

The Head of Division

DEVELOPMENT CO-OPERATION DIRECTORATE

Review, Evaluation & Engagement

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To: DAC Delegates and Observers

Austria Mid-Term Review, 27 April, Vienna

Dear Colleagues,

On 27 April, I visited Austria to conduct its mid-term review, accompanied by Kerri Elgar of DCD. I would like to thank Mr. Anton Mair, Deputy Director General, Development Co-operation Division, and his staff for organising an excellent programme of meetings. We met senior staff from the Federal Ministry for Europe, Integration and Foreign Affairs, Austrian Development Agency (ADA), Ministry of Finance, Ministry of the Interior, as well as parliamentarians and representatives from Austria's civil society organisations, who shared views on how Austria is progressing with addressing the recommendations of the 2015 DAC peer review. Overall, I found that Austria is making some progress against the Committee's recommendations, although challenges remain.

While the main objective of the mid-term review was to focus on the implementation of the DAC's recommendations, we also took into account recent changes in the national and international context for Austria's development co-operation. These include:

- the impact of increased international refugee flows and migration on the composition and strategic orientations of Austria's development co-operation, resulting in a significant shift away from allocations to least developed countries towards the refugees' countries of origin.
- the development of a new three-year programme for Austria's international development co-operation spanning all channels for aid delivery within its development co-operation system and based on a whole-of-government approach.
- efforts to improve policy coherence for development, including through designing a new results framework for the 2030 Agenda for Sustainable Development.

Impacts of refugee and migration flows on Austria's development co-operation

Austria had the highest share of in-donor costs of all DAC members in 2016 following an influx of refugees and internationally displaced people applying for asylum or transiting to other European destinations. This amounted to 37% of its total Official Development Assistance (ODA) based on preliminary reporting for 2016, compared to 33% in 2015 and 9% in 2014. While additional budget allocations were made available through Austria's Federal Ministry of the Interior to help meet these costs, the change in ODA composition presents new policy challenges for Austria as aid shifts towards refugee support and migration management in transit countries and in the refugees' countries of origin. By comparison, Austria programmed only 8.7% of bilateral ODA for spending in partner countries in 2015 (well below the DAC country average of 48.8%). Meanwhile, bilateral ODA channelled through civil society organisations decreased by 15.5% in volume over the same period.

At the reporting level, Austria has made good progress on attributing individual refugee costs related to temporary sustenance and does not report administrative costs for asylum management procedures, but further efforts are needed to clarify imputed costs for lump sum expenses in areas such as health and interpretation services with the aim of enhancing transparency and clarity under the DAC statistical directives.

A continuing focus on poverty reduction, but falling aid allocations to least developed countries

Poverty reduction is at the heart of Austria's 2003 Federal Act on Development Co-operation and the Three-Year Program on Austrian Development Policy for 2016-18, which together provide the overarching framework for Austria's development co-operation. Yet despite this explicit commitment, allocations to least developed countries (LDCs) have fallen significantly in recent years, from 25% of bilateral ODA in 2014 to just 5.6% in 2015, well below the DAC average of 24.3%. In addition, preliminary figures indicate that Austria's share of bilateral aid to these countries will decrease further to around 2% in 2016. Upper-middle income countries received the highest share of Austria's aid (14.4%) in 2015, with 70% of bilateral aid unallocated by income group.

While this downward trend on allocations to the poorest countries was due largely to Austria's increasing share of in-donor refugee costs and increase in allocations for migration management programmes in Europe and the MENA region, Austria has regressed on the DAC's 2015 recommendation to reverse the decline in the share of its ODA allocated to the LDCs in keeping with its commitment to poverty reduction.

An uncertain ODA outlook

Austria continues to highlight its commitment to allocating 0.7% of its gross national income (GNI) as ODA, including in the mission statement of its current three-year programme. In 2016, Austria's net ODA rose to a high-point of USD 1.6 billion (preliminary figures), representing 0.41% of gross national income (GNI) and an increase of 18% in real terms from 2015. Around 62 % of this increase is due to the rise in refugee costs, which has been funded largely through additional allocations via the Ministry of Interior and Austrian Federal Provinces, with the remainder due to a four-fold increase for Austria's Disaster Relief Fund and additional bilateral allocations.

In 2015, the DAC recommended that Austria develop a realistic, time-bound roadmap for scaling up ODA. We discussed how Austria might work towards a plan for sustained increases in the aid budget beyond current refugee-related expenditure, including how to better communicate the rationale for scaling up through the support of civil society organisations. The previous review also raised concerns about Austria's inclusion of debt relief in financial forecasts prior to agreement in the Paris Club, which has inflated aid projections and undermined credibility and predictability for partners in the past. Austria's most recent forecast does not include debt reduction for Sudan in 2017 in line with current practice from other members. Nevertheless, I noted this had been included from 2018. As a result, I encouraged Austria to continue to review its long-term approach to debt relief.

Aid effectiveness

Austria's share of untied ODA (excluding administrative costs and in-donor refugee costs) has declined significantly in recent years, falling from 95% in 2010 to 36% in 2015. Traditionally, Austria's share of untied aid has been boosted by high levels of debt forgiveness, but even stripping this out, performance is well below the DAC average of 78% in 2015. In its last review, the DAC recommended Austria should reverse the decline in the share of its aid that is untied, bearing in mind the Accra and Busan commitments. I was encouraged to hear that the recent decision to double the Austrian

Development Agency's operational budget, which is largely untied, should help to reverse this trend. We also discussed that Austria could review the effectiveness of some components of its tied aid programme and re-examine reporting of the tying status of aid to and through Austrian NGOs.

Austria's use of Agenda 2030 to improve policy coherence and development results

Austria played an active role in negotiations in the lead up to the Sustainable Development Goals (SDGs) and the 2030 Agenda, drawing on views from a range of development stakeholders. In implementing this agenda, Austria is now using whole-of-society consultations to inform the design of a new three-year programme and results framework. This is helping Austria to make progress against the DAC's 2015 recommendation that it should bring all aid-spending ministries in line with, and make them accountable for, achieving the objectives of the three-year programmes. These are good developments; the next programme might also clarify how different actors in Austria's development co-operation are responsible for delivering specific areas of the programme.

In 2015, the DAC warmly welcomed Austria's progress in managing for results, encouraging it to build on these achievements by developing a consistent and coherent approach to development results to inform programming decisions and serve accountability needs. In response, the foreign ministry subsequently established an inter-ministerial working group, inviting the Swiss Development Cooperation to advise on how Austria might improve its approach. Following this reflection, the ministry has introduced biannual self-assessments with SDG-aligned indicators and is designing country level results frameworks to strengthen links between the programme-level and decision-making processes. In parallel, the Austrian Development Agency has developed standard indicators based on the SDGs for monitoring progress across its bilateral programmes and to better link results to decision-making. This is good progress.

Building international development expertise that is fit for the future

In 2015, the DAC recommended that Austria design a staff development strategy to ensure it had the competence and expertise to deliver quality aid in its priority partner countries. Since 2015, the Austrian Development Agency has built its expertise for work in Austria's priority partner countries, and this will be further reinforced following the recent decision to double its operating budget. Meanwhile, the Austrian Development Bank (OeEB) is continuing to increase expertise on private sector and climate financing, while the ministry's development department is using its joint expertise in foreign policy, trade and international affairs to forge new policy synergies. However, Austria has not followed up on the committee's recommendation to design a dedicated staff development strategy to date. I reminded Austria that a more joined-up approach to building expertise for development co-operation, including for interior ministry staff who manage in-donor refugee costs, could help Austria to ensure it had the right skills in the right places while increasing understanding of Austria's development co-operation objectives across the entire system.

Further efforts needed on transparency and communicating development results

Austria has made progress, particularly in the agency, on increasing the availability of information on development co-operation. To take this further, Austria needs to continue to improve transparency around development co-operation. According to the 2016 monitoring report of the Global Partnership for Effective Development Co-operation, Austria's performance on transparency remains poor, with information on forward spending plans decreasing. During our discussions, I welcomed Austria's commitment to publish information on results from 2018 and urged Austria to work towards a more strategic system-wide approach to communicating development results, as recommended by the DAC in the last review. I also noted that current efforts to develop a national

implementation plan for the SDGs could also provide a good entry point for increasing public information about international development co-operation.

Humanitarian assistance: increasing in volume but better strategic alignment needed

In 2016, Austria's bilateral humanitarian allocations were USD 25 million (preliminary figures), representing an increase of 14% in real terms over 2015. This increase responds directly to the DAC's 2015 recommendation that Austria scale up humanitarian funding. During our meetings, Austria indicated that it expects this upwards trajectory in bilateral humanitarian aid to continue following increases in the budget of the Foreign Disaster Relief Fund. In parallel, Austria has also increased contributions to international and regional facilities for refugees and internally displaced people in 2016 and 2017 – particularly for the EU's "Madad" Fund (the regional trust fund for Syria) and Turkish Refugee Facility – which are not included in the above-mentioned figures.

We discussed a number of ongoing challenges for Austria's humanitarian assistance. The 2015 review was critical of the lack of clear criteria to guide humanitarian allocations. To improve alignment between the strategic focus of Austria's programme and humanitarian funding decisions, the current three-year programme includes, for the first time, a substantive chapter on humanitarian aid with thematic priorities defined. However, this strategy does not yet set out a rationale for increased humanitarian spending in countries of origin, transit and destination.

Austria made 38 commitments at the World Humanitarian Summit in 2016, but did not sign up to the Grand Bargain because it was not ready to commit to increasing multi-year planning and funding in collaboration with partners. The current whole-of-society consultations on Austria's next three-year programme provides a useful platform to consider how to overcome these challenges to raise Austria's humanitarian profile on the international stage in line with the DAC's recommendation.

Conclusion

The mid-term review of Austria's development co-operation confirmed my impression that, despite significant policy and programming challenges in the current context, Austria is making some progress on a number of the recommendations of the DAC's 2015 review. Maintaining recent increases in the volume of its ODA, continuing to improve whole-of-government co-ordination and demonstrating its commitment to the 2030 Agenda for Sustainable Development will continue to offer powerful avenues for Austria to drive the global development agenda further, particularly as it prepares to take up the Presidency of the Council of the European Union in 2018.

Finally, I wish to thank Mr. Klaus Steiner of the Development Co-operation Department at the Federal Ministry for Europe, Integration and Foreign Affairs, numerous other colleagues from across the administration, and the respective chairs of each session for facilitating a most productive and enjoyable day of discussions in Vienna.

Yours sincerely,



Karen Jorgensen

CC: Mr. Jorge Moreira da Silva, Director, Development Co-operation Directorate
Ms. Charlotte Petri Gornitzka, DAC Chair