer to the indicators in the monitoring survey (OECD, 2008b).

73 Aid untying (8) is considered in Section 5.3.3.

co-operation. This commitment to ownership is shown by Austria's country programming arrangements which start from the basis of the partner country's own development strategy, as well as Austrian policy papers such as the draft strategy paper on decentralisation, local governance and local development (ADC, 2007a).<sup>74</sup> This strategy paper concerns the creation of the framework conditions that promote poverty reduction, participation and democracy, and real ownership by people at local level. The paper is particularly strong on capacity development at local level and on financing local development.<sup>75</sup> Box 9 refers to Austria's performance in Ethiopia, where aid channelled to regional programmes was transparent and predictable and there was a strong effort to build capacity of the financial management systems at local level. Austria's report on aid effectiveness also gives examples of work in Burkina Faso to strengthen vocational training and in Nicaragua to broaden ownership in the health sector by promoting the role of civil society organisations and gender equality (ADC, 2008).

Despite evidence that Austria endeavours to promote ownership, especially through its capacity development approach, there are still some institutional impediments to overcome. The draft strategy paper on decentralisation, local governance and local development (ADC, 2007a) highlights some important challenges and lessons in the relationship with sector-wide approaches, direct budget support, and harmonisation with local actors. Integrating the activities of Austrian NGOs into the plans of local government is another challenge. In addition, the current rules for multi-year commitments restrain ADA's operational flexibility at the country level. This was also a criticism made by Concord, a confederation of European NGOs.<sup>76</sup> The restriction on ADA not to commit more than 60% of the subsequent year's budget could undermine efforts to promote more predictable aid and flexibility in partner countries (Chapter 4).

#### **Box 9. Aid effectiveness in Ethiopia: The North Gondar Programme**

The Plan for Accelerated and Sustained Development to End Poverty (PASDEP) is the main framework in Ethiopia for donor dialogue on development, which has become more strained since 2005 (Annex D). The joint review of PASDEP by the Government of Ethiopia and the Donor Assistance Group noted that "the fast economic growth was being challenged by structural problems, low level of productivity, weak implementation capacity, low level of external finance, unpredictability of aid and transaction costs of aid" (Development Assistance Group Ethiopia, 2008). Low levels of productivity are particularly challenging in the agriculture sector. Faster progress would require "enhanced capacity at all levels." In 2005 an impressive 96% of ODA disbursements were recorded by government, but, by 2007, predictability had fallen to 73%, due to difficulties for donors in using common arrangements. The Paris Declaration Monitoring Survey notes that "challenges remain [...] particularly in terms of harmonising financial and legal procedures for all donors for programme management" (OECD, 2008b).

Austria's country programme in Ethiopia promotes ownership at local, regional and national levels and provides evidence of good performance on alignment and harmonisation in a challenging context. Austria contributes to 38% of total the budget for the Ethiopia country programme to the pooled fund for the *Protection of Basic Services project* and focuses attention on its rural development and food security programme in the North Gondar Zone, which successfully addresses several of Ethiopia's major challenges. Previous projects had successfully increased livestock productivity and conserved natural resources, which was a major reason for Ethiopia to request continued assistance through a programme supporting zonal and regional government departments. Local officials highly appreciate the capacity strengthening, aid predictability and visible results of this programme. Even though the Ethiopian budget system prevents the North Gondar Zone from gaining additional funds, local officials like the certainty that Austria's involvement (financial and technical) brings to the continuity of a successful programme.

74 This paper supplements its extensive literature analysis with examples drawn from ADC's field experience in East Africa. The strategy paper also links up with existing policies on rural development, gender equality and empowerment.

75 For further information on capacity development see Chapter 6.

76 Breier and Wenger (2008) also make this point in their ADA evaluation. Concord (2006) points out that aid predictability from the multi-year commitments was limited by budgetary and political constraints.

Source : Peer review visit to Ethiopia; Annex D.

### ***Alignment and harmonisation: progress and challenges***

Austrian efforts to improve aid effectiveness since 2005, as shown in Table 3, have had substantial and visible impacts on alignment and harmonisation. In 2005, Austria started discussing direct budget support and decided to focus on sector budget support. The aid effectiveness report (Austrian development co-operation, 2008) notes several successful examples of Austrian sector budget support. This is not always easy to achieve, especially where country contexts are not conducive to the sector budget approach or when Austria's budgetary constraints limit long term commitments. In Ethiopia, the head of Austria's country office has some freedom to choose appropriate aid modalities, but is constrained by the lack of strategic orientation at the policy level to guide the process. Austria estimates that 30% of ADA's ODA funding goes to conventional projects, 25% to co-financing projects with NGOs and just 4% to basket or pooled funding initiatives (Austrian development co-operation, 2008). Austria is open to increasing pooled funding, but only a change in political and budgetary circumstances will allow this.

Austria has been supporting the concept of an international division of labour as one way to promote harmonisation. Accordingly, it has concentrated its aid in a few sectors, in consultation with partner countries. However, Austria is concerned about several elements of the alignment and harmonisation agenda. The challenges for aligning Austria's fragmented aid and the technical nature of many of the harmonisation discussions have been mentioned in Section 5.1.1. Austria also endorses concerns (Box 8) about the transaction costs involved in developing pooled funding arrangements, and recognises the need to give further authority to its country offices and adapt its human resources at field level. Furthermore, as a small donor, Austria faces particular dilemmas in its country programmes (Box 10) in trying to find the most appropriate niche for its ODA activities to ensure that its contribution makes a real difference. These challenges concern the international division of labour as well as aid predictability.

#### **Box 10. The dilemmas of a small donor in a priority country**

The case made by the peer review team for a significant scaling up of Austria's aid takes on special significance in the context of Ethiopia, where the small size of the programme questions the very rationale for an Austrian development presence (see also Box 6). This is especially true when trying to determine comparative advantage. In a recent survey of donors by the European Commission in Ethiopia (EC, 2008), nearly all donors claimed a comparative advantage in the agricultural/food security sector and more than half in the health sector. Austria concentrates on both.

Many donors, including Austria, mention the geopolitical importance of Ethiopia in East African as a prime reason for their presence, alongside poverty reduction and development. This certainly explains the presence of an Austrian embassy and a development co-operation office. Discussions revealed that these do not interact as much as one would expect for such a small donor.

If Austria wants its development co-operation with Ethiopia to have a significant and lasting impact beyond geopolitical considerations, it needs to identify together with the Ethiopian authorities where its true comparative advantage lies. If that proves to be difficult in a field crowded by much larger donors, Austria should consider using the government's public financial systems, at least for additional resources that Austria might decide to commit to Ethiopia in the future.

Source: Peer review field visit to Ethiopia

Austria's aid effectiveness action plan (Austrian development co-operation, 2008) does not refer to plans for untying aid. According to the Monitoring Survey (OECD, 2008b), Austria's aid was 99% untied across 10 countries (reported in 2007). In the six countries that were previously reported in 2005, the untying status had improved from 51% to 96% (Table 3). However, much of this untied aid is debt relief, which will decline in the future and which may result in an increase in tied aid as a percentage of total aid. According to ADA's own statistics, bilateral ODA (not including technical

assistance) was 86.6% untied in 2007, a decrease from 2006 (89.5%), while the DAC average was 94.5%. However, the MFA cannot influence the future evolution of Austria's untying ratio because of the relatively small proportion of bilateral aid in total ODA (see OECD, 2008b and Austrian development co-operation, 2008). Increasing the overall volume of aid and the bilateral part of this volume could make a difference to such ratios.

### ***The challenges of delivering results and mutual accountability***

Austria's focus on results at country level relies on the implementation of common performance procedures, agreed between the partner government and donors, through systems that Austria recognises to be weak (OECD, 2008c). This can be challenging for all donors. The Monitoring Survey (OECD, 2008b) shows that Austria's participation in common procedures has declined since 2006, which indicates the extent of the challenge. Nonetheless, there are examples of Austria making some progress. In Ethiopia, Austria uses common procedures in the Ethiopian Government's Health Programme and for monitoring and evaluating PASDEP, where many of the indicators are inputs and outputs rather than outcomes (Box 9). In Ethiopia's North Gondar Zone, the peer review team learned of the challenges for Austria in aligning with the regional data collection from the districts (*woreda*) and the work of the project co-ordination unit to support capacity building of the monitoring and evaluation systems at different administrative levels. Austria's 2008 report on aid effectiveness (Austrian development co-operation, 2008) and its self assessment on implementing the Paris Declaration (OECD 2008c) provide further examples of Austria's support to capacity building in monitoring and evaluation, performance assessment frameworks and statistics (in Albania, Cape Verde, Namibia, Senegal and Uganda).

The trend towards programme-based approaches will increasingly pose challenges for Austria in accounting for results and making Austria's contribution to national development visible.<sup>77</sup> As noted above, most of ADA's aid is still project-based but increasingly these projects are within the context of a sector approach. Austria can participate in different mechanisms at country level such as joint reviews, sector working groups and round tables, although concerns about the transaction costs involved in these activities may have led to the complete falling away of joint missions since 2006 (Table 4).<sup>78</sup> There is increasing emphasis on joint analysis, where country offices can call on support from Vienna. Austria is also concerned about the lack of visibility of the Austrian contribution to development in these approaches, given the need to strengthen public and political support

### **Future considerations**

- Austria should reinforce aid effectiveness commitments by binding *all* of Austrian development co-operation to the principles and indicators of the Paris Declaration and the Accra Agenda for Action. The MFA and ADA should step-up efforts to increase political awareness of Austria's commitment to aid effectiveness through a well-resourced communication strategy.
- Austria should complement the Aid Effectiveness Action Plan by developing a system-wide strategy for taking forward the lessons from its aid effectiveness review, including increasing

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77 Austria is conducting a strategic evaluation of budget support in 2009.

78 ADA informed the peer review team that in an effort to reduce transaction costs ADA does not undertake missions from headquarters to the field but uses systematically local co-operation offices for such missions.

emphasis on results, clarifying division of labour in the field, making aid more predictable, using partners' monitoring, evaluation and reporting procedures and systems in the field.

- Austria should support the effectiveness of multilateral aid by increasing the transparency of how its assessment of the performance of multilateral development agencies translates into budget allocations and engagement.

## CHAPTER 6

### SPECIAL ISSUES

For the biennium 2009-2010 the DAC has decided that all peer reviews will cover two special issues. One, capacity development, is examined in all the reviews. For the second issue, members can choose between agriculture and high food prices, and environment and climate change. Austria has chosen environment and climate change for its second special issue.

#### Capacity development

In 2006 the DAC recognised that adequate capacity remains one of the critical missing factors in current efforts to meet the Millennium Development Goals (OECD/DAC, 2006). The 2008 Accra Agenda for Action goes further, asserting that “[s]uccessful development depends to a large extent on a government’s capacity to implement its policies and manage public resources through its own institutions and systems.”<sup>79</sup> DAC peer reviews seek to understand the extent to which the donor is organised to strengthen the capacity of partner country systems, processes and organisations. Capacity is understood as “the ability of individuals and organisations to manage their affairs successfully”, in line with the definition in the 2006 DAC guidelines.<sup>80</sup> It needs to be pursued at three levels: individual, organisational, and within the enabling environment.

#### *The need for clear guidance*

Austria’s Federal Act on Development Co-operation contains a clear commitment to capacity development. It emphasises that Austrian development co-operation “shall primarily use the administration and project implementation capacities of developing countries and thus strengthen the structures of civil society and public structures in these countries.” Qualitative criteria on capacity development were developed by ADA in 2005 (Box 11 **Error! Reference source not found.**), but have yet to be mainstreamed. Elements of capacity development can be found in many relevant policies and strategies, but are not applied consistently in operations. As a consequence, staff appear to use different approaches and methodologies. ADA’s Work Programme 2009 emphasises the new importance capacity development has gained since the Third High Level Forum on Aid Effectiveness held in Accra in 2008. The work programme indicates that Austria intends to develop a strategy for capacity development. Since Austria has already developed quality criteria, operational guidance may be a more useful tool for mainstreaming capacity development.

Austria’s theoretical understanding of capacity development in programmes and strategies is broadly in line with the role of capacity development defined in the DAC guidelines, the Paris Declaration on Aid Effectiveness, and the Accra Agenda for Action. Capacity development is seen as “a means to support processes of change” (Austrian Development Co-operation, no date(a) and Box

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79 Accra Agenda for Action, 3rd High Level Forum on Aid Effectiveness (September 2008), paragraph 15.

80 OECD/DAC (2006a)

11). Most prominently, ADA's perspective on capacity development is of an instrument that can link national, sub-national and local levels. The theme of strengthening the less powerful and those lower in the government hierarchy runs through several of its strategies, including the *Decentralisation, Local Governance and Local Development Strategy* (ADC, 2007a), and the *Focus Paper on Parliaments and Poverty Reduction*.

**Box 11. ADA's quality criteria for capacity development**

- "Capacity development is understood as a means to support processes of change. In this respect, all aspects of human resource development and institutional set-ups have to be considered and anticipated in advance (i.e. regulations, procedures, possible developments in personal management etc.);
- Capacity development must be based on already developed and agreed-upon capacity development plans at national, regional and local level. Ownership of the partners involved, as well as broad participation in the assessment, prioritisation and decision-making, has to be accepted and supported;
- [...] [D]ialogue with relevant institutions in the partner country and use of national, regional or local [...] expertise and competencies to the best possible extent is needed. Tendencies to rely exclusively on special sector solutions, external consultants or supply oriented and donor-driven approaches have to be avoided;
- Capacity development must be demand-driven and has to be seen as support of endogenous processes. Efforts in south-south exchange and local learning, informal approaches and the concepts of learning by doing must be given special attention. Scholarships – especially when seen as a kind of reward, gratification or incentive – have to be critically scrutinised against possible outcomes and general benefits;
- [...] [M]ost capacity development programmes benefit from good co-operation between national research institutions, the national and local administration, and the people as the ultimate target group;
- Tailor-made solutions for target groups and partners, which are adapted to requirements of the respective local environment, have to be found;
- Most capacity development efforts and spending still go to the more powerful institutions, e.g. to ministries and to higher ranking target groups. ADC makes special efforts to address capacity development requirements at local governance level, but also involves other local actors, such as the private sector or civil society to the extent possible;
- ADC sees participation and inclusion as decisive principles to be maintained in all programmes and throughout the whole programme and project cycles;
- A huge challenge in capacity development faced by all stakeholders involved is the measurement of success. Up to now, most indicators only reflect quantitative criteria and not so much the expected outcome or later impact (such as adequate selection of beneficiaries, quality of content and information provided, knowledge gained and degree of making use of it)."

Source: Austrian Development Co-operation, no date(a)

Austria's approach to capacity development needs to be translated into operational guidelines. DAC guidance on capacity development can help Austria in this effort. In particular, Austria should consider the operational entry points offered by the Accra Agenda for Action. These include: (i) enabling local civil society and the private sector to play their role; (ii) using national, sub-national, sector and thematic strategies; (iii) working towards demand-driven technical co-operation, including South-South arrangements; (iv) addressing enabling environment impediments that detract from capacity development; (v) assessing, strengthening and promoting the use of country systems; and (vi) tailoring, phasing and co-ordinating capacity actions in situations of fragility. The next section shows that points (iii), (v) and (vi) merit Austria's particular attention. The DAC is working with a Southern-led Capacity Development Alliance to help implement these priorities through the High Level Forum in 2011, identify existing best practice and develop new guidance. Austria is encouraged to actively contribute to these efforts.

### *Staffing and management*

As with many DAC members, neither the MFA nor ADA has a unit dealing specifically with capacity development. In 2008, ADA incorporated theoretical and practical approaches to capacity development in its training strategy, and founded a working group to provide guidance for mainstreaming capacity development and feeding lessons back into programming. Linking with learning platforms, such as the EC capacity development panel currently being set up, and the DAC joint initiative noted above, should permit Austria to develop a more coherent vision and approach to capacity development over time, despite the limited staff capacity dedicated to this issue.

### *Capacity development in practice*

#### *Implementation in two sectors: decentralisation and the private sector*

In practice, Austria integrates capacity development most prominently into two areas: decentralisation (in the South), and private sector co-operation (in south-eastern Europe). The Decentralisation Strategy sees capacity development as an “essential means in strengthening local self-management, ownership and responsibility” (ADC, 2007a). A good example of this is Austria’s support to regional authorities in the health, food security and agriculture sectors in Ethiopia (Annex D). ADA’s focus on capacity development in the private sector tries to create synergies between development policy and the promotion of foreign trade. Ensuring support that is demand-driven and context specific would help Austria to achieve the “best-fit-approach” it aims for. Other sectors with limited focus on capacity development include climate change (see below).

Austria’s programmes are aligned with the poverty reduction and sectoral strategies of partner countries (Chapter 5). This is a good precondition for developing capacity where Austria is willing to improve and use partner country systems. However, the results of the 2008 Monitoring Survey (OECD, 2008b) show that Austria channels only a moderate amount of aid through public financial management and procurement systems, and often uses parallel project implementation units (PIUs). Using country systems more systematically would help Austria to live up to its commitment made in the Federal Act on Development Co-operation.

#### *Technical co-operation: ensure greater focus on a needs-based approach*

In 2007, 10% of Austria’s total gross ODA (USD 171 million) was delivered in the form of technical co-operation as defined by the DAC. While the Paris Declaration indicator for capacity development does not cover the total of Austria’s technical co-operation reported to the DAC, only USD 8 million out of USD 22 million recorded as technical co-operation in the ten surveyed countries was provided in a co-ordinated manner (OECD, 2008b). Re-assessing how technical co-operation, and Austria’s scholarship programme in particular, can best contribute to partners’ capacity development would be timely. Joint capacity assessments can be useful tools for reaching a shared understanding of needs.

Austria recognises that it could and should work more with local consultants (Memorandum). The work of Austria’s co-operation office in Ethiopia is a positive example on which to build. Its programme on food security and sustainable resource management in the North Gondar Zone (Box 9) is managed at the regional level by a steering committee consisting of local experts and ministry staff. The committee provides and hires local expertise, and guides, manages, and monitors the programme. It reports to the co-operation office, which confines itself to evaluating progress, and taking decisions on funding.

Another aspect of Austria's technical co-operation is its scholarship programme, which has a history of more than 40 years. Different programmes are financed by the Ministry of Science and Research and ADA. Imputed student costs accounted for 6.3% of total ODA in 2007 – almost equivalent to ADA's operational budget (6.9%). However, a 2007 evaluation of the Austrian support to the education sector found that most scholarship programmes were supply-driven and did not focus on Austria's priority countries (ÖSB Consulting GmbH/L&R Sozialforschung OEG, 2007). The peer review team supports the recommendation made by the evaluation: in order to build capacity, scholarship programmes must be based on needs assessments, and be part of an approach that builds not only the capacity of individuals, but also institutions. The indication in Austria's Three-Year Programme 2008-2010 that scholarship programmes will be gradually reformed and the planned inter-ministerial strategy on science and education are therefore welcome.

### *Fragile situations*

The peer review team is not aware of any attempts by ADA to develop differentiated approaches to capacity development in situations of fragility. Austria is encouraged to consider fragile situations when developing guidance on capacity development.

### **Environment and climate change**

This special issue was chosen by the DAC for 2009-2010 in recognition of the growing linkages between climate change and development. This is the first peer review to explore practical approaches by DAC members on these issues. The DAC has done considerable work on this topic over past years, and has endorsed several strategies. The general thrust of its work so far has been to:

- Integrate aspects of climate change, biodiversity loss and desertification into development co-operation (see DAC guidelines on *Integrating Rio Conventions into Development Co-operation*, OECD, 2002). Additional guidance on integrating climate change adaptation is expected in 2009.
- Promote the use of strategic environmental assessment in the development of policies, plans and programmes (OECD 2006b).
- Integrate environment into the policies and frameworks of partner countries through tools such as *Environmental Fiscal Reform for Poverty Reduction* (OECD, 2005).

### ***Austria's legal commitments to environment and climate change***

Austria demonstrates awareness of DAC and other international guidance on environmental aspects of development. Environmental issues rank high within the Development Co-operation Act. Overall, however, Austria's approach to implementing this priority, including climate change, in its development co-operation is at an early stage.

### ***An environmentally conscious Austria at home***

Austria has been playing an ambitious and supportive role in international negotiations on environment and climate change. It has set itself high environmental standards, and is at the cutting edge in developing renewable energy and organic agriculture. According to the *Environment Policy Review* of the EC (EC, 2008b), in 2006 Austria reached the highest share of renewable energy in Europe, at 56%, and the highest share of its area devoted to organic agriculture (Box 12). Despite its relatively low greenhouse gas emissions per capita, it will need to take strong additional measures to reach its Kyoto target of reducing greenhouse gas emissions by 13% by 2012 (compared with 1990

levels). Austria's ambition to link development co-operation and environment has been driven by DAC case studies and best practice work, the formulation of an EU action plan on climate change integration into development co-operation,<sup>81</sup> and supported by civil society advocating for a stronger link between climate and development.<sup>82</sup>

Austria's legal and strategic framework bodes well for coherence between environment and development. The *Development Co-operation Act (2003)* defines "preserving the environment and protecting natural resources that form the basis for sustainable development" as one of the three key objectives of Austrian development co-operation. National environment laws and strategies on environment and climate change, in turn, contain significant development components, as described in Chapter 2. They state, for instance, that projects under the flexible mechanisms of the Kyoto Protocol must respect the goals and principles of Austrian development co-operation as defined in the act. Strategic guidelines on environment and development are currently being developed through an inter-ministerial process. This joint effort is a positive step towards policy coherence. One missing component in Austria's strategic framework is that its Climate Strategy (Lebensministerium, 2007) does not include adaptation, even though adaptation is part of Austria's commitments under the UN Framework Convention on Climate Change and the Kyoto Protocol.<sup>83</sup>

#### **Box 12. Austria's strong comparative advantage in organic agriculture**

Austria continues to be a leader in organic agriculture, devoting a higher share of its agricultural land to organic farming than any other European country (EC 2008b). In 1996 the peer review had already highlighted Austria's comparative advantage and expertise in this area. Environmentally friendly agriculture has a strong potential to enhance the resilience and adaptation of communities to climate change. ADA's draft thematic paper on organic agriculture (ADC, 2007b) is unpublished, yet informs the implementation of such projects. It presents an excellent approach to fostering agriculture while considering erosion control, mitigation, and biodiversity. At the same time, organic agriculture dovetails with Austria's declared priorities of rural and private sector development, Austria sponsors agricultural research through the Consultative Group on International Agricultural Research (CGIAR), and contributes to food security and clean production. Austria is encouraged to finalise its guidance, ensuring that programmes anticipate potential further climate changes, and take a regional approach. With a strengthened and expanded programme on organic agriculture for development, Austria could become a leader in this innovative sector.

#### ***Environment and climate change in practice***

At the programme level Austria treats environment as an integral, cross-cutting component of development and avoids stand-alone programmes. At the same time it prioritises four fields of action, without being explicit about criteria for selecting them, or how efforts will go beyond mainstreaming (ADC/ADA, no date):

- i. Sustainable natural resource management, combating desertification and preserving biodiversity.
- ii. Addressing climate change.
- iii. Water and sanitation.

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81 Austria scores relatively highly for policies on climate, fisheries, and biodiversity in the 2008 Commitment to Development Index (CDI), issued by the Center for Global Development.

82 Such as Allianz Klimagerechtigkeit, which is an Austrian NGO platform that advocates international climate justice. See its paper, *The Day Before Tomorrow* (Allianz Klimagerechtigkeit, 2008).

83 See in particular the Kyoto Protocol, Article 4, para 1 (e) and (h), and paras 3 and 4. See [http://unfccc.int/kyoto\\_protocol/items/2830.php](http://unfccc.int/kyoto_protocol/items/2830.php).

iv. Environmentally sound chemicals and waste management.

Despite the absence of an overarching strategy, links with key environment aspects exist in programmes, thematic papers and guidelines. The policy on *Water and Sanitation* (2008), the strategy for *Rural Development* (2003), and a draft thematic paper on organic agriculture (ADC, 2007b) illustrate Austria's consideration for conservation, mitigation, erosion control, and biodiversity while fostering development in the infrastructure, agriculture and energy sectors. Austria's *Guidelines on International Humanitarian Aid* (OEZA, 2007), however, have yet to consider how to reduce risks caused by climate change, as suggested in the Hyogo framework.<sup>84</sup>

Austria's environment and climate change efforts are not yet fully in line with the Paris Declaration. Alignment with partner countries' environment strategies is a requirement for ADA-funded projects.<sup>85</sup> However, only 13% of Austria's funding with environment as a policy objective is channeled through the public sector using country systems. Most funding flows through NGOs, possibly because environmental issues are often of low priority in partner countries.<sup>86</sup> Austria is encouraged to build on its support to capacity building and policy development to enable partner countries to tackle environment through their own channels.

*The need for systematic mainstreaming*

Austria's emphasis on environment is reflected in the statistics. Among the ten top recipients of ODA with environment as a policy objective, seven are priority countries in the Austrian development co-operation system. This confirms that Austria's policy efforts to integrate environment aspects in development lead to consistent efforts in the field.

**Table 3. Top ten recipients of Austria's environment focused aid**

Average disbursements 2006-2007, USD million

Rank	Country	ADC priority country Yes / No	Environment focused aid	
			USD m	As a % of Austrian ODA to the country
1	Uganda	Yes	6.51	59%
2	Nicaragua	Yes	4.77	59%
3	South of Sahara (unspecified)		3.42	48%
4	Ethiopia	Yes	3.42	28%
5	Burkina Faso	Yes	2.99	62%
6	Serbia	Yes	2.64	6%
7	Europe unspecified		2.58	30%
8	Senegal	No	2.52	79%
9	Cape Verde	Yes (phasing out)	2.24	83%
10	Albania	Yes	2.11	31%

Source: OECD Creditor Reporting System: ODA with "environment as a policy objective"

As a cross-cutting issue, environment does not have its own budget line. Austria uses project screening, complemented by environmental impact assessment studies, as the main tools to ensure mainstreaming. Any proposal for ADA funding, including proposals from NGOs, tenders or projects

84 Hyogo Framework for Action 2005-2015: Building the resilience of nations and communities to disasters. See <http://www.unisdr.org/eng/hfa/hfa.htm>.

85 This criterion is part of the checklist that all project submissions must follow to receive ADA funding.

86 This fact is also underscored in the draft thematic paper on organic agriculture (ADC, 2007b).

executed locally by partner governments, must document environmental integration and sustainability against a document that includes environmental questions. Subsequently, it is mandatory for ADA to assess projects for environmental threats and opportunities, and relevance to the Rio Conventions on climate change, desertification and biodiversity. In contrast, environmental impact assessment studies are only undertaken when ADA deems it necessary, which has been rare.

As an EU member, Austria is bound by the *EU Directive on Strategic Environmental Assessment* (2001). The directive aims to ensure that environmental effects arising from policies, plans and programmes are identified and assessed during their preparation and before adoption. Austria has begun to apply strategic environmental assessment, and motions before the Austrian parliament are systematically scrutinised for environmental impact. However these assessments are not consistently undertaken for development policies and country programmes and ADA has never initiated an ex-ante SEA for other programmes after the screening process, partly because opportunities to do so were missed. Nevertheless, Austria uses country environment profiles of the EC, the World Bank and other donors as well as its own assessments at the drafting stage. Austria is encouraged to extend strategic environmental assessment into development co-operation, taking advantage of lessons learned by European peers.

#### *Aiding climate change adaptation: policy, research and a regional approach*

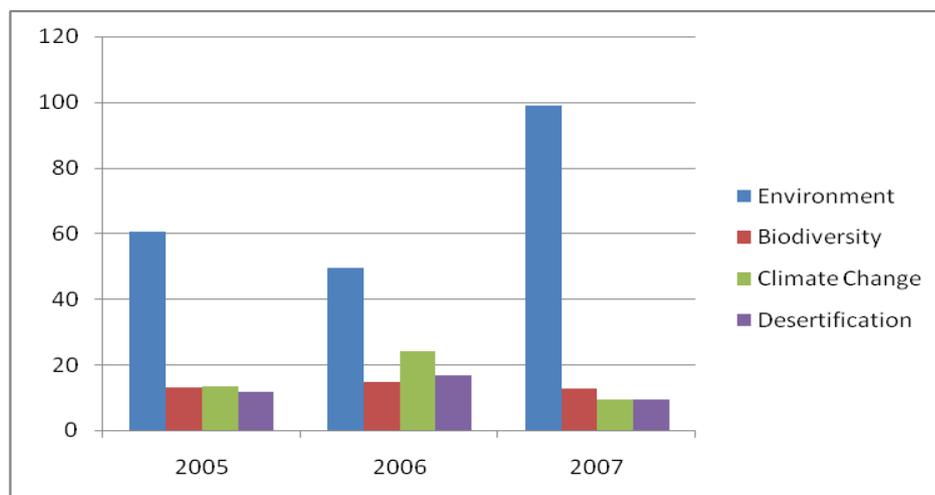
Austria's programmes have a growing focus on environment in general, and specifically on biodiversity and climate change (mitigation) (Figure 7). Its performance on adaptation to climate change, however, remains difficult to measure in the absence of an ODA marker. Austria tackles adaptation in several ways. For example, it supports the preparation of National Adaptation Programmes of Action (NAPA) in partner countries as part of the Least Developed Countries Expert Group (LEG) established under the UN Framework Convention on Climate Change. Secondly, it sponsors scientific research on agriculture, forestry, fisheries, policy, and environment, which touch upon issues relevant for adaptation.<sup>87</sup> These activities provide a good departure for strengthening climate change adaptation in its programmes. However, to ensure policy and research will become country-owned in the longer term, building local capacity in adaptation will be of great value. ADA intends to continue to allocate funds to climate change under the budget line for global issues in its budget (Chapter 3). Currently the proposal is to allocate approximately EUR 1.8 million for three years starting 2009.<sup>88</sup>

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87 See Guidelines for targeted funding of CGIAR Centers (2008) by the Federal Ministry of Finance (BMF) and the Austrian Development Agency (ADA)

88 Pending budget speech of 21 April 2009.

**Figure 7. Austrian ODA with Environment and Rio markers (2005-2007)**  
Commitments, current USD millions



Source : OECD Creditor Reporting System

*Limited mitigation efforts at programme level, complemented by significant private sector activities*

Some of Austria's development programmes implicitly support mitigation, *i.e.* the reduction of greenhouse gas emissions. Its focus paper on Climate Change states that one of Austria's development co-operation principles is to ensure that additional greenhouse emissions are minimised or avoided in programmes and projects (ADC, 2007). Yet the share of Austria's ODA tagged with the Rio marker on climate change is relatively small compared with other donors. Though it seems that Austria's efforts to address mitigation through its programmes could be intensified - this may partly be a question of the quality of DAC collected and relatively new marker data and of the restrictive application of the markers by Austria.<sup>89</sup> Austria's knowledge on renewable energy production, gained at home as well as in development programmes and through IFI co-operation, bodes well for a more substantial engagement on mitigation.

Austria's engagement in the Clean Development Mechanism (CDM) makes a significant contribution to mitigation, but this does not qualify as ODA. At the time of writing, Austrian investments in CDM projects account for almost 2% of the global total of registered projects.<sup>90</sup> Such projects have development potential as they can provide clean energy to areas where electricity is scarce, and help conserve natural resources such as forests. However, none of Austria's 45 CDM projects to date is in a least developed country, and only one is in Africa (Egypt). The initiation of arrangements for CDM with Ethiopia, one of Austria's priority countries, is a welcome step.

Austria has, however, embarked on capacity development for CDM, which *is* reported as ODA under DAC reporting rules. In 2007, Austria launched the Austrian Clean Development Mechanism in Africa initiative to foster CDM projects in Sub-Saharan Africa. This initiative is proof of the co-operation among various key institutions as set out in Austrian law (para. 11) and intends to offer a "package solution" to partners. By training designated national authorities and the private sector on CDM and project management, ADA aims to prepare Sub-Saharan partners to become hosts for CDM

89 A Statistics Task Force is planned by the DAC for improving the quality of data in the Rio markers.

90 <http://cdm.unfccc.int/Statistics/index.html>, Registered projects by AI and NAI investor parties, visited 7 March 2009

projects. Such efforts, already being implemented in Ethiopia, Uganda, Tanzania and Ghana, as well as similar efforts in Albania<sup>91</sup> and Bhutan, demonstrate a coherent approach to sustainable development in priority countries.

### ***Staffing, management, and division of labour for environment and climate change***

#### *Austrian development co-operation capacity*

Despite its enthusiastic commitment to the environment, the limited capacity of Austria's development co-operation system presents some challenges. There is one expert in the Ministry of Foreign Affairs and two experts in ADA dealing with environment issues. Once the long overdue strategy on environment and development is in place, Austria may want to assess what further expertise is required to strengthen its focus on environment and climate change. At the same time, Austria should refrain from "broadening the spectrum of measures in developing countries to effectively transmit its knowledge on environment" (Federal Ministry for European and International Affairs, 2007, p. 22). It should identify two or three environment and climate change priorities that are in demand and for which it has a comparative advantage. Further, Ethiopia's case suggests that strengthening the capacity of local staff would help to mainstream environment and climate change within programmes.

### **Future considerations**

#### ***Capacity development***

- Austria should provide guidance to staff on practical approaches to capacity development, including for situations of fragility.
- Austria should examine how to assess capacity needs in, and with, partner countries more systematically so that technical co-operation can become truly demand-driven. Such efforts are best undertaken jointly with other donors.
- Austria's scholarship programme should continue to be reformed as a matter of priority. This should involve providing a coherent and holistic approach to ensure that scholarships are an efficient and cost-effective way of contributing to building sustainable capacity in partner countries. They should also contribute substantially to Austria's geographical and thematic development priorities.

#### ***Environment and climate change***

- With environment as an explicit and key priority for development, the formulation of an inter-ministerial strategy is timely and welcome. Austria is encouraged to finish it and make it binding on all sectors of government, and ensure that human and financial resources dedicated to environment and climate change at headquarters and in the field match the strategic importance these issues are given in policy. When it next revises its Climate Change Strategy, Austria is encouraged to integrate adaptation, including how Austria perceives its responsibility in tackling adaptation in developing countries.

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91 UNDP is the implementing agency for this initiative in Albania and Austrian funding is provided by the MFA.

- Austria's consistent efforts in mainstreaming environment in development programmes and projects could be improved in two ways: Austria should apply strategic environmental assessment (*Strategische Umweltprüfung*) to development policies and programmes and add adaptation to the screening process to ensure the resilience of programmes to climate change.
- Austria should make a strategic choice about its specific programme-level engagement on environment and climate change in development, and limit itself to a few themes based on its comparative advantage. Austria should balance this with an assessment of partners' needs.

## ANNEX A

### PROGRESS SINCE THE 2004 DAC PEER REVIEW RECOMMENDATIONS

<b>Key Issues</b>	<b>Recommendations 2004</b>	<b>Achievements since 2004</b>
<i>Overall framework and new orientations</i>	<ul style="list-style-type: none"> <li>• Austria points out that while development co-operation is part of foreign policy, it remains a distinct policy area. It would be useful to define the relations between development policy and other policies of national interest.</li> </ul>	<ul style="list-style-type: none"> <li>• The Three-Year Programme on development policy integrates aid-related activities by other ministries, such as environment and climate change, trade and economic relations and dedicated chapters to policy coherence, especially internal coherence of aid policy. Austria would still benefit from preparing and endorsing an overarching development co-operation strategy that defines these relationships and in preparing a high-level statement on policy coherence for development.</li> </ul>
	<ul style="list-style-type: none"> <li>• The reform of Austrian development co-operation is still ongoing. The policies and strategic lines stated in the new Development Co-operation Act and the Three Year Programme 2004-2006 have to be further operationalised by all actors of the Austrian aid system. A clear division of labour, especially between the MFA and ADA, has to be ensured.</li> </ul>	<ul style="list-style-type: none"> <li>• The policies and strategies are being implemented by ADA. The use of these policies is not apparent for other ministries involved in development co-operation. The preparation of an inter-ministerial strategy on environment and development is an important instrument for implementing development priorities beyond ADA.</li> <li>• Division of labour was made explicit in ADA's Business Concept 2005-2007 (<i>Unternehmenskonzept</i>) in the form of a matrix. A similar operational document is required to guide division of labour in practice. However, an efficient division of labour depends on the provision of adequate resources to MFA Division VII so it can fulfill its mandate without having to rely on ADA.</li> </ul>
	<ul style="list-style-type: none"> <li>• To promote consistency within Austrian development co-operation, the Three-Year Programme and country strategies should expand their coverage to all Austrian ODA relevant activities. Austria should also consider developing a formalised system to allow the MFA to co-ordinate effectively those activities for which it is not directly responsible.</li> </ul>	<ul style="list-style-type: none"> <li>• As soon as the three-year programme and country strategies are passed by the Council of Ministers they apply to all Austrian ODA, however, ownership of these strategies beyond the MFA. MoF and ADA appears weak.</li> </ul>
	<ul style="list-style-type: none"> <li>• The stated policy commitment to poverty reduction and the MDGs needs to be made operational and be reflected in the allocation of resources. To mainstream poverty reduction into all projects and programmes, substantial</li> </ul>	<ul style="list-style-type: none"> <li>• Poverty reduction guidelines are approved.</li> <li>• Results focus is missing from Austria's strategies.</li> </ul>

Key Issues	Recommendations 2004	Achievements since 2004
	<p>staff resources are needed. Measuring the results of Austrian activities and their impact in terms of poverty reduction and contribution to the MDGs should be high priority.</p>	
<i>ODA volume, channels and allocations</i>	<ul style="list-style-type: none"> <li>To fulfill its ODA commitments announced at the Barcelona Summit in 2002, Austria will require strong political support and a consistent strategy, including an explicit growth path.</li> </ul>	<ul style="list-style-type: none"> <li>Austria fulfilled the Barcelona commitment of 0.33% in 2005 as a result of debt relief. With declining debt relief in sight, an ODA growth path was prepared in 2007-2008 to identify how Austria will meet the EU minimum targets of 0.51% in 2010 and 0.7% in 2015. This path was not approved by the government. Thus, this recommendation still applies.</li> </ul>
	<ul style="list-style-type: none"> <li>The required increase in programmable aid necessitates a substantial expansion of management and administrative capacity. A multi-year allocation path is needed to reinforce the predictability of Austrian aid and to bring it more in line with the programming needs of partner countries.</li> </ul>	<ul style="list-style-type: none"> <li>Programmable aid has not increased. Management and administrative capacity has expanded in ADA but is weak in the Ministry of Foreign Affairs. Austria could not prepare a multi-year allocation path in 2008 due to delays in approving the national budget, although country strategy papers include a minimum indicative budget envelope for their duration.</li> </ul>
	<ul style="list-style-type: none"> <li>Further concentration of Austria's aid programme would help achieve greater efficiency and effectiveness by creating a critical mass and allowing bigger sectorally-based programmes.</li> </ul>	<ul style="list-style-type: none"> <li>Austria has advanced the concentration of aid programmes by focusing on 2-3 key sectors and allocating the bulk of resources to these sectors. Austria has also phased out of several countries. The preparation of six regional programmes will require financial resources and could undermine the concentration of the aid programme and efforts to increase sectorally-based programmes. Scaling up aid has not happened, but would allow Austria to undertake larger, sectorally-based programmes.</li> </ul>
<i>Policy coherence</i>	<ul style="list-style-type: none"> <li>In order to monitor and ensure policy coherence for development, the MFA will need (i) a detailed strategy or policy framework (e.g. for the MDGs and poverty reduction) from which it can gauge the development impact of other policies, (ii) the means to engage analytical capacity, and (iii) the staff to initiate and organise effective coherence work.</li> </ul>	<ul style="list-style-type: none"> <li>The Development Co-operation Act stipulates that development policy must be accounted for in all policy fields affecting developing countries. The MFA did not establish an overarching system. Instead, there has been an increase in inter-ministerial work on specific issues where policy coherence is a two-way street.</li> <li>This recommendation still applies.</li> </ul>
	<ul style="list-style-type: none"> <li>The Three-Year Programme should include a chapter on policy coherence specifying the areas where the MFA/Section VII wants to achieve progress in the short and medium term (coherence agenda).</li> </ul>	<ul style="list-style-type: none"> <li>The Three-Year Programme 2007-2009 includes a chapter on policy coherence for development. In the short term (the programme period), the central concern is the coherence of all institutional actors within the ODA system. A particular focus of activity for the period is migration and development. In the medium term, Austrian development co-operation will take up broader policy coherence concerns for development, including international economic relations, global energy issues, environment and climate change.</li> </ul>

Key Issues	Recommendations 2004	Achievements since 2004
		<ul style="list-style-type: none"> <li>The Three-Year Programme does not specify how Austria intends to achieve progress in the short and medium term.</li> </ul>
	<ul style="list-style-type: none"> <li>The Federal Ministry of Agriculture, Forestry, Environment and Water Management could be a special partner for the MFA in coherence work because of its lead role in Austria's Strategy for Sustainable Development and its responsibility for agriculture as a major area for coherence concerns.</li> </ul>	<ul style="list-style-type: none"> <li>There has been increasing contact between the two ministries, with particular interest in developing the Austrian response to the challenges of climate change. Strategic guidelines on Environment and Development, prepared jointly by the two ministries, await approval by the government.</li> </ul>
	<ul style="list-style-type: none"> <li>Coherence work requires public awareness building and Austrian NGOs can play a proactive role in drawing attention to policies which might be incoherent with development co-operation objectives.</li> </ul>	<ul style="list-style-type: none"> <li>Austrian development co-operation recognises this NGO role, which is up to the NGOs to promote. There is some awareness of this role among NGOs, and also recognition that it involves other institutional actors in civil society (e.g. trades unions). While ADA supports development education and has financed some NGO campaigns, the funding of NGO advocacy is more contentious.</li> </ul>
<i>Aid management and implementation</i>	<ul style="list-style-type: none"> <li>Personnel policies for the MFA, ADA headquarters and Co-ordination Offices need to be updated to meet the requirements of a growing and increasingly professional bilateral aid programme. This includes a systematic approach to staff development. Specialist skills are needed in line with Austria's main development objectives and in the area of co-operation with Eastern Europe.</li> </ul>	<ul style="list-style-type: none"> <li>A personnel development strategy for ADA has been developed. It now includes a systematic approach to training. However, it leaves mobility issues unresolved, and does not address local staff issues. Specialist skills are broadly in line with development objectives, yet capacity on environment and energy requires strengthening to reflect Austria's strategic orientation, and expertise is needed in new modalities such as budget support.</li> </ul>
	<ul style="list-style-type: none"> <li>Austria could benefit from a reflection on the role of NGOs as contractors <i>versus</i> development partners (on a co-financing basis) <i>versus</i> advocacy partners, to address possible conflict of interest issues that may exist under current arrangements. These considerations should be reflected in the current deliberations of the MFA/ADA on their policy towards NGOs.</li> </ul>	<ul style="list-style-type: none"> <li>The NGO policy (2007) clarifies the role of non-state actors in development co-operation, especially for NGOs' own initiatives. Reflection on the role of NGOs as contractors has not advanced. More structured consultation between the MFA and NGOs should provide new opportunities to elaborate on Austria's policy towards NGOs as contractors.</li> </ul>
	<ul style="list-style-type: none"> <li>Austria is encouraged to take an active role in supporting the development and implementation of PRSPs and other national frameworks. Austria is a small donor with a particular profile in the support of NGOs and target groups on the ground. The MFA should carefully consider whether, and to what extent it should redirect part of its country allocations to programme and budget aid. In particular cases delegated co-operation may constitute an</li> </ul>	<ul style="list-style-type: none"> <li>Supporting partners in designing national strategies is not an Austrian priority. Austria's support through the Least Developed Countries Expert Group for National Adaptation Programmes of Action is noted. General and sector budget aid is provided in 4 partner countries and Austria has committed to allocating 10-15% of ADA's aid budget as budget support. Delegated co-operation occurred in one case (with Switzerland).</li> </ul>

Key Issues	Recommendations 2004	Achievements since 2004
	<p>appropriate response.</p> <ul style="list-style-type: none"> <li>• Austria will have to reinforce its efforts in harmonization and alignment in particular by finalising its plan of action, taking into account the experience of other donors and implementing efforts in the partner countries. This implies increased communication on H&amp;A between headquarters and the Co-ordination Offices as well as with NGOs. Dialogue and consultation with partner governments needs to be strengthened and practical steps to harmonise and align all Austrian support (including NGOs) to partner country national strategies and systems should be increased.</li> </ul>	<ul style="list-style-type: none"> <li>• Austria has finished a document entitled “Plan of Action” for harmonization and alignment. It summarises Austria’s intent to implement aid effectiveness, but lacks a results-based framework.</li> <li>• Austria has made practical steps to harmonise its aid with partner governments. Its country programmes are well aligned. However, undertakings are not always preceded by an assessment of needs, <i>e.g.</i> in capacity development. Efforts for better alignment should ensure needs-based approaches.</li> </ul>
	<ul style="list-style-type: none"> <li>• Logical framework approach and project cycle management should be used systematically in all projects. Clearer criteria for making a decision between direct procurement from NGOs and competitive tendering are needed.</li> </ul>	<ul style="list-style-type: none"> <li>• ADA staff have been trained in project cycle management, which is part of the new Personnel Development Strategy. Several key documents, such as the NGO project template, contain logical frameworks. However, most often they do not reflect a results-based approach, <i>i.e.</i> with targets and indicators.</li> <li>• Tenders for contracts adhere to Austrian procurement regulations and Austria organises information sessions on financing tools. However, NGOs would like more transparency. Selection criteria are made public together with tenders.</li> </ul>
	<ul style="list-style-type: none"> <li>• Regarding evaluation it is important: <ul style="list-style-type: none"> <li>i. to ensure the organisational independence of the MFA’s and ADA’s evaluation units;</li> <li>ii. to conduct more meta-evaluations to distil lessons learnt;</li> <li>iii. to properly monitor the implementation of evaluation recommendations; and</li> <li>iv. to continue establishing multi-annual work programmes for strategic evaluations.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>i. ADA’s evaluation unit is now independent and directly managed by the DG of ADA. This is a very positive step. Yet, independence of the focal point for evaluation in MFA must be ensured, too.</li> <li>ii. Meta-evaluations are not done on a consistent basis.</li> <li>iii. The implementation of evaluation recommendations is done informally through meetings between ADA and MFA. It requires a stronger, more structured approach.</li> <li>iv. A two-year work programme for strategic evaluations exists in the form of a list. Clear criteria for selection must be made explicit.</li> </ul>
	<ul style="list-style-type: none"> <li>• With regard to monitoring, the objectives of country and sector strategies should be specified in such a way that progress towards the intended</li> </ul>	<ul style="list-style-type: none"> <li>• The recommendation on monitoring still stands. Objectives, desired results, and indicators are missing from most strategies.</li> </ul>

<b>Key Issues</b>	<b>Recommendations 2004</b>	<b>Achievements since 2004</b>
	outcome can be measured.	

## ANNEX B

### OECD/DAC STANDARD SUITE OF TABLES

**Table 4. Table B.1. Total financial flows**

USD million at current prices and exchange rates, unless otherwise specified

Austria	<i>Net disbursements</i>						
	1993-97	1998-2002	2003	2004	2005	2006	2007
<b>Total official flows</b>	<b>688</b>	<b>545</b>	<b>549</b>	<b>448</b>	<b>1 884</b>	<b>1 051</b>	<b>1 184</b>
Official development assistance	434	509	505	678	1 573	1 498	1 808
Bilateral	269	337	228	353	1 232	1 092	1 324
Multilateral	165	172	276	325	341	407	484
Other official flows	254	36	44	-229	310	-448	-624
Bilateral	198	36	44	-229	310	-448	-624
Multilateral	56	-	-	-	-	-	-
<b>Net Private Grants</b>	<b>48</b>	<b>61</b>	<b>71</b>	<b>89</b>	<b>139</b>	<b>119</b>	<b>123</b>
<b>Private flows at market terms</b>	<b>456</b>	<b>770</b>	<b>824</b>	<b>815</b>	<b>2 814</b>	<b>2 285</b>	<b>19 247</b>
Bilateral: <i>of which</i>	456	770	824	815	2 814	2 285	19 247
Direct investment	138	564	765	924	2 712	1 853	15 802
Export credits	-	-	-	-	-	-	-
Multilateral	-	-	-	-	-	-	-
<b>Total flows</b>	<b>1 192</b>	<b>1 375</b>	<b>1 445</b>	<b>1 352</b>	<b>4 837</b>	<b>3 455</b>	<b>20 553</b>
<i>for reference:</i>							
ODA at constant 2006 prices and exchange rates	502	722	593	709	1 618	1 498	1 622
ODA as a % of GNI	0.21	0.26	0.20	0.23	0.52	0.47	0.50
Total flows as a % of GNI (a)	0.57	0.69	0.58	0.46	1.60	1.08	5.66
ODA to and channelled through NGOs							
- In USD million	40	46	41	54	62	67	72
- In percentage of total net ODA	9	8	8	8	4	4	4
- Median DAC percentage of total net ODA	4	8	8	8	9	7	7

a. To countries eligible for ODA.

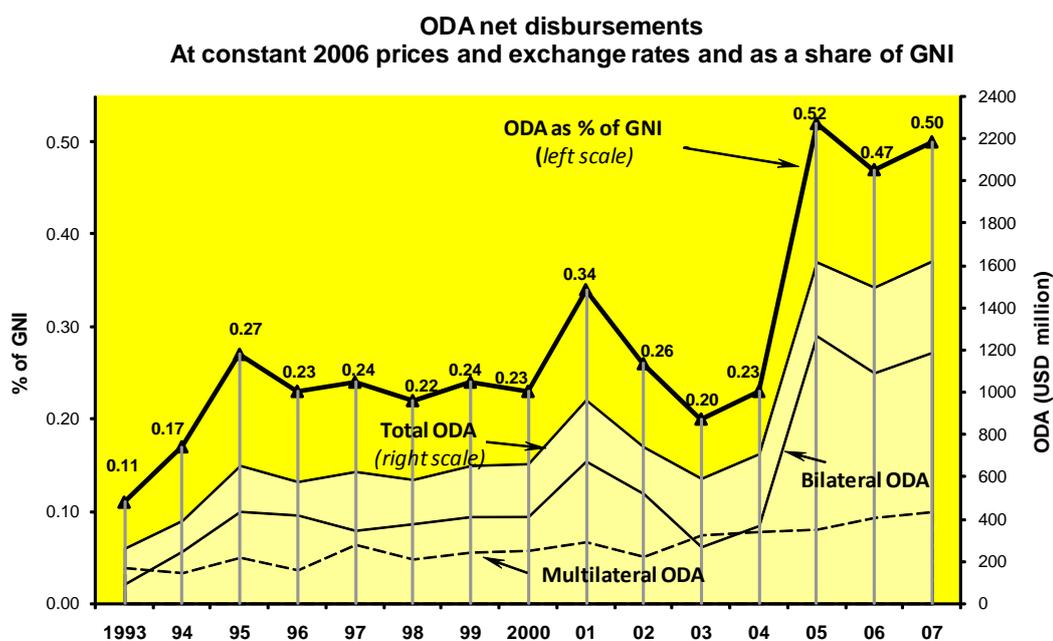


Table 5. Table B.2. ODA by main categories

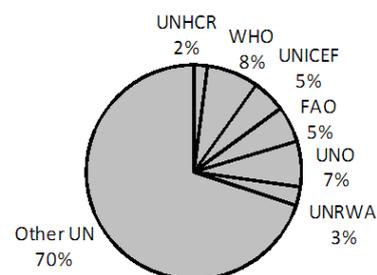
Austria	Constant 2006 USD million					Per cent share of gross disbursements					Total DAC 2007%
	2003	2004	2005	2006	2007	2003	2004	2005	2006	2007	
	<b>Gross Bilateral ODA</b>	<b>315</b>	<b>401</b>	<b>1 282</b>	<b>1 103</b>	<b>1 213</b>	<b>49</b>	<b>54</b>	<b>78</b>	<b>73</b>	
<i>Grants</i>	<i>314</i>	<i>401</i>	<i>1 282</i>	<i>1 103</i>	<i>1 213</i>	<i>49</i>	<i>54</i>	<i>78</i>	<i>73</i>	<i>74</i>	<i>65</i>
Project and programme aid	13	11	24	42	37	2	2	1	3	2	24
Technical co-operation	134	139	155	162	171	21	19	9	11	10	13
Developmental food aid	2	2	1	1	2	0	0	0	0	0	1
Humanitarian aid	3	7	27	17	13	0	1	2	1	1	5
Action relating to debt	48	123	937	761	850	8	17	57	50	52	8
Administrative costs	30	31	32	32	33	5	4	2	2	2	4
Other grants	84	88	105	88	108	13	12	6	6	7	9
<i>Non-grant bilateral ODA</i>	<i>1</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>0</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>9</i>
New development lending	1	-	-	-	-	0	-	-	-	-	8
Debt rescheduling	-	-	-	-	-	-	-	-	-	-	0
Acquisition of equity and other	-	-	-	-	-	-	-	-	-	-	1
<b>Gross Multilateral ODA</b>	<b>324</b>	<b>340</b>	<b>351</b>	<b>407</b>	<b>434</b>	<b>51</b>	<b>46</b>	<b>22</b>	<b>27</b>	<b>26</b>	<b>26</b>
UN agencies	25	38	28	27	42	4	5	2	2	3	5
EC	198	209	227	236	234	31	28	14	16	14	10
World Bank group	50	49	48	98	100	8	7	3	7	6	5
Regional development banks (a)	32	32	37	36	35	5	4	2	2	2	2
Other multilateral	20	13	12	10	23	3	2	1	1	1	4
<b>Total gross ODA</b>	<b>640</b>	<b>741</b>	<b>1 633</b>	<b>1 510</b>	<b>1 648</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>Repayments and debt cancellation</b>	<b>-47</b>	<b>-32</b>	<b>-14</b>	<b>-11</b>	<b>-25</b>						
<b>Total net ODA</b>	<b>593</b>	<b>709</b>	<b>1 618</b>	<b>1 498</b>	<b>1 622</b>						
<i>For reference:</i>											
<i>Associated financing (b)</i>	-	-	-	-	-						
<i>Net debt relief</i>	45	97	930	757	829						
<i>Imputed student cost</i>	55	50	63	69	77						
<i>Refugees in donor countries</i>	40	54	63	41	45						

a. Excluding EBRD.

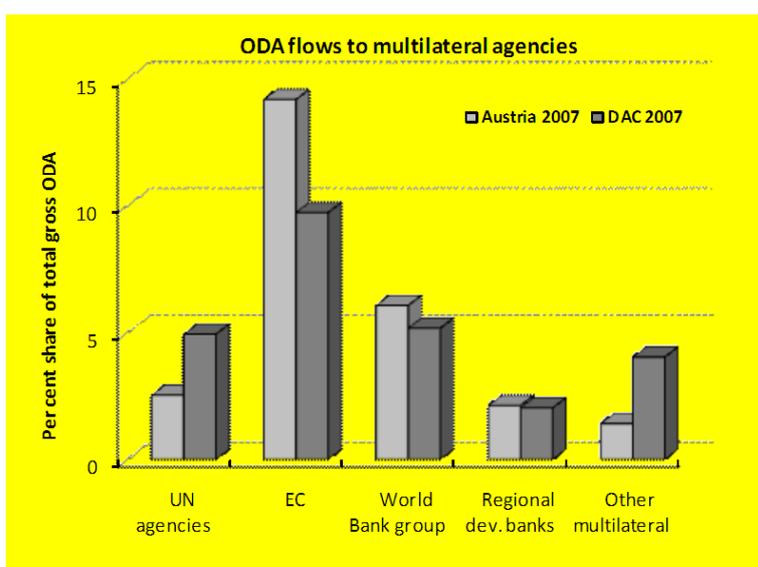
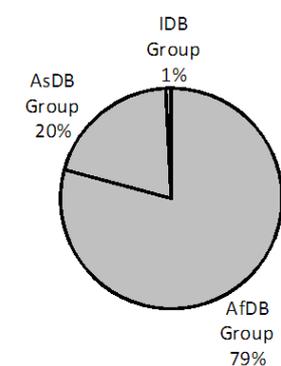
b. ODA grants and loans in associated financing packages.

Disbursements

Contributions to UN Agencies  
(2006-07 Average)

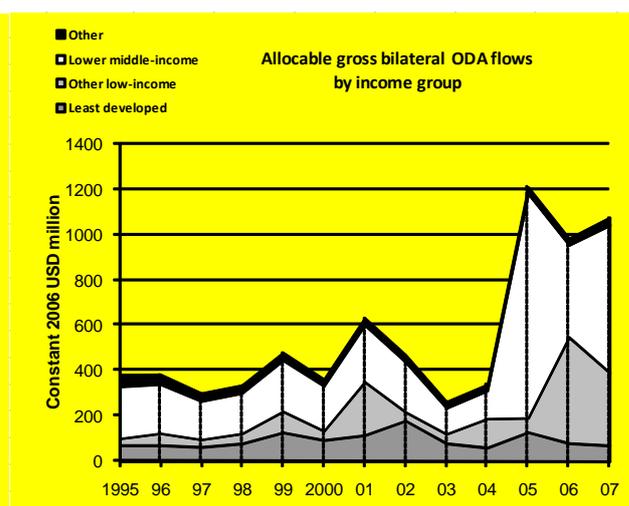
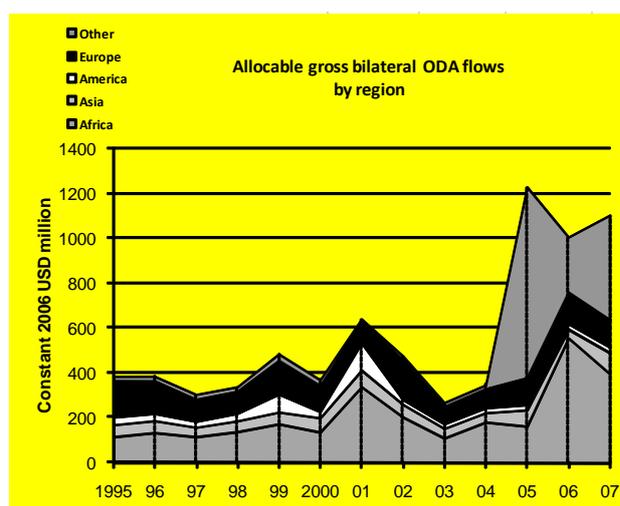


Contributions to Regional Development  
Banks (2006-07 Average)



**Table 6. Table B.3. Bilateral ODA allocable by region and income group**

Austria	Constant 2006 USD million					Per cent share					Total DAC 2007%
	2003	2004	2005	2006	2007	2003	2004	2005	2006	2007	
	<i>Gross disbursements</i>										
<b>Africa</b>	110	182	163	559	398	40	52	13	56	36	<b>39</b>
Sub-Saharan Africa	86	160	140	534	372	32	46	11	53	34	<b>33</b>
North Africa	24	22	22	23	25	9	6	2	2	2	<b>5</b>
<b>Asia</b>	44	42	73	37	93	16	12	6	4	8	<b>29</b>
South and Central Asia	32	29	55	19	68	12	8	4	2	6	<b>14</b>
Far East	12	13	18	18	26	4	4	1	2	2	<b>14</b>
<b>America</b>	21	22	23	24	25	8	6	2	2	2	<b>9</b>
North and Central America	16	18	18	19	19	6	5	1	2	2	<b>4</b>
South America	5	4	5	5	5	2	1	0	0	0	<b>5</b>
<b>Middle East</b>	17	16	845	243	463	6	5	69	24	42	<b>17</b>
<b>Oceania</b>	1	1	1	1	1	0	0	0	0	0	<b>2</b>
<b>Europe</b>	80	88	123	142	124	30	25	10	14	11	<b>4</b>
<b>Total bilateral allocable by region</b>	<b>272</b>	<b>351</b>	<b>1 229</b>	<b>1 007</b>	<b>1 104</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>Least developed</b>	78	59	127	79	69	29	17	10	8	6	<b>32</b>
<b>Other low-income</b>	41	128	63	470	322	15	37	5	48	30	<b>18</b>
<b>Lower middle-income</b>	118	126	994	409	655	44	37	82	41	61	<b>43</b>
<b>Upper middle-income</b>	29	28	30	31	35	11	8	2	3	3	<b>6</b>
<b>More advanced developing countries</b>	-	-	-	-	-	-	-	-	-	-	<b>-</b>
<b>Total bilateral allocable by income</b>	<b>265</b>	<b>341</b>	<b>1 215</b>	<b>988</b>	<b>1 080</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<i>For reference:</i>											
<i>Total bilateral</i>	313	398	1 280	1 101	1 212	100	100	100	100	100	<b>100</b>
<i>of which: Unallocated by region</i>	41	47	50	94	108	13	12	4	9	9	<b>19</b>
<i>of which: Unallocated by income</i>	48	56	65	113	131	15	14	5	10	11	<b>25</b>



1. Each region includes regional amounts which cannot be allocated by sub-region. The sum of the sub-regional amounts may therefore fall short of the regional total.

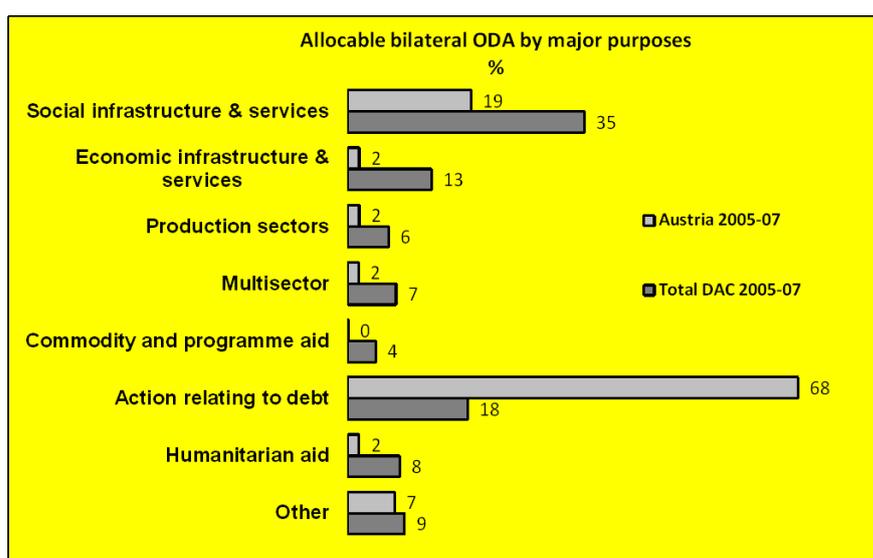
**Table 7. Table B.4 Main recipients of bilateral ODA**

Austria	1995-99 average			Memo: DAC countries' median	2000-04 average			Memo: DAC countries' median	
	Current USD million	Constant 2006 USD mln	Per cent share		Current USD million	Constant 2006 USD mln	Per cent share		
Bosnia-Herzegovina	63	73	20		Cameroon	44	61	14	Iraq
Egypt	25	30	8		Serbia	37	50	12	Cameroon
Nicaragua	16	20	5		Egypt	21	28	7	Nigeria
Uganda	16	19	5		Bosnia-Herzegovina	16	22	5	Serbia
Serbia	14	18	5		Turkey	15	19	5	Bosnia-Herzegovina
<b>Top 5 recipients</b>	<b>134</b>	<b>159</b>	<b>42</b>	<b>33</b>	<b>Top 5 recipients</b>	<b>133</b>	<b>180</b>	<b>43</b>	<b>34</b>
Turkey	13	16	4		Bolivia	13	20	4	Turkey
Indonesia	11	13	4		Tanzania	10	14	3	Egypt
Iran	10	12	3		Afghanistan	9	12	3	Georgia
Ghana	8	9	3		Mozambique	7	10	2	Madagascar
Tanzania	8	9	2		Uganda	6	8	2	China
<b>Top 10 recipients</b>	<b>184</b>	<b>219</b>	<b>58</b>	<b>51</b>	<b>Top 10 recipients</b>	<b>178</b>	<b>244</b>	<b>58</b>	<b>52</b>
Albania	7	9	2		Nicaragua	6	8	2	Uganda
Bhutan	7	8	2		Ghana	6	6	2	Ethiopia
Mozambique	7	8	2		Iran	6	7	2	Malawi
Croatia	6	7	2		Ethiopia	5	7	2	Nicaragua
China	6	7	2		Guatemala	5	7	2	Croatia
<b>Top 15 recipients</b>	<b>217</b>	<b>259</b>	<b>68</b>	<b>63</b>	<b>Top 15 recipients</b>	<b>206</b>	<b>280</b>	<b>67</b>	<b>66</b>
Guatemala	6	7	2		Sierra Leone	5	6	1	Guatemala
Slovenia	6	6	2		China	5	6	1	Sri Lanka
Cameroon	5	6	1		Burkina Faso	4	6	1	Albania
Cape Verde	4	5	1		Bhutan	4	6	1	Ukraine
Burkina Faso	4	5	1		Croatia	4	5	1	Macedonia, FYR
<b>Top 20 recipients</b>	<b>241</b>	<b>288</b>	<b>76</b>	<b>72</b>	<b>Top 20 recipients</b>	<b>228</b>	<b>309</b>	<b>74</b>	<b>74</b>
<b>Total (126 recipients)</b>	<b>317</b>	<b>379</b>	<b>100</b>		<b>Total (119 recipients)</b>	<b>309</b>	<b>416</b>	<b>100</b>	<b>Total (123 recipients)</b>
Unallocated	40	47			Unallocated	41	53		Unallocated
<b>Total bilateral gross</b>	<b>357</b>	<b>426</b>			<b>Total bilateral gross</b>	<b>349</b>	<b>469</b>		<b>Total bilateral gross</b>

**Table 8. Table B.5. Bilateral ODA by major purposes**

at current prices and exchange rates

Austria	<i>Gross disbursements</i>							
	1995-99 average		2000-04 average		2005-07 average		2005-07 Total DAC per cent	
	USD million	Per cent	USD million	Per cent	USD million	Per cent		
<b>Social infrastructure &amp; services</b>	<b>257</b>	<b>40</b>	<b>143</b>	<b>39</b>	<b>228</b>	<b>19</b>	<b>35</b>	
Education	133	21	68	18	116	9	8	
of which: basic education	2	0	2	1	4	0	2	
Health	42	7	15	4	25	2	4	
of which: basic health	26	4	12	3	19	2	3	
Population & reproductive health	0	0	1	0	3	0	4	
Water supply & sanitation	50	8	17	5	20	2	5	
Government & civil society	24	4	36	10	55	4	11	
of which: Conflict, peace & security	-	-	-	-	18	1	2	
Other social infrastructure & services	7	1	6	2	9	1	4	
<b>Economic infrastructure &amp; services</b>	<b>23</b>	<b>4</b>	<b>15</b>	<b>4</b>	<b>21</b>	<b>2</b>	<b>13</b>	
Transport & storage	14	2	6	2	9	1	6	
Communications	0	0	2	1	1	0	0	
Energy	8	1	5	1	7	1	4	
Banking & financial services	2	0	1	0	1	0	2	
Business & other services	0	0	1	0	5	0	1	
<b>Production sectors</b>	<b>42</b>	<b>7</b>	<b>13</b>	<b>4</b>	<b>21</b>	<b>2</b>	<b>6</b>	
Agriculture, forestry & fishing	15	2	6	2	11	1	4	
Industry, mining & construction	25	4	6	2	6	0	1	
Trade & tourism	0	0	0	0	0	0	1	
Other	2	0	2	0	4	0	0	
<b>Multisector</b>	<b>23</b>	<b>4</b>	<b>15</b>	<b>4</b>	<b>20</b>	<b>2</b>	<b>7</b>	
<b>Commodity and programme aid</b>	<b>3</b>	<b>0</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>4</b>	
<b>Action relating to debt</b>	<b>178</b>	<b>28</b>	<b>122</b>	<b>33</b>	<b>832</b>	<b>68</b>	<b>18</b>	
<b>Humanitarian aid</b>	<b>11</b>	<b>2</b>	<b>5</b>	<b>1</b>	<b>21</b>	<b>2</b>	<b>8</b>	
<b>Administrative costs of donors</b>	<b>22</b>	<b>4</b>	<b>21</b>	<b>6</b>	<b>34</b>	<b>3</b>	<b>5</b>	
<b>Aid to NGOs (core support)</b>	<b>5</b>	<b>1</b>	<b>2</b>	<b>1</b>	<b>2</b>	<b>0</b>	<b>2</b>	
<b>Refugees in donor countries</b>	<b>75</b>	<b>12</b>	<b>31</b>	<b>9</b>	<b>51</b>	<b>4</b>	<b>2</b>	
<b>Total bilateral allocable</b>	<b>639</b>	<b>100</b>	<b>369</b>	<b>100</b>	<b>1 231</b>	<b>100</b>	<b>100</b>	
<i>For reference:</i>								
Total bilateral	654	74	382	61	1 242	74	81	
of which: Unallocated	15	2	13	2	10	1	1	
Total multilateral	229	26	241	39	435	26	19	
<b>Total ODA</b>	<b>883</b>	<b>100</b>	<b>623</b>	<b>100</b>	<b>1 676</b>	<b>100</b>	<b>100</b>	



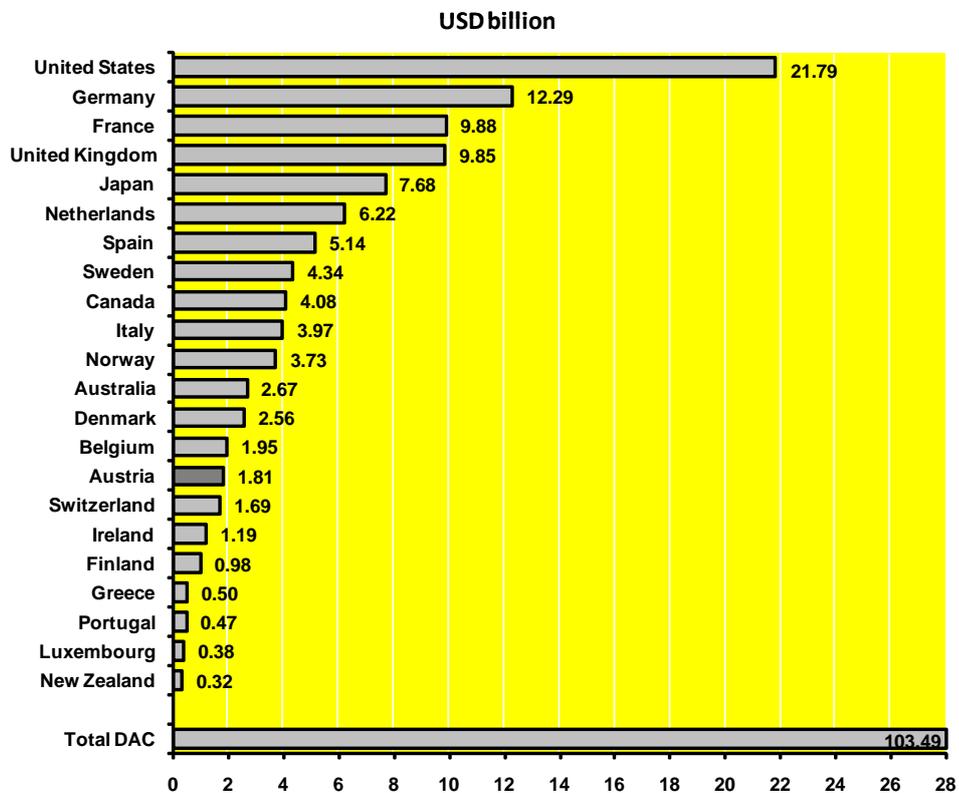
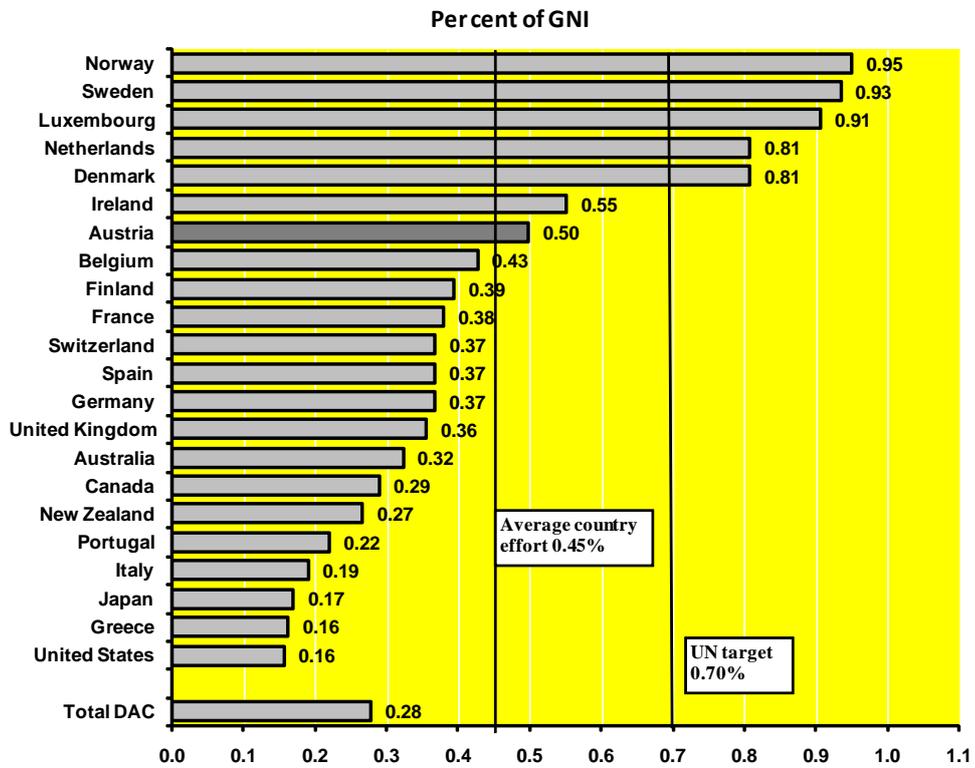
**Table 9. Table 10. Table B.6. Comparative aid performance**

	Official development assistance			Grant element of ODA (commitments) 2007 % (a)	Share of multilateral aid				ODA to LDCs Bilateral and through multilateral agencies 2007	
	2007		2001-02 to 06-07 Average annual % change in real terms		2007				% of ODA	% of GNI
	USD million	% of GNI			% of ODA (b)	(c)	% of GNI (b)	(c)		
Australia	2 669	0.32	7.2	100.0	15.0		0.05		25.8	0.08
Austria	1 808	0.50	12.8	100.0	26.8	12.4	0.13	0.06	14.1	0.07
Belgium	1 953	0.43	5.2	99.7	36.5	13.3	0.16	0.06	39.9	0.17
Canada	4 080	0.29	6.1	100.0	22.7		0.07		38.3	0.11
Denmark	2 562	0.81	-1.7	100.0	35.6	26.3	0.29	0.21	42.1	0.34
Finland	981	0.39	7.6	99.9	40.5	22.5	0.16	0.09	37.3	0.15
France	9 884	0.38	6.3	92.6	36.7	14.9	0.14	0.06	30.1	0.11
Germany	12 291	0.37	7.9	95.8	35.3	15.4	0.13	0.06	24.7	0.09
Greece	501	0.16	2.9	100.0	50.2	6.7	0.08	0.01	22.3	0.04
Ireland	1 192	0.55	14.8	100.0	30.9	19.7	0.17	0.11	51.0	0.28
Italy	3 971	0.19	3.6	98.9	68.0	30.4	0.13	0.06	33.0	0.06
Japan	7 679	0.17	-0.2	86.1	24.8		0.04		33.0	0.06
Luxembourg	376	0.91	6.0	100.0	32.5	23.6	0.29	0.21	39.2	0.36
Netherlands	6 224	0.81	2.7	100.0	25.4	16.3	0.21	0.13	29.1	0.24
New Zealand	320	0.27	6.9	100.0	22.7		0.06		26.2	0.07
Norway	3 728	0.95	4.6	100.0	22.7		0.22		35.6	0.34
Portugal	471	0.22	-2.3	85.7	42.6	12.5	0.09	0.03	43.9	0.10
Spain	5 140	0.37	8.2	95.8	35.0	16.9	0.13	0.06	21.9	0.08
Sweden	4 339	0.93	8.1	100.0	32.4	25.2	0.30	0.24	31.4	0.29
Switzerland	1 689	0.37	5.6	100.0	24.6		0.09		28.9	0.11
United Kingdom	9 849	0.36	9.7	100.0	43.1	21.4	0.15	0.08	40.9	0.15
United States	21 787	0.16	9.9	100.0	13.2		0.02		28.0	0.04
<b>Total DAC</b>	<b>103 491</b>	<b>0.28</b>	<b>6.4</b>	<b>97.1</b>	<b>29.6</b>	<b>18.2</b>	<b>0.08</b>	<b>0.05</b>	<b>30.9</b>	<b>0.09</b>
Memo: Average country effort		0.45								

*Notes:*

- a. Excluding debt reorganisation.
- b. Including EC.
- c. Excluding EC.
- .. Data not available.

Figure 8. Graph B.1. Net ODA from DAC countries in 2007 (preliminary)



## ANNEX C

### AUSTRIA AND THE GOOD HUMANITARIAN DONORSHIP INITIATIVE

Austria is committed to the provisions of the European Consensus on Humanitarian Aid (2007) in its bilateral humanitarian action and its support for humanitarian action by the EC. Austria did not participate in the inaugural Good Humanitarian Donorship (GHD) conference in Stockholm in June 2003, but did subsequently endorse the Principles and Good Practices of Humanitarian Donorship.<sup>92</sup> It has participated in the GHD initiative since then but has not yet published a domestic implementation plan to meet its commitments under the initiative.<sup>93</sup> This current peer review is the first time that Austrian humanitarian action has been assessed against the GHD commitments. Commentary in the previous peer review (2004) was rather limited but did include a number of important considerations (Box 13) against which some modest progress has been made. For instance, a Foreign Disaster Relief Fund (FDRF) has been established, although this still lacks a specific annual budget allocation (see below).

**Box 13. Future considerations for Austrian humanitarian assistance from the 2004 DAC peer review**

As Austria's reflection on humanitarian assistance proceeds, several points could be taken into consideration:

- There should be a specific budget line within MFA's budget for international humanitarian assistance.
- The definition of a qualifying situation could be drawn from the Good Humanitarian Donorship conclusions.
- Austria could identify a particular specialisation (geographic or thematic) within humanitarian assistance around which it could build its responses.
- Austria should not overlook the importance of providing support for the international humanitarian assistance co-ordination machinery, e.g. through supporting the UN Office for the Co-ordination of Humanitarian Affairs (OCHA).

Source: 2004 DAC Peer Review of Austria, OECD, Paris, p.35

This current review of Austrian humanitarian action has been conducted in accordance with the humanitarian assessment framework approved by the DAC in 2005.<sup>94</sup> It is structured around the four thematic clusters of the GHD principles and good practices: (i) policy framework for humanitarian action; (ii) funding flows; (iii) promoting standards and enhancing implementation; and (iv) learning and accountability. It concludes by identifying issues for further consideration by the Austrian development co-operation system. The report primarily draws on a series of meetings held in Vienna in November 2008 between key government officials, NGO partners of the Austrian humanitarian programme and the examiners. Supplementary comments were also sought from a number of

92 See <http://www.goodhumanitariandonorship.org/>

93 At the 2004 GHD meeting in Ottawa, donors agreed "to develop a domestic framework/action plan or ensure that existing domestic mechanisms account for GHD".

94 The headquarters visit for the Austrian peer review was conducted before the revised humanitarian assessment framework for DAC peer reviews was approved (DCD/DAC(2008)48).

agencies. Assessment of Austrian humanitarian action was *not* an objective of the field visit to Ethiopia.

### ***Policy framework for humanitarian action***

#### *Legal basis*

The rolling three-year programme (*e.g.* Federal Ministry for European and International Affairs, 2007) identifies the international legal basis for Austrian humanitarian action, *i.e.* the 1949 Geneva Conventions, the Additional Protocols of 1997 and customary international law. On the other hand, the setting of Austrian Government humanitarian action within domestic legislation is vague. The *Development Co-operation Act (2002)* and its 2003 Amendment do not make specific references to humanitarian objectives (Box 1, Chapter 1). However, humanitarian action is assumed to be encompassed within the broader umbrella objective of “ensuring peace and human security”.

Ministerial responsibilities for humanitarian policy are defined by the *Federal Ministries Act (1986)*. The 2003 Amendment assigns responsibility to the Federal Ministry for European and International Affairs for co-operation with UNHCR and the International Red Cross, as well as a broader oversight function for all relations with other countries. The Federal Ministry of the Interior is assigned responsibility for international disaster relief in both ODA *and* non-ODA eligible countries.

The MFA can also delegate authority to another federal ministry “to represent the Republic of Austria *vis-a-vis* international organisations established to deal with matters within the powers of such federal ministry” (Federal Ministries Act, 1986). This provision underpins the designation of the Federal Ministry of Agriculture, Forestry, Environment and Water Management as the lead ministry for Austrian food security policy (including commitments under the Food Aid Convention as well as liaison with the Food and Agriculture Organisation – FAO – and the World Food Programme – WFP). Likewise, the Federal Ministry of Defence has responsibilities for the peace support policy – an area that overlaps with the humanitarian domain. Within its designated function as the implementation arm of MFA, the Austrian Development Agency (ADA) is responsible for ensuring that many (though, not all) aspects of Austrian humanitarian action are implemented.<sup>95</sup>

#### *Humanitarian action in the three-year programme*

Humanitarian assistance featured prominently in *Three-Year Programme on Austrian Development Policy 2006-2008*, which stated that “[b]y providing effective needs-oriented humanitarian aid Austria helps to protect human lives in crisis and disaster situations, to reduce and avoid shortages and to safeguard the integrity and dignity of the persons affected”. The goal of Austria’s humanitarian aid was further expanded to include confidence building measures “in state government and administrative structures and hence to restore the basis for the functioning of society”. These aims generally mirror the humanitarian objectives identified by the GHD initiative, but some caution is needed to ensure that the latter elements of Austria’s aims (*i.e.* state-building support) do not compromise humanitarian principles.

#### *Humanitarian policy framework*

In June 2007, Austria published its first humanitarian policy, *Internationale humanitäre Hilfe Leitlinie der Österreichischen Entwicklungs- und Ostzusammenarbeit*. The policy outlines a multi-

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95 MFA retains overall responsibility for policy dialogue on humanitarian issues, as well as managing core support to UN humanitarian agencies.

dimensional vision of “humanitarian aid”, which embraces disaster risk reduction, response rehabilitation and recovery. It further distinguishes between immediate short-term responses to sudden onset crises (disaster relief) and responses to slower onset and protracted crises (humanitarian relief). The policy represents a welcome statement of intent. Yet, its critical deficiency lies in the lack of clearly defined pathways to meet stated commitments (including GHD commitments) and specific targets to underpin policy objectives.

### ***Financing Austrian humanitarian action***

#### *Volume*

As noted in Chapter 1, Austria’s commitment to assisting crisis-affected populations is persuasive. Nevertheless, Austrian financial contributions to humanitarian action through ODA channels remain modest and well below the level of contributions (in real and relative terms) of other EU member states with similar economic profiles (*e.g.* Ireland and Luxembourg, and see Table B.5, Annex B). Humanitarian-related disbursements totalling just USD 50.12 million were recorded in 2007. This was comprised of core support to multilateral agencies and programmable aid (food and non-food) but excluded some GHD-eligible initiatives that are reported elsewhere.<sup>96</sup> The shortfall in Austrian contributions is acknowledged in the three-year programme, which states that, “[c]hronically underfinanced by Austria in the past, humanitarian aid ... needs much more support” (Federal Ministry for European and International Affairs, 2007). The recent announcement that Austria will “substantially increase financial means for humanitarian aid”, as stated in the government programme for the XXIVth legislature (November 2008), is therefore a very encouraging development.

Significantly, only 14.3% (USD 7.17 million) of the 2007 humanitarian aid disbursement was available to the Austrian development co-operation system as discretionary humanitarian aid for allocation throughout the year (Table C.1). As a consequence, the flexibility and responsiveness of the ADC to emerging crises was significantly constrained. Increased funding flows for humanitarian assistance will therefore present Austria with significant challenges in how it conducts business in the sector. In particular, the opportunity to increase core support to multilateral agencies and Red Cross agencies will provide Austria with a humanitarian profile more commensurate with Austria’s position within the international community. This is especially so given that Austria is a member of the UN Security Council, dealing with global humanitarian crises on a regular basis. Greater devolution of responsibility for operational decision-making to implementing partners, however, will create space for more strategic dialogues between ADC officials and other stakeholders in the international humanitarian community – dialogues that should serve to enhance both the impact of Austrian humanitarian assistance, as well as its overall profile within the global humanitarian system.

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96 For example, a contribution to the Palestinian Medical Relief Society's Non-Communicable Diseases Programme was reported as development aid, since it was funded from the Palestine budget line and financed a longer-term programme – even though it appeared within the UN Inter-Agency Consolidated Appeal (CAP) for 2007. Similarly a commitment of EUR 600 000 for a project in Bhutan to reduce climate change-induced risks and vulnerabilities from glacial lake outburst floods was reported against the flood prevention/control sector (41050).

Table 11. Table C.1. Austrian humanitarian-related assistance in 2007

	millions of USD	% Total humanitarian disbursements
<b>Total humanitarian-related assistance (core and programme)</b>	<b>50.123</b>	<b>(100%)</b>
<i>Of which:</i>		
<i>EC humanitarian budget</i>	19.536	
<i>EC food security</i>	8.320	
<b>Humanitarian aid (less EC contributions)</b>	<b>22.267</b>	<b>(44.4%)</b>
<i>Of which:</i>		
<i>Core contributions to other multilaterals (incl. ICRC)</i>	5.663	
<b>Humanitarian aid (less <u>all</u> core contributions)</b>	<b>16.604</b>	<b>(33.1%)</b>
<i>Of which:</i>		
<i>Provinces, communities, private sector (DAC 700 series)</i>	3.370	
<b>Federal government humanitarian aid (food and non-food)</b>	<b>13.233</b>	<b>(26.4%)</b>
<i>Of which:</i>		
<i>Aid to returning refugees in recipient countries (DAC 700 series)</i>	2.041	
<b>Federal humanitarian aid (less returning refugee costs)</b>	<b>11.192</b>	<b>(22.3%)</b>
<i>Of which:</i>		
<i>Ministry of the Interior (international disaster relief) (DAC 700 series)</i>	0.327	
<i>Ministry of Agriculture, Forestry, Environment &amp; Water Management (Food aid) (DAC 72040 and 52010)</i>	2.040	
<i>Other federal ministries (incl. Defence) (DAC 700 series)</i>	1.655	
<b>ADC discretionary humanitarian aid</b>	<b>7.170</b>	<b>(14.3%)</b>
<i>Of which:</i>		
<i>ADA (Food and non-food aid) (DAC 72040 and 52010)</i>	4.873	
<i>MFA (DAC 700 series)</i>	2.297	

Source: ADA (2008)

### Management

Management of official financing for international humanitarian action is dispersed across at least four ministries, as well as ADA. This fragmentation leads to considerable confusion among partners about sources and flows of Austrian humanitarian assistance. Core funding to multilateral humanitarian agencies (including contributions to the Central Emergency Response Fund and EC), amounting to USD 33.52 million, was disbursed by Division VII.3 of MFA in 2007. A small annual budget of USD 4.87 million (EUR 3.1 million) was allocated to ADA in 2007 for follow-up actions and/or protracted humanitarian crises. Allocated on a case-by-case basis, these ADA funds are disbursed either directly to multilateral agencies or to accredited NGOs. The latter must apply through a competitive tendering process known as “calls for proposal”. A further component of humanitarian funding support is Austria’s annual commitment (EUR 1.49 million) under the 1999 Food Aid Convention, which is normally allocated by the Ministry of Agriculture, Forestry, Environment and Water Management to WFP programmes twice yearly, in consultation with MFA and ADA.<sup>97</sup>

97 Austria contributes to WFP operations with an emergency and humanitarian character (e.g. EMOPs, PRROs and SOs). It does not contribute to development food aid programmes.

A small budget (EUR 245 000 in 2007, increasing to EUR 430 000 in 2008) is allocated to the Federal Ministry of the Interior to respond to international calls for disaster relief assistance.<sup>98</sup> Assistance of this nature is normally short-term (up to two weeks), primarily in-kind (*e.g.* search and rescue teams) and, given its limited budget, the Ministry of the Interior is only able to respond to between eight and ten alerts a year. This Ministry of the Interior-funded support provides the UN and International Red Cross and Red Crescent systems with access to useful in-kind contributions in the event of sudden onset crises (*e.g.* search and rescue teams), but is not a substitute for more substantial financial support to the international humanitarian system for slower onset disasters or recurrent crises.

The Foreign Disaster Relief Fund (FDRF) was established by the National Council under the Federal Law of January 2005 – and resourced through the 2006 Federal Budget Accompanying Act – to channel Austrian support in the aftermath of the Asian tsunami. The FDRF depends on “donations” from the state, regional bodies and other public and private actors. In other words it does not receive an annual allocation within the government budget. In effect, it is an emergency supplementary budget measure available to the MFA and the Ministry of Finance in the event of an unforeseen crisis. These ministries must seek approval from the Council of Ministers for additional state resources to replenish the FDRF on a case-by-case basis. In the past, this has proved to be a lengthy and unpredictable process, which can lead to delays that are at odds with Austria’s GHD commitments to timely funding. The recommendation of the 2004 peer review for an annual emergencies budget for unforeseen crises (over and above the modest allocation by the Ministry of the Interior) remains valid. The pledge to significantly increase Austrian humanitarian assistance is an opportunity to establish an annual budget allocation for the FDRF and to delegate financial authority to the Ministry of Foreign Affairs and ADA for disbursement.

### *Channels*

In 2007, USD 41.5 million (or 82.8% of the total humanitarian-related disbursements) were allocated to multilateral agencies (including the International Committee of the Red Cross), reflecting a firm commitment to locate Austrian support within broader international humanitarian frameworks (Table C.2). More than two-thirds of these funds (or 55.6% of the total humanitarian budget) were channelled through the EC; again, a positive illustration of Austria’s commitment to international obligations such as the European Consensus on Humanitarian Aid as well as the EU Code of Conduct on Division of Labour.

The flip-side, however, is that only USD 13.6 million were available for allocation as voluntary contributions (core and multi-bi) to UN humanitarian agencies and ICRC. This level of support falls well-short of Austria’s aspirations – and responsibilities – as a current member of the UN Security Council. It is also well below the level of support provided by other EU member states with comparable economic profiles. There is a compelling case for Austria to significantly increase the volume of humanitarian aid channelled through multilateral agencies and ICRC. Furthermore, to counteract the perception among key multilateral partners that Austrian humanitarian action is unpredictable, Austria could consider allocating future support for multilateral partners in more programmatic ways, including (but not limited to) multi-annual framework agreements. These measures would not only improve the predictability of Austrian support, but also provide a platform for deepening policy dialogue in areas of mutual interest.

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98 Assistance by the Federal Ministry of the Interior is not limited to developing countries, so it is only partially ODA-eligible.

**Table 12. Table C.2. Austrian support for multilateral agencies in 2007**

	millions of USD	% Total humanitarian disbursements
<b>Total humanitarian-related assistance</b>	<b>50.123</b>	100%
<b>Total multilateral</b>	<b>41.503</b>	82.8%
<i>of which, food aid</i> 11.729		
<b>Total core support</b>	<b>33.519</b>	66.9%
EC core support (humanitarian aid and food security)	27.856	55.6%
Core support for other multilaterals	5.663	11.3%
<i>of which, ICRC</i> 0.890		
<b>Multi-bi support</b>	<b>7.984</b>	15.9%
<i>of which, ICRC</i> 1.095		

Source : ADA (2008)

All Austrian NGOs are eligible to apply for accreditation for Austrian development co-operation emergency response funding.<sup>99</sup> Accreditation is achieved either through direct application to ADA or through ECHO accreditation, which is considered to be a proxy. To date, seven NGOs<sup>100</sup> have been successfully accredited (one through direct accreditation and six by virtue of their ECHO accreditation). Implicit in an accreditation process of this nature is recognition of NGO strengths and capacities in the sector – not only in implementing assistance programmes but also in assessing needs and allocating resources accordingly. However, the accreditation process has not yet been translated into streamlined allocation processes since these agencies are still required to bid for funding through the “call for proposals” process. Greater efficiency could be achieved through humanitarian partnership agreements, such as those that already exist in the development sector, with accredited NGOs. These measures would not only avoid cumbersome proposal submission processes, but would also streamline administrative procedures within the Austrian development co-operation system. Within these framework-type arrangements, consideration might also be given to pre-allocation of funds for rapid disbursement in the event of a crisis, as well as the scope for building the institutional capacity of the Austrian NGO sector. These measures would not only improve predictability of Austrian support, but also avoid cumbersome design and appraisal processes.

### *Quality*

Austria has attempted to enhance the quality of its humanitarian support through (i) prudent selection of key multilateral and other international agencies; and (ii) initiation of an accreditation system for Austrian NGOs. These measures aim to recognise the comparative advantage and strengths of selected agencies. However, funding is generally earmarked to the activity level and each Austrian contribution is subject to an individual contract. This leads, inevitably, to delays in disbursement of funds. Furthermore, the terms of contracts can vary across Austria’s ministries and ADA (e.g. for food aid contracts), leading to different expectations of agencies receiving Austrian funding from dual sources.

99 Grant applications for longer-term measures for prevention and reconstruction can be submitted by organisations that are not accredited with ADA for emergency funding.

100 Austrian Red Cross, CARE Austria, Caritas Austria, Diakonie, Hilfswerk Austria, World Vision Austria and Hope 87.

Multi-annual agreements with multilateral key partners, based on core or programming modalities, would significantly enhance the quality of Austrian humanitarian support without necessarily diluting accountability. Once established, these mechanisms would also create space for more strategic dialogues and relieve administrative pressures on Austria's aid system.

### *Geographic priorities*

Austria gives priority to programme countries when disbursing funds for humanitarian action. In practice, this has led to a higher concentration of Austrian humanitarian support in the Palestinian territories, Ethiopia, Burkina Faso, Mozambique, etc., where there is a capacity to monitor and follow up with recovery assistance. In principle, this does not reflect a needs-based allocation of resources. But in the light of Austria's modest humanitarian resources, it is a sensible pattern of disbursement since it allows for linkages to longer-term development programmes in these countries. Nevertheless, as the new government scales-up aid for international humanitarian assistance, a more needs-oriented approach to humanitarian allocations should be adopted. While this would possibly increase the number of countries receiving Austrian humanitarian assistance, it would be more commensurate with GHD commitments to impartiality.

### **Implementation**

#### *Organisational responsibilities for Austrian humanitarian action*

The Ministry of the Interior acts as the initial focal point within the Austrian system for UN and EU requests for international disaster assistance from both developed and developing countries. In consultation with the Ministries of Foreign Affairs and Defence, the Ministry of the Interior is able to mobilise Austrian personnel and assets (*e.g.* search and rescue teams) under a series of framework agreements with Austrian civil protection agencies. On occasions, support has also been provided to the Austrian Red Cross Society for procuring specified items (*e.g.* medical supplies) for distribution by National Societies of the Red Cross/Red Crescent in affected countries. Beyond these initial responses, primary responsibility for Austrian humanitarian action reverts to MFA and ADA. These latter agencies – together with The Ministry of Agriculture, Forestry, Environment and Water Management – shoulder responsibility for Austrian support for humanitarian action in protracted crises and during pre- and post-crisis transitions.

As noted previously, ensuring coherent approaches to humanitarian crises across these agencies appears to depend on *ad hoc* co-ordination and personal contacts rather than formalised structures. For external partners, this leads to confusion about the entry point for dialogue on humanitarian issues and is the source of some frustration over decision-making processes.

#### *Civil-military co-operation*

Contributing to humanitarian or disaster relief operations and to international peace-keeping missions are core tasks of the Austrian Armed Forces, *Österreichs Bundesheer*.<sup>101</sup> The Austrian Forces Disaster Relief Unit and specialised troop units have been deployed to supplement civilian capacities in the aftermath of sudden disasters. Austria has been a prominent troop-contributing country to UN peacekeeping operations, with over 70 000 deployments since the early 1960s. In exceptional cases, Austrian Armed Forces have been called upon to directly implement small-scale developmental or humanitarian activities in addition to their core tasks of providing security and logistical assistance to humanitarian operations.

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101 <http://www.bundesheer.at/english/index.shtml>

Clearly, the interface with the Armed Forces is critical for the ADC in crisis situations. There appears to be strong recognition within the Austrian development co-operation system of the need to maintain a clear distinction between humanitarian and political-military aims in terms of implementation and reporting of humanitarian expenditure. However, the Peacebuilding and Conflict Prevention Policy states that “ADC currently works together with the Austrian army in CIMIC (Civil-Military Co-operation) and will actively verify in the future whether further CIMIC projects can be implemented together with the Federal Ministry of Defence [in Kosovo]” (MFA, 2006). In pursuing this goal, Austria will have to be vigilant to ensure that core humanitarian principles are not compromised and the integrity of its humanitarian action is preserved.

In the past, discrete attempts have been made to raise awareness of humanitarian principles and issues among Austrian Armed Forces personnel prior to deployment, *e.g.* “a training programme on human rights, the rights of children and child soldier issues was offered to Austrian troops prior to their deployment to Chad in late 2007” (Memorandum of Austria, p.13). However, a deeper and more systematic engagement may be warranted in the future. Austria’s credentials are strong. At a global level, Austria played an instrumental role in establishing the Consultative Group on the Use of Military and Civil Defence Assets (MCDA) and was recently re-elected as chair of this group. The consultative group provides oversight and advice to the Civil-Military Co-ordination Section of OCHA, *i.e.* the focal point within the UN system for civil-military co-ordination in crises and the repository of key civil-military guidelines.<sup>102</sup>

#### *Humanitarian advocacy*

The 2006-2008 three-year programme identifies “co-operation in humanitarian endeavours” as one of the pillars of Austrian development co-operation. It also notes that “Austria has to recognise the increasing importance of the humanitarian dimension of international relations and responsible solidarity”. Implicit in these observations is recognition that support to the international humanitarian system through diplomatic efforts is a core responsibility of the Austrian international relations agenda. This was evident during the Austrian Presidency of the EU in 2006, where measures were taken to promote SCR 1625 (Protection of Children in Armed Conflict), and SCR 1325 (Women, Peace and Security). However, international humanitarian agencies have suggested that Austria could be even more proactive in fora addressing global humanitarian concerns. In particular, Austria’s tenure as a non-permanent member of the UN Security Council (2009-2010) provides an important platform to situate Austria more prominently within the global discourse on humanitarian affairs and elevate commitments to advocacy on behalf of principled humanitarian action.

#### *Learning and accountability*

The evolving learning culture within the Austrian development co-operation system has not yet fully extended into the humanitarian domain. Recent strategic-level reviews have been limited to evaluations of Austrian Mine Action programmes in Mozambique and south-east Europe (2003). Austria does not have a strong track record for participation in joint evaluation exercises with implementing partners and other donors. Project-based evaluations are optional under NGO contracts and, consequently, tend to occur at the initiative of grant recipients rather than being led by ADA. Furthermore, it is not clear whether when they do occur, these evaluations are systematically integrated into corporate learning processes in order to inform future decision-making within the Austrian development co-operation system. Austria could consider, in building its own evaluation and

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102 The Guidelines on the Use of Foreign Military and Civil Defence Assets in Disaster Relief (the Oslo Guidelines) and the Guidelines on the Use of Military and Civil Defence Assets to Support United Nations Humanitarian Activities in Complex Emergencies (the MCDA Guidelines).

learning regime, how to improve the use of lessons from NGO evaluations and how to increase participation in joint evaluation exercises.

Against this backdrop, it is unclear how Austrian aid has been able to demonstrate the impact of its humanitarian action. This shortcoming is likely to become increasingly critical as Austrian humanitarian assistance is scaled-up and comes under greater scrutiny. The proposed thematic evaluation of all aspects of Austrian humanitarian action in 2009 therefore takes on critical importance, not only as a potential trigger for revising humanitarian policy and establishing a stronger platform for future humanitarian action (including a dedicated budget for the FDRF), but also as an important opportunity to reflect on learning and accountability practices within the humanitarian domain. It also represents a critical opportunity to further align the Austrian humanitarian policy framework with commitments under the GHD initiative and European Consensus on Humanitarian Aid (2007).

### *Future considerations*

- Austria's tenure on the UN Security Council is an important opportunity to build on well-established humanitarian credentials in order to situate Austria more prominently in the global humanitarian system.
- The recent pledge to significantly increase Austrian humanitarian assistance is very encouraging. Austria could use the opportunity to establish an annual budget allocation for the FDRF.
- Austria could consider more streamlined approaches for support channelled through multilateral partners, including (but not limited to) multi-annual framework agreements. As the budget increases, efficiency dividends could also be gained by establishing humanitarian partnership agreements with accredited NGOs, such as those that already exist in the development sector.
- Austria should strengthen its evaluation and learning functions in line with the increased financial resources expected to flow to the humanitarian sector.
- The forthcoming evaluation of humanitarian action is a timely opportunity to establish the platform for reforming the Austrian humanitarian system.

## ANNEX D

### FIELD VISIT REPORT: ETHIOPIA

As part of this peer review, a team including representatives from Luxembourg, Norway and the OECD DAC Secretariat visited Ethiopia from 24 to 28 November 2008. The team met with Austrian development co-operation officials and their main partners from Addis Ababa, the Somali region and North Gondar, where the team visited the rural development and food security programme. This annex summarises the team's observations on Austria's development co-operation programme in Ethiopia.

#### **Ethiopia's development context**

Ethiopia is one of the least developed countries in the world, ranking 169 out of 177 countries in the UNDP's Human Development Index. The most recent poverty survey indicates that 77.8% of Ethiopia's population lives on less than USD 2 per day (UNDP, 2007). Despite strong and broad-based economic growth in recent years (8.2% in 2006/7), Ethiopia's scores on some MDG indicators – such as maternal and child mortality – remain among the World's highest. Ethiopia faces substantial natural resource challenges. Droughts and unseasonal rains have led to crop failure and recurring famines, causing frequent disruptions to development progress. At 78%, it has the highest proportion of people who lack access to an improved water source (UNDP, 2007). Though agriculture accounts for nearly 47% of GDP (OECD & ADB, 2008), Ethiopia is a net importer of food. Food price inflation, which reached 81% in September 2008,<sup>103</sup> has compounded food insecurity in a country where almost one in two persons is undernourished (FAO, 2008). Ethiopia's second Poverty Reduction Strategy (PRS), the Plan for Accelerated and Sustained Development to End Poverty (PASDEP), focuses on growth through agriculture, private sector and urban development.

Ethiopia ranks in the bottom 10% of countries for political stability against the World Bank's governance indicators. Two recent wars – the civil war of 1974-1991 and the Ethio-Eritrean War of 1998-2000 – have left Ethiopia in a fragile condition. Unresolved border issues with Eritrea continue to lead to instability. Furthermore, a severe humanitarian crisis has emerged in the Somali Region, where Ethiopian Defence Forces have engaged in counter-insurgency warfare against armed groups from Somalia. Political space and media freedom have been curtailed since the 2005 elections. A proclamation for charities and societies, expected to be enacted in 2009, would limit political space for civil society significantly.

Ethiopia hosts over 25 bilateral and multilateral donors (Box 14). Humanitarian aid, and economic infrastructure and services represent the largest part of bilateral ODA. Ethiopia still depends on aid, but dependency has steadily diminished from 19.2% in 2004 to 14.7% of GNI in 2006 (OECD, 2008b), while the aid volume has slightly increased.

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103 Source: The World Bank, average of the 12 months ending September 2008.

#### **Box 14. Implementing the Paris Declaration in Ethiopia**

Ethiopia stands out for its comprehensive donor co-ordination architecture. The Development Assistance Group (DAG), established in 2001, encompasses 15 bilateral and 10 multilateral donors, including a fully integrated EC structure. The DAG is complemented by 11 technical working groups, and raises strategic donor issues with the government through the ambassadorial-level Ethiopian Partners' Group. This group meets with the Government of Ethiopia at the High Level Forum twice a year for policy dialogue around the implementation of the national development plan, the harmonisation agenda and the partnership structure. At the end of 2007 the government established five new sectoral working groups, two of which were functional in 2008. This initiative, alongside the government's request to co-chair some of the technical working groups, are seen as important steps in advancing government ownership.

As a pilot country for aid effectiveness since 2002, Ethiopia was an ambitious performer against the Paris commitments. The DAG had set out an accelerated schedule to meet Paris targets. Several major donors were providing budget support, and preparing to scale up their assistance. However, as a result of post-election events in 2005, deterioration in governance, and reluctance by the government to recognise humanitarian issues, a "trust gap" emerged between donors and government, and donors suspended their direct budget support. To prevent a decline in pro-poor services, they instead created the Protection of Basic Services (PBS) Project. The PBS effectively reduces government discretion over donor resources. The funds are earmarked at the regional and *woreda* (district) level for education, health, water and sanitation, and agriculture, and are subject to strict reporting.

The 2008 monitoring survey lauded **ownership** as "good", while it rated all other indicators as "mixed". Donors attest that the government assumes strong ownership of its national development strategy and sectoral policies, and that civil society contributed to them. Donors' strategies are well **aligned** with those of the government, and they express willingness to support new aid modalities. In response to criticism – including from Austria – that co-ordination had become an end in itself and was increasing transaction costs, the EC is leading visible efforts to revitalise **harmonisation** and foster an effective division of labour. A first step is the recent mapping of donors' activities, comparative advantage and potential leadership for each sector. Although the Development Assistance Group's aim is to "speak with one voice", lack of unity has limited donors' influence in negotiations with the government. For example, donors sought dialogue with the government to protest against the restrictive civil society legislation, but without a unanimous voice, and not taken up by the highest possible level or hierarchy among the donors, this did not yield the desired results. The law, which is currently under preparation, is expected to affect development co-operation through civil society very significantly.

While donors' aid effectiveness is being revived, aid co-ordination by the government is not perceived as sufficiently effective and transparent. Several donors describe the government's strategy as "divide and rule", motivated by a fear that better co-ordination would lead to a decrease in aid. One example is the disagreement between donors and the Ethiopian Ministry of Finance on ODA reporting in Ethiopia's budget. Discrepancies in data have made **mutual accountability** a challenge. Donor support for setting up a government-owned reporting system did not yield the desired results, but rather led to the establishment of a parallel system for donor reporting. The challenge for the Development Assistance Group will be to prove that rather than leading to a drop in aid, better co-ordination will instead help donors to scale up.

#### **Austria's presence in Ethiopia: a focus on poverty reduction**

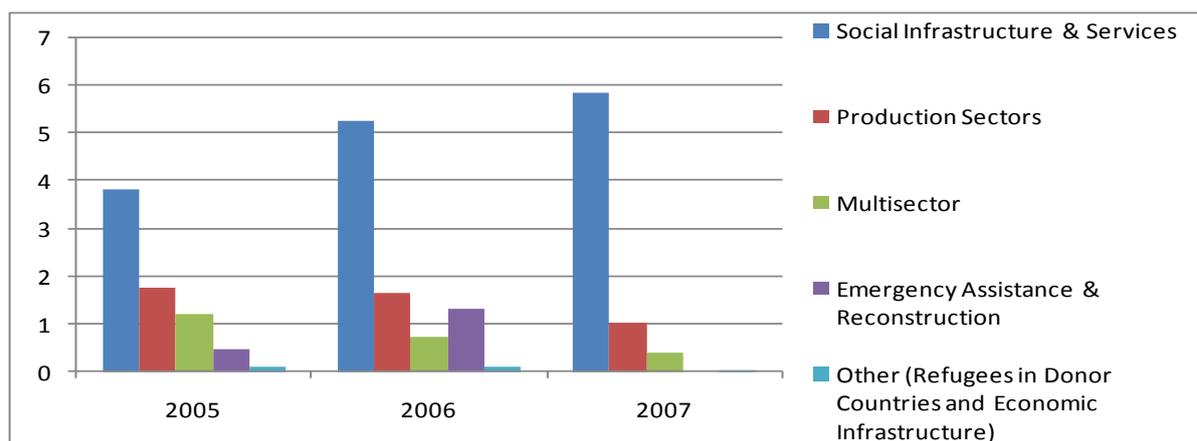
##### ***A growing commitment reflecting Austrian policy and strategy***

Austria and Ethiopia have a close historical relationship based on trade. Austria chose Ethiopia as one of its priority countries in 1993, and opened a co-operation office in Addis Ababa in 1996, known today as the Austrian Embassy Development Co-operation (AEDC). After two three-year and one four-year programmes, AEDC is, for the first time, implementing a five-year indicative country programme (2008-2012). It is backed by a MoU between the two governments which formulates Austrian support to Ethiopia's poverty reduction strategy.

Austria now concentrates on two sectors: (i) rural development and food security; and (ii) health; and three non-focal areas: energy, good governance and gender. All five areas of activity are in line with Austria's current three-year programme. The recent reduction from four to two sectors, and the related progressive concentration on "social infrastructure and services" (with a focus on health) and "production" (almost entirely dedicated to agriculture) in terms of funding (Figure D.1), reflects commitment to the aid effectiveness agenda and the EU code of conduct.

**Figure 9. Figure D.1. Austrian ODA to Ethiopia per sector**

2005-07 gross disbursements, current USD millions (excluding action related to debt relief)



Source: OECD/DAC Creditor Reporting System

***The need for better policy dialogue between headquarters and the field***

Most of the activities that the co-operation office implements in Ethiopia have a strategic basis in ADC's focus papers or (draft) strategies. Guidance documents seem to be helpful when they have been translated into practical tools – such as the gender checklist and various templates. Overall, however, there seems to be little policy exchange among AEDC, Vienna and other co-operation offices around the globe. The high quality of the AEDC's work is mainly driven by its own competence and lessons, local partnerships and exchanges in technical working groups with other donors to Ethiopia. Austria's innovative niche approach (see below) and solid technical knowledge bode well for a more structured collection of good practice for ADC's use and beyond. However, there has not yet been an evaluation of the country programme in Ethiopia. Collecting and exchanging good practice among ADC offices and a better policy dialogue between headquarters and the field could help strengthen the policy link.

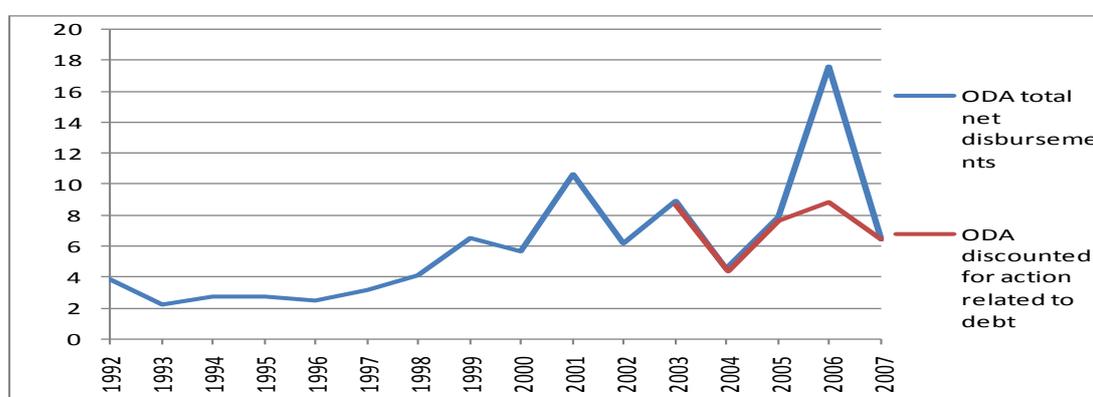
Austria's strategic approach in Ethiopia could become more effective with closer interaction with NGOs. ADA provides co-financing to Austrian NGOs, who design and implement projects to complement the country programme and which are prepared in close partnership with Ethiopian organisations (EUR 3.5 million over five years). However, AEDC has minimal interaction with those Austrian NGOs and their local counterparts, because they instead interact with ADA in Vienna. Awareness of Austria's country strategy among Austrian NGOs in Ethiopia is limited and could be strengthened. Moreover, if ADA's co-financing programme expands to include Southern NGOs, the co-operation office in Ethiopia could enhance the impact of the Austrian approach and foster local ownership by engaging with local civil society more directly.

### *A niche donor with a focused programme at the local level*

Although Ethiopia is a priority country for Austria and is the 12<sup>th</sup> largest recipient of Austrian aid (in 2006/7), it only receives 1% of Austrian bilateral ODA. With the ending of Austria's debt relief for Ethiopia, Austria's contribution fell from USD 17.59 million in 2006 to USD 6.6 million in 2007, representing 0.4% of Ethiopia's total ODA (Figure D.2). Austria's five-year commitment of EUR 28.5 m for its country programme will provide an average of EUR 5 million per year, and a commitment to scale up by 1 million annually. The two focus programmes receive a total of 45% of the grant; 38% is allocated to the Protection of Basic Services Project and the remaining 17% to the non-focus areas. If Austria scales up aid, AEDC expects to use the extra funds to make further contributions to the Protection of Basic Services Project.

**Figure 10. Figure D.2. Austrian ODA net disbursements to Ethiopia, 1992-2007**

2006 USD millions, constant prices



Source: OECD/DAC Creditor Reporting System

In a recent division of labour analysis conducted by the EC in Ethiopia, Austria stood out as one of five donors (out of 25) that had reduced their focus to two or three sectors, while others covered up to 14 sectors. Although the AEDC works in two sectors that are relatively crowded, its focus on well-defined regions and niches allows it to add value.

Despite being a small donor in financial terms, Austria is visible and effective at the local level, working directly with local authorities. Its rural development and food security programme focuses on the Amhara National Regional State, and the health programme on the Somali National Regional State, an unstable region receiving only little development assistance. Direct contact with local authorities (Bureaus of Finance, and Health) has allowed Austria to target under-served communities in the regions, identify niches, develop in-depth knowledge of the regions at this level, and become a respected partner. A major challenge, however, is the budget offset undertaken by the Ministry of Finance at the federal level and its potential sustainability implications. Ultimately, sustainability hinges on the Ethiopian government's commitment to eventually replace Austria's contribution in the Ethiopian budget with its own means.

### *Overcoming the challenge of scaling up*

Like all donors, Austria faces challenges in positioning and preparing itself for future co-operation in Ethiopia. Austria will need to match its mix of approaches and modalities to the size of its co-operation programme, local needs and the political context, in which many donors do not feel confident enough to scale up direct budget support. A plan for scaling up that includes specific plans to boost Austria's programme in Ethiopia is essential for its credibility with other donors and

Ethiopian partners. During the peer review visit, both made a strong plea to Austria to build on its experiences and proven expertise, and to articulate and communicate its vision, strategy and priorities.

### **Austria: a competent and active development partner in Ethiopia**

#### ***A well-aligned strategy using government channels and adding value***

Austria supports the strong government ownership of the Poverty Reduction Strategy and sector plans. It has built a country programme that is coherent with national and local development priorities and complements government activities at the regional level. Austria is commended by governmental and non-governmental partners for its trust and open communication. Partners and donors respect the Austrian country office for its knowledge on, and understanding of, the Ethiopian context.

Austria's willingness to use country systems and support new aid modalities is apparent at the field level, and Austria is committed to allocating additional resources to these funds. Its current country programme represents a substantial shift from project to programme approaches and to more engagement through government systems. Of the bilateral grant, 38% is delivered through the Provision of Basic Services Project, and a further 45%, relating to the two focus programmes, is channelled through regional government budgets. These transfers are transparent and predictable. Austria has recently decided to shift the portfolio previously implemented by two NGOs to the Somali national government authorities at the *woreda* (district) level, so as to further their capacity in planning and delivering health services. Further integration of the programmes in government structures, and shared accountability, will be achieved by consistently using partners' monitoring, evaluation and reporting procedures and systems.

Austria's involvement in the DAG (Box 14) is especially appreciated at the technical level. Austria's intention (expressed in the country programme) to lobby for a reduction in transaction costs caused by the high number of meetings in the current donor-driven co-ordination architecture will be a welcome step towards harmonisation.

#### ***Joint approaches in managing results for mutual accountability***

Austria's country programme recognises the need for monitoring and evaluation through joint donor-government mechanisms. Austria participates in the government's annual programme reviews of the Poverty Reduction Strategy and the Ethiopian Health Sector Development Programme (HSDP). A joint approach is also taken at the regional level, where monitoring and evaluation of Austria's health sub-programme is performed with local health authorities in line with the Health Sector Development Programme. The rural development sub-programme, too, relies on decentralised monitoring by the Project Co-ordination Unit, a body made up of local experts. This is a positive step towards fostering accountability. However, monitoring and evaluation would benefit from clarity on targets, outputs and objectives and a focus on impact rather than process. The planned consultancy visit in 2009 from ADA headquarters to strengthen results-based monitoring on rural development should be used to support this goal.

#### ***A combination of tools for capacity development***

Austria supports capacity development through a combination of instruments. While this multi-pronged support creates opportunities, it also poses important challenges. Austria produces positive synergies through the simultaneous and complementary provision of Austrian MSc or PhD scholarships for regional government officials; funding for diplomas for partners at the local level; fostering of managerial, financial and reporting skills; material support; and strong reliance on local

expertise. Austria's provision of technical assistance for the Health Bureau to identify challenges and build skills in reporting is an effective way of fostering ownership and building capacity. Austria is aware that scholarship programmes pose both challenges (such as brain drain) and opportunities. In Ethiopia's case, Austria may want to consider funding scholarships for universities that offer programmes in English (rather than German). Only a continued and strengthened focus on capacity development, and a strategic approach to the capacity development tools at hand, can secure greater sustainability in Austria's programmes.

### ***A country programme that implicitly addresses climate adaptation and biodiversity***

Austria's strategic emphasis on the links between development, environment and climate change, though implicit, is evident in Ethiopia. In line with the DAC guidelines on *Integrating the Rio Conventions into Development Co-operation* (OECD, 2002), ADC helped Ethiopia to develop its National Adaptation Programme of Action (NAPA), the policy and institutional framework that identifies priorities in responding to climate change. At the programme level, ADC has built a strong adaptation focus into its rural agriculture programme in North Gondar by identifying and promoting alternative livelihood options. Its efforts to establish a national park in the Simen Mountains have a potential to foster conservation and biodiversity. Furthermore, all Austrian-sponsored development projects are checked for their environmental impact before being approved.

Austria and Ethiopia have recently signed an agreement to implement the Clean Development Mechanism (CDM). The margins for CDM schemes and their impact on global CO<sub>2</sub> emissions may be small, as Ethiopia's emissions of 0.1 tonnes of CO<sub>2</sub> per person are below average in Sub-Saharan Africa. Nevertheless, the gains from sustainable energy production could be considerable for Ethiopia, as 773 kg of fuel wood per person are burned every year. In line with Austria's Environment Law (2008), any future Austrian CDM projects in Ethiopia should be coherent with Austrian development policy.

## **Organisation and management**

### ***Systemic challenges to Austria becoming a strategic partner***

Austria has an embassy and a development co-operation office in Addis Ababa. The latter is known as the Austrian Embassy Development Co-operation (AEDC). However, the two entities are less interlinked than their names might imply. Despite MFA's explicit mandate to co-ordinate ODA, it is unclear how the embassy tries to achieve such co-ordination in Ethiopia. Continued support to the poverty reduction agenda, however, requires an active political dialogue to back the country programme, which could be a role for the embassy. A clearer definition of roles and a concerted approach to foreign and development policy would give Austria a stronger and more coherent profile at the country level and allow ADA and MFA to reach their full potential in Ethiopia.

The AEDC has sufficient decentralised authority and flexibility to define priorities and programmes in Ethiopia, although decentralisation of financial authority is at an early stage. The AEDC leads on drafting and implementing the country programme. It engages with donors and government on policy, harmonisation, monitoring and reporting. Its competence could be strengthened with more practical guidance and the approval by headquarters of its country programme. Financial planning for the five-year programme is restricted by headquarters' rules on multi-year commitments (Chapter 4), which sometimes undermines planning and trust with local partners.

### ***Investing in human resources and learning lessons***

The AEDC consists of a Head of Co-operation and a Head of Administration (international staff), two programme managers, and two clerks (national staff). A scaled-up bilateral programme in Ethiopia and increased engagement in new modalities (such as the Protection of Basic Services Project or even budget support) may require additional expertise. The AEDC country office recognises and plans for the need for expertise from headquarters on issues such as gender, environment, and monitoring and evaluation. Training of local staff on cross-cutting issues, and fully delegating hiring decisions to the Head of Co-operation, may help further reduce dependency on headquarters.

An enhanced monitoring and evaluation system for the programme (para. 16) would also establish a systematic link between the programme and the staff performance appraisal system, which currently lacks a standard format. Enhancing career prospects in ADA, making a human resources manual available and improving the use of English in communications between headquarters and the field could allow local staff greater responsibility and involvement.

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