

DEPUTY DIRECTOR

DEVELOPMENT CO-OPERATION DIRECTORATE

Director's Office

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To: DAC Delegates and Observers

Austria's Mid-term Review, 21 February 2023, Vienna

Dear Colleagues,

On 21 February 2023, I conducted the mid-term review of Austria, together with Gaia Manselli and Emily Bosch of the Development Co-operation Directorate (DCD). I would like to thank Director-General Peter Huber, and officials at the Federal Ministry of Foreign Affairs (MFA), the Managing Director of the Austrian Development Agency (ADA) Friedrich Stift and ADA staff, as well as officials from the Ministry of Finance, the Austrian Development Bank (OeEB), and the Co-chair of the Parliamentary Sub-Committee on Development. In addition, we had rich discussions with civil society before our mission. I would like to thank all stakeholders for taking the time to discuss with us, and Mr Wolfgang Lapuh, Ms. Michaela Ellmeier and Ms Cilla Rottensteiner from the MFA for their excellent co-operation in the lead up to the review.

The mid-term review focused on Austria's progress towards the 11 recommendations identified in the DAC [2020 Peer Review](#) and the developments that have taken place since. We were encouraged to see that Austria has made some initial progress on five recommendations, notably on ADA resourcing and corruption risk-management (Recommendations 4 and 7), and towards more coherent programming, enhanced communications and rapid response to crises (Recommendations 1, 5 and 6) as highlighted in the table in the Annex.

The three-year programme 2022-24 is a welcome step towards a more co-ordinated approach, but further work is needed to make it a whole-of-government strategy.

The adoption of the government's [three-year programme 2022-24 \(3YP\)](#) (in English) of Austria's development policy in November 2022 after long political negotiations is a positive achievement. We appreciate the co-ordination role played by the MFA to ensure that it reflects a shared vision of priorities. The 3YP shows how all development co-operation actors can contribute to the identified priorities and includes some quantifiable targets for the MFA and ADA. A matrix refers to Sustainable Development Goal (SDG) indicators under each priority area and lists governmental actors working towards these priorities; however, there is no annual reporting by all government actors against priorities or targets, with the exception of activities implemented by the MFA and ADA. It is therefore challenging to determine the extent to which each actor is contributing to the 3YP objectives and priorities, through its development co-operation activities. The fragmentation noted in the peer review remains a challenge and, together with the lack of cross-ministry monitoring and co-ordination, limits the visibility and assessment of the results that Austria is collectively achieving in its development co-operation.

Austria is increasing its focus on climate and upholding human rights but policy positions on migration hold some risk.

We appreciate the ambitious objectives set by Austria in its 3YP and rooted in the principles of human rights, partnerships and responsibility. The discussions with the authorities confirmed Austria's commitment towards poverty reduction, humanitarian aid, development, peace and the protection of the environment, including through local civil society. Austria is mainstreaming gender and climate across its development co-operation. The MFA and ADA committed to work towards the European Union (EU) Gender Action Plan III objective of 85% of measures to directly or indirectly serve gender equality. Austria has also stepped-up its contributions to address the climate crisis, with EUR 40 million allocated to the Ministry of Climate Action, Environment, Energy, Mobility, Innovation and Technology (Ministry of Climate) in 2022, for international climate finance and climate and biodiversity measures. The authorities have also committed not to fund projects related to fossil fuels, in line with the [DAC Declaration on Climate Change](#).

There is an opportunity for the upcoming climate finance strategy to support Austria's priority countries accessing climate finance for adaptation and mitigation, and to foster a coherent approach as many actors, such as OeEB, increase their investments for climate. The next peer review will be an opportunity to look at the 2023 call for proposals for civil society working on the intersectionality of peace, gender and climate in East Africa. The 3YP introduces a conditionality clause linking development co-operation allocations and migration. The clause refers to a flexible, incentive-oriented approach with potential changes in the allocation of ODA, in the event of a deterioration in the co-operation on migration and return. Even if the clause has limited application in practice, we recommend further reflection on its consistency with the principles of effective development co-operation.

In a time of great need, Austria has succeeded in mobilising additional resources for humanitarian assistance, but the much-awaited humanitarian strategy could strategically frame these efforts.

We were pleased to see that Austria was able to mobilise additional funds for humanitarian aid, without diverting resources from development co-operation. In total, in 2022 its Foreign Disaster Fund allocated EUR 109 million for humanitarian aid (compared to an initial allocation of EUR 55 million) to ADA, mainly to respond to humanitarian crises exacerbated by Russia's unprovoked war of aggression against Ukraine. Out of the Fund's allocation, ADA has already disbursed over EUR 78.8 million by the end of 2022. The Fund's allocations for 2023 are currently EUR 77.5 million. An additional EUR 20 million, provided by the Federal Ministry of Agriculture, Forestry, Regions and Water Management, are foreseen to support food aid, especially via the World Food Programme. ADA plays an important role in disbursing humanitarian aid, in close co-operation with international organisations, and Austrian, local and international civil society organisations (CSOs), most recently in response to the devastating earthquakes in the Republic of Türkiye and the Syrian Arab Republic. As Austria increases its humanitarian efforts and works towards the implementation of the humanitarian-development-peace (HDP) nexus, the finalisation of its humanitarian strategy would provide a clear guidance for all Ministries and institutions. The increasing volume of humanitarian assistance disbursed through the Fund and implemented by ADA requires a careful consideration of the administrative resources dedicated to ADA, as it adds to a growing number of projects and call for proposals managed by ADA.

ODA projections and a roadmap to reach the 0.7% ODA/Gross National Income (GNI) target would support Austria's commitments.

ODA increased slightly in 2021 (USD 1.5 billion), representing 0.31% of GNI and even further in 2022 with preliminary figures (USD 1.9 billion) pointing at 0.39% of GNI. In its 3YP, Austria commits to gradually increase its ODA towards the target of 0.7% of GNI. The 3YP includes specific commitments by the MFA, the Federal Ministry of Climate and the Ministry of Agriculture to increase their ODA, with an expected increase for Austria's ODA budget by EUR 92 million in 2023 and EUR 112 million in 2024. However, the lack of a comprehensive ODA budget or projections in the programme is an obstacle in determining whether, overall, Austria is following a growth trajectory and whether the resources available match programme priorities and objectives.

Conclusion

Some recent developments, such as the adoption of the 3YP, go in the right direction to implement the DAC 2020's recommendations. The next peer review in 2027 gives Austria some time to continue working towards a whole-of-government approach and strengthening the coherence, co-ordination, visibility and accountability of its development co-operation and humanitarian efforts. I encourage Austria to engage with the DAC and the DCD team regularly, to provide updates on new developments and seek guidance from members and the Secretariat.

Yours sincerely,



Mayumi Endoh

CC: Ambassador Carsten Staur, DAC Chair
Ms. Pilar Garrido, DCD Director
Mr. Rahul Malhotra, DCD
Ms. Gaia Manselli, DCD
Ms. Emily Bosch, DCD

Enclosure: Table on progress against the 2020 peer review's recommendations

Annex- Progress against the 2020 peer review's recommendations

Keywords	Recommendations	Progress
Development co-operation policy Whole-of-government approach	1- Austria should mandate the MFA 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.	<i>Some progress</i> - The Federal Act on Development Co-operation establishes the MFA's coordination role. The MFA led the consultation process on the 3YP, leading to the identification of shared priorities. However, implementation of Austria's development co-operation remains the responsibility of each single actor involved, and the 3YP does not drive whole-of-government coherence and co-ordination. The new 3YP includes an annex listing main actors involved for each of the programme's priorities on the basis of SDG indicators, which is a positive evolution, but does not include clear budget allocations, which makes it challenging to assess the overall coherence and alignment between ODA spending and policy priorities. Co-ordination across relevant actors and stakeholders involved in Austria's development co-operation remains mostly ad hoc.
Country strategies	2- Austria should include its total contribution to sustainable development in its country strategies, including relevant bilateral, regional and multilateral efforts.	<i>Limited progress</i> - Due to the recent adoption of the 3YP, it is too early to assess whether any new country strategy will reflect bilateral, regional and multilateral efforts by Austria, as well as whether they will incorporate whole-of-government efforts, beyond ADA and the MFA, although authorities indicate that recent regional strategies – Africa and the Western Balkans - are expected to do so.
Programmable aid	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	<i>Limited progress</i> - Austria's country programmable aid (CPA) remained very low as a share of gross bilateral ODA (14%) in 2020-21. Although CPA for the portion of ODA managed by ADA is much higher (66-69%), ADA managed only 10% of Austria's overall development co-operation in 2020. The increase of in-donor refugee costs and the impact of imputed student costs, and ODA unallocated by country, explain this low share. As Austria works to implement its 3YP, it should ensure that bilateral ODA focuses on its priority countries and regions, and that it continues to advocate for ODA to go to the poorest regions and countries in multilateral governing boards.
Human resources	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.	<i>Good progress</i> - The budget allocated to ADA by the MFA has increased since 2020, in response to the findings of an institutional evaluation of ADA and will reach EUR 137.1 million for 2023. Since 2019, the staffing level approved for ADA has increased by 25% at headquarters and by 26% abroad. In addition to its core personnel (174 full-time equivalents, FTEs), ADA employs project staff through third-party funding (for approximately 157 FTEs). Guided by its Business Plan 2022-2026 , ADA has developed a third-party funding strategy and strengthened its Coordination Offices. ADA has been increasingly implementing projects funded by the EU or delegated by other Ministries and municipalities. Similarly, the growing responsibility of ADA's statistics team in data-processing, co-ordination, and capacity building for the totality of Austria's development and climate finance is stretching capacity. ADA is facing challenges to disburse an increased level of humanitarian aid within existing administrative resources.
Development co-operation narrative	5- Austria's public communication should go beyond project details to tell the full story of how its ODA	<i>Some progress</i> - ADA and the MFA have increased their communication efforts, through detailed project factsheets on the ADA website and the regular publication of project and strategic evaluations . When ADA co-operates with CSOs in project implementation, it also involves them in the communication.

	contributes to sustainable development; this would build awareness, transparency and accountability.	However, Austrian communication seems limited to the subset of ODA/projects managed by ADA/MFA. There is limited communication and visibility on the overall results and impact of Austria's ODA to sustainable development. Increased engagement with the Parliament could also contribute to raising the profile and visibility of Austria's development co-operation.
Humanitarian assistance	6- Austria should reinforce its focus on conflict prevention by establishing a mechanism to facilitate rapid, flexible financing in fragile states and crisis situations.	<i>Some progress</i> - Austria has not set-up a specific mechanism but has shown the ability to rapidly mobilise humanitarian aid through its Foreign Disaster Fund by topping up existing partnerships with international organisations and CSOs. The "3C" Steering Group, which guides the use of ODA in fragile contexts and includes representatives from relevant ministries and CSOs, is now working to operationalise the HDP nexus through new guidelines under preparation.
Corruption Risk-management	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	<i>Good progress</i> - ADA has developed a methodology on portfolio risk assessment, covering contextual corruption risks among others. The methodology is being rolled-out in selected co-ordination offices. In addition, ADA is systematically considering contextual and sector-specific corruption risks as part of project design, and whenever assessing applications for funding, as part of ADA's institutional risk-management system.
Human resources	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.	<i>Limited progress</i> - The MFA has fourteen diplomats working on development co-operation in Vienna. Given that the level of MFA staff working on development co-operation is unlikely to increase, the MFA plans to introduce a development co-operation module as part of diplomats' overall training package. It will be important to develop mechanisms to bring in relevant expertise, including through greater mobility from ADA to MFA.
ODA Untying	9- Austria should develop a plan to increase its ODA in line with its commitment to allocate 0.7% of gross national income by: <ol style="list-style-type: none"> 1. setting interim targets 2. prioritising increases in ODA that are untied and have development as the primary objective. 	<i>Limited progress</i> - Austria provided 0.39% of its GNI as ODA in 2022 (preliminary data) and 0.07% to least-developed countries (LDCs) in 2021. It is not meeting its international commitments for overall ODA and to LDCs, nor does it have a roadmap in place to achieve these targets. It would be encouraging to see Austria moving at least towards the EU average of 0.5% of ODA/GNI. The 3YP indicates ODA increases of EUR 92 million in 2023 and EUR 112 million in 2024 but apart from a possible debt relief operation to the Government of Sudan in 2023, it is unclear what this means for Austria's overall ODA trajectory. Concessional loans remain tied. The next peer review will assess the results of an ongoing trial with an untied concessional financing scheme.
Policy coherence for sustainable development	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.	<i>Limited progress</i> - Austria has no mechanism in place to discuss and address policy coherence issues. It will submit its Second Voluntary National Report on the Implementation of the Sustainable Development Goals at the United Nations High-Level Political Forum in July 2024.
Humanitarian policy/ strategy	11- Austria should update its humanitarian policy to better reflect a pragmatic and coherent approach to engaging in protracted crises.	<i>Limited progress</i> - Austria has drafted a humanitarian strategy, but its approval by the government is pending.