The DAC’s main findings and recommendations

Extract from: OECD Development Co-operation Peer Reviews

Austria 2020
The DAC’s main findings and recommendations

Austria is a reliable and valued development co-operation partner

**Austria plays an important regional leadership role and prioritises its engagement with the multilateral system**

Austria has a strong tradition of supporting conflict prevention and makes important contributions to international crisis management and peacekeeping efforts. Nuclear non-proliferation, disarmament, arms control and the rule of law are foreign policy priorities, while a focus on security influences Austria’s engagement within the European Union. These priorities are evident in Austria’s leadership in its immediate neighbourhood – South Eastern Europe – where it plays an important role in promoting regional and European integration.

Austria is strongly committed to multilateralism, hosting several multilateral organisations in Vienna, and has established Vienna as a centre for sustainable energy policy. Austria also provides a relatively large share of its official development assistance (ODA) as core contributions to multilateral organisations (59% in 2018). Contributions to international financial institutions are supported by the Ministry of Finance’s (MoF) strategic guidelines, which link funding to a broader commitment to poverty reduction. Capturing all of Austria’s multilateral engagements in a single strategy would enable Austria to identify opportunities for synergies across government.

**Environment and gender are priority cross-cutting issues in Austria’s development co-operation**

Austria’s domestic commitments to urban and environmental sustainability provide a credible basis for its international engagement on environment and climate. It advocates for sustainable energy and climate change adaptation.

Since the last review, Austria has placed particular emphasis on gender, a focus of the current Three-Year Programme on Austrian Development Policy. The establishment of a network of gender focal points in Austria and in country offices, and the revised Environment, Gender and Social Impact Management manual are increasing awareness and supporting the systematic application of cross-cutting criteria by staff of the Austrian Development Agency (ADA) and the Ministry of Foreign Affairs (MFA), together responsible for Austrian Development Cooperation (ADC).
Partners value Austria’s consistent engagement in priority countries

Austria’s long-standing presence and sustained commitment in eleven priority countries and territories, and sectors such as higher education, water, energy and agriculture are appreciated by its partners. Partners also value the responsive, flexible and collaborative approach shown by staff in country offices.

Austria can build on its achievements

A policy vision linking development co-operation objectives to budgets would help to focus Austria’s engagements with developing countries

The MFA is responsible for co-ordinating Austrian development co-operation policy, which is formalised in the three-year programme. However, it is not responsible or accountable for implementing all of Austria’s ODA. While other ODA-contributing ministries and agencies are aligning their strategies with the three-year programme, each ministry remains responsible for setting its own priorities. In the absence of co-ordinated implementation, this continues to result in fragmentation, a challenge raised in several previous peer reviews. Recent three-year programmes align with the Sustainable Development Goals. However, they have not yet demonstrated a clear link between policy priorities and ODA allocations, constraining Austria’s ability to steer the efforts of the various ODA-contributing actors to meet its strategic goals.

Developing an overarching vision for Austria’s development assistance that is both owned and implemented across government would allow for a more coherent and co-ordinated approach, and greater efficiency and effectiveness. It would also make it easier to communicate Austria’s development assistance achievements to the public.

Recommendation

1. Austria should mandate the Ministry of Foreign Affairs to:
   a. lead the development of an overarching vision for Austria’s development co-operation within its three-year programme, including a framework of joint strategic goals, indicators and timelines
   b. set out in future three-year programmes the respective contributions and roles of all ODA contributing actors, and clearly link projected budget allocations to policy priorities
   c. subsequently lead implementation of a coherent and co-ordinated approach to its total development co-operation effort.

Comprehensive country strategies would ensure a holistic, co-ordinated Austrian presence in partner countries

Strategies exist for all 11 priority countries and territories identified in the three-year programme. While newer strategies integrate results matrices and recognise the importance of a whole-of-government approach, they continue to focus on the activities of ADC, which comprises a small share (27%) of Austria’s overall bilateral ODA budget.

As recommended in the last review, including in country strategies the activities and financial contributions of each Austrian development stakeholder would help to improve convergence, coherence, predictability and transparency. Including multilateral and regional efforts would paint an even more comprehensive picture of Austria’s support, providing Austria with greater leverage when seeking to influence policy reforms in partner countries. Mid-term reviews of country strategies are also an opportunity to reflect on
how different government actors’ efforts are contributing to Austria’s priorities in partner countries and territories.

**Recommendation**

2. Austria should include its total contribution to sustainable development in its country strategies, including relevant bilateral, regional and multilateral efforts.

The share of Austria’s bilateral ODA that is programmable at the country level reached 13% in 2017, up from 8.5% in 2015. This budget is still small compared to the DAC country average of 48% and is under pressure to cover a growing number of sectors and themes. Keeping thematic priorities focused on areas where ADA has expertise and can add value, such as education and water and sanitation, will help to maintain the quality of Austria’s country programmable aid and its relevance in its priority countries. Austria could also consider strengthening direct support for local civil society organisations, enhancing their capacity and assisting them to address challenges in their enabling environment and civic space.

**Recommendation**

3. Austria should increase the share of its bilateral budget that is programmable at the country and regional level, while focusing on those sectors and themes where it can add value.

*The share of ODA implemented by the Austrian Development Agency could be increased*

The Austrian Development Agency (ADA) continues to improve its systems and procedures. This enables it to deliver European Commission-funded activities and other forms of delegated co-operation. Despite its demonstrated capabilities, ADA has not yet been enabled to act as the implementing agency for the federal ministries that undertake development co-operation activities – a role envisaged for it in the Federal Act on Development Cooperation (2003) – and was responsible for just 8.4% of total and 27% of bilateral ODA in 2017. It is nevertheless being called upon to provide services to other parts of government and to develop new business areas, such as engagement with the Green Climate Fund. There are concerns that the agency’s administrative budget is insufficient to cover the costs of these growing responsibilities. In addition, implementing many small and short-duration projects, due to the fact that ADA operates on the basis of annual discretionary budgets, creates challenges for ADA. The 2019 evaluation of ADA is an opportunity to reflect on the agency’s role and how it is administered.

**Recommendation**

4. Austria should ensure ADA is adequately resourced to fulfil the role envisaged for it in the Act on Development Cooperation, and to manage its growing responsibilities.

*Greater transparency, and better use of results information and evaluation findings, could help to build public support for ODA*

A new inter-ministerial evaluation policy that applies to five key development actors is a very positive step towards achieving coverage of Austria’s entire ODA system. Choosing criteria relevant to each evaluation is also good practice. While the draft policy tasks each institution with evaluating its own development
co-operation efforts, it lacks a mechanism for assessing the extent to which Austria achieves synergies across its entire development co-operation system. Rather than evaluating every project, ADA could make better use of the results of monitoring by implementing partners and be more selective about what is evaluated.

Each Austrian development actor draws lessons from their development co-operation activities and shares these lessons informally with others. However, lessons learned are not disseminated systematically. ADA’s practice of publishing evaluation reports and summaries of findings on its website could be replicated by other government actors.

Accountability to the public and partners is aided by Austria’s reporting to the OECD Creditor Reporting System, by ADA and the Development Bank of Austria (OeEB) publishing summary information online, and by the annual ODA report. However, greater accountability for Austria’s use of taxpayer funds and better public understanding of development co-operation could be achieved by providing more comprehensive information about all of Austria’s development co-operation efforts and their results. Making stronger links to Austria’s effort to implement the 2030 Agenda could also increase public support for Austria’s development co-operation.

**Recommendation**

5. Austria’s public communication should go beyond project details to tell the full story of how its ODA contributes to sustainable development; this would build awareness, transparency and accountability.

**A flexible funding instrument would support Austria’s commitment to conflict prevention**

Building on its long-standing commitment to peace and conflict prevention, Austria is increasingly conscious of the links between security and development. It now strives to align its peace and development co-operation priorities. However, Austria lacks a specific instrument or budget that targets stability and conflict prevention. The Foreign Disaster Fund, currently used for limited civilian prevention and stability activities, could become a more comprehensive instrument to respond in crisis and fragile contexts.

**Recommendation**

6. Austria should reinforce its focus on conflict prevention by establishing a mechanism to facilitate rapid, flexible financing in fragile states and crisis situations.

**Enhancing understanding and assessment of contextual risks would strengthen Austria’s approach to managing risks of corruption**

Austria places great emphasis on internal risk management, especially fiduciary and reputational risks, and has highly developed fiduciary controls to ensure good financial management of its programmes. While these internal controls are robust, ensuring that ADA’s corruption risk management approach is based on a clear understanding of external and contextual corruption risks, such as sector or programme-specific risks would strengthen Austria’s overall approach. Systematically conducting corruption risk assessments when developing programmes and country strategies would further help to ensure that Austria’s development activities are better adapted to the risk environment in which they operate.
Recommendation

7. Austria should further assess risks of corruption in its programmes, particularly contextual and sector-specific risks in partner countries, to strengthen its overall corruption risk management approach.

Capacity investment is needed across the Austrian development co-operation system

Human resource management systems are in place to support the induction and retention of Austrian personnel working on development co-operation, and to provide ongoing training opportunities to staff. The MFA is aware of the risk that the upcoming retirement of staff with development expertise could reduce capacity in the Directorate-General for Development. Budgetary constraints mean that ADA is not able to offer competitive terms and conditions of employment for local staff working in ADC country offices and these staff have limited opportunities for formal training.

Recommendation

8. Each Austrian actor should consider the staff capability needed to deliver development co-operation effectively and efficiently, and put in place a human resources action plan to achieve this.

Austria needs to address some key challenges

Austria is not meeting its international ODA commitments

Recent government programmes and policies reiterate Austria's commitment to spending 0.7% of its gross national income (GNI) on ODA. Increases have occurred in some areas, such as ADA's operational budget, additional allocations to the World Bank's concessional funding window (IDA) and Austria's Foreign Disaster Fund. However, as also noted in the last peer review, there is still no plan for meeting the 0.7% commitment; in 2018 Austria's ODA/GNI ratio fell to 0.26%, its lowest level since 2004.

Austria's performance remains poor against the DAC Recommendation on untying ODA. Austria's share of untied aid under the recommendation increased from 26.9% to 62.4% but is still well below the DAC average and tends to fluctuate, linked to the provision of interest subsidies administered by the export credit agency. Austria is one of few DAC members still to use this modality. This fluctuation also reflects the disconnect between the MFA’s policy setting and the other actors responsible for large shares of the ODA budget.
Recommendation

9. Austria should develop a plan to increase its ODA in line with its commitment to allocate 0.7% of gross national income by:
   a. setting interim targets
   b. prioritising increases in ODA that are untied and have development as the primary objective.

Policy coherence for development requires stronger institutional leadership

While the Federal Development Co-operation Act provides the legal basis for policy coherence for development, Austria lacks the systems and structures to pursue it in practice – a point noted in the last peer review. In addition to establishing the institutional arrangements to ensure leadership and follow-up on coherence issues, the MFA could also foster greater understanding across ministries of how domestic policies and regulations support or impede other countries’ sustainable development, contributing to Austria’s effort to implement the 2030 Agenda.

Recommendation

10. Austria should empower and resource a focal point or institution to lead on policy coherence for development, including responsibility for developing an action plan to address key areas of incoherence.

Austria’s humanitarian policy is out of step with its crisis response

Austria’s humanitarian policy dates from 2009 and emphasises its response to natural disasters. It does not reflect Austria’s current approach to engaging in protracted crises. Humanitarian aid is increasingly part of a coherent Austrian response to crises in line with the DAC Recommendation on the humanitarian-development-peace nexus. Austria should update its policy to clarify how its humanitarian aid fits into the coherent, complementary and co-ordinated (3C) approach to crisis response. An evaluation of Austria’s humanitarian aid system and programming would provide a useful evidence base for this update.

Recommendation

11. Austria should update its humanitarian policy to better reflect a pragmatic and coherent approach to engaging in protracted crises.
The DAC’s Recommendations to Austria

1. Austria should mandate the Ministry of Foreign Affairs to:
   a. lead the development of an overarching vision for Austria’s development co-operation within its three-year programme, including a framework of joint strategic goals, indicators and timelines
   b. set out in future three-year programmes the respective contributions and roles of all ODA-contributing actors, and clearly link projected budget allocations to policy priorities
   c. subsequently lead implementation of a coherent and co-ordinated approach to its total development co-operation effort.

2. Austria should include its total contribution to sustainable development in its country strategies, including relevant bilateral, regional and multilateral efforts.

3. Austria should increase the share of its bilateral budget that is programmable at the country and regional level, while focusing on those sectors and themes where it can add value.

4. Austria should ensure ADA is adequately resourced to fulfil the role envisaged for it in the Act on Development Cooperation, and to manage its growing responsibilities.

5. Austria’s public communication should go beyond project details to tell the full story of how its ODA contributes to sustainable development; this would build awareness, transparency and accountability.

6. Austria should reinforce its focus on conflict prevention by establishing a mechanism to facilitate rapid, flexible financing in fragile states and crisis situations.

7. Austria should further assess risks of corruption in its programmes, particularly contextual and sector-specific risks in partner countries, to strengthen its overall corruption risk management approach.

8. Each Austrian actor should consider the staff capability needed to deliver development co-operation effectively and efficiently, and put in place a human resources action plan to achieve this.

9. Austria should develop a plan to increase its ODA in line with its commitment to allocate 0.7% of gross national income by:
   a. setting interim targets
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10. Austria should empower and resource a focal point or institution to lead on policy coherence for development, including responsibility for developing an action plan to address key areas of incoherence.

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Access the full report

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