

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.¹ 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

¹ 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 million²) 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

² 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 2007.³

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

³ 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 24th 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)⁴ in 1995 for co-operation with non-European developing countries and in 2000 for co-operation with central and eastern Europe.⁵ For Austria, global burden sharing and achieving the Millennium Development Goals (MDGs) are central to this relationship between foreign and development policy.⁶ 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.⁷

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>.