

Evaluation of the Implementation of the Paris Declaration

Donor Study

AUSTRIA

Executive Summary

Introduction

– scope of the evaluation

Austria endorsed the Paris Declaration on Aid Effectiveness (PD, 2005) and the Accra Agenda for Action (AAA, 2008). In these two documents development agencies and partner countries agreed to carry out necessary qualitative improvements in order to enhance aid effectiveness and to achieve the Millennium Development Goals (MDG, 2000). Austria set out an Action Plan on Aid Effectiveness (2006-11) as well as an Action and Implementation Plan for the AAA (2009-11).

Austria participates in the evaluation of the PD (1) by contributing to the evaluation of Uganda, (2) by a Headquarter study, and (3) by participating in the monitoring rounds. The present Austrian Headquarter study is focused on the Austrian Development Cooperation (ADC) system, including the concerned ministries, the Austrian Development Agency (ADA), the Austrian Development Bank (OeEB) and Non-Governmental Organisations (NGOs) as intermediary or implementing agencies in Vienna as well as the cooperation offices in the priority countries of the Austrian Development Cooperation.

The focus of the evaluation is on the three enabling conditions commitment, capacities and incentives specified in the generic terms of reference.

For the Austrian headquarter study an Austrian reference group composed of representatives of the Ministry of European and International Affairs, the Ministry of Finances (BMF), the Austrian Development Agency and Civil Society Organisa-

tions provided most useful feedback to the terms of reference, the inception report and the first version of the draft report.

Methodology included the reading of both international and national documentations about the Paris Declaration, a series of 42 semi-structured interviews with representatives of involved organisations carried out in Vienna (September 20 - 28, 2010) as well as an electronic survey in all 12 coordination offices.

Main Findings and Conclusions

Key features: Austrian ODA is regressing from € 1.321 million in 2007 (0.50% of Gross National Income) to € 820 million in 2009 (0.30%). Austrian ODA is highly fragmented: in 2009, 136 countries (out of 150 eligible for ODA) receive Austrian ODA, with an average of € 1.9 million. Austria is almost renouncing to a selection, yet the trend is still towards even more fragmentation. In 2008, only *three* of the Austrian priority countries were among the top 10 ODA recipients (Iraq, Bosnia and Herzegovina, Chad, Egypt, Turkey, China, Kosovo, Europe regional/multicountry, Sub-Saharan Africa regional, Uganda). In the last couple of years, country programmable aid represented a low share of around 10% of Austrian ODA. Austria is placed at the last but two positions among DAC bilateral donors for the share of country programmable aid and at the next to last position for concentration (2009 OECD Report on Division of Labour, p. 21 and p.28). The volume of the other shares in Austrian ODA is oscillating very much: debt relief (55% - 5%), contributions to EU development cooperation (25% - 15%) and contributions to international financing institutions (23% - 6%).

Legal set-up: Austrian laws (Federal Ministries Act, Federal Act on Development Cooperation, different acts for financial contributions to IFIs, Guidelines for the Federal Finances, and several others) provide an unbalanced basis for the overall Austrian development aid and create diverging operational conditions for the different parts of ODA. Differences are specifically found among bilateral development cooperation, contributions to international financing institutions and contributions to international organisations (UN, EU).

Development policy: An overarching Austrian strategy for development cooperation is missing. There are various attempts to create coherence in Austrian development policy at the next lower strategic level, the ministerial and interministerial guidelines. Yet, they are very general in nature and overruled by the Guidelines for the Federal Finances. Moreover, they are not conducive for a proper political steering of Austrian ODA and they are not backed up by strong strategic monitoring mechanisms.

Structural problems: These structural problems, which cause high fragmentation of Austrian ODA, low internal coherence and strong oscillations in funding, are not on the domestic political agenda. In its statements towards an international public, the Austrian government does not address these problems.

Research for solutions: Austria has, however, made several attempts to overcome this situation. These attempts match well with the PD principles although they were made without direct reference to the PD. The most important of these attempts was the Foundation of ADA in 2004, in order to create a flexible and competent organization capable to manage roughly the double amount of ADC. Since ADA was endowed with low institutional flexibility, unclear role distribution with Ministry of European and International Affairs (BMeiA) and by far less funds than anticipated, this attempt was not successful. Other attempts failed, such as the ODA-path towards the EU ODA-target of 0.51% in 2008 or the "White paper approach" in 2009.

Implementation of PD principles: Under these circumstances, the implementation of the PD principles was restricted to the country programmable aid. In that small share of overall ODA (around 10% of total ODA), Austria is making slow but good progress towards the implementation of the PD.

Potential for further progress is limited because of the low priority of development cooperation in the Austrian political agenda, the unclear role distribution of the involved actors, the complicated processes and the inadequate formats of policy and strategy documents.

The involved actors searched solutions mostly in top-down procedures such as the amendment of the law on development cooperation (2003), the ODA path (2008), a "White paper approach" (2009) or in out-of-the middle procedures such as the interministerial strategic guidelines on Environment and

Development or Security and Development (2009-10), but these attempts did not achieve strong results or even failed. There was almost no attempt to adjust unsatisfactory existing instruments such as the Three Years Programmes (3YP) in bottom-up procedures.

Assessing contextual factors: There is no development cooperation strategy that could guide an overall implementation of the PD in Austrian ODA. Austria disposes of a specialized agency for Austria development cooperation, the Austrian development Agency, founded in 2004. Immediately after its foundation, ADA did embark on the implementation of the PD principles. The Ministry of European and International Affairs, responsible for coordinating Austrian development policy and for development cooperation, sets other priorities in the overarching agenda higher than PD principles, e.g. participation in UN councils or Austrian widespread visibility. The Ministry of Finances, responsible for contributions to the IFIs, gives the PD principles high priority, but implementation is to a great extent the responsibility of the supported IFIs themselves. The involved Austrian actors do not share the same view on the internationally legal binding character of the PD. In the absence of an overall development cooperation strategy, it is difficult to assess to which degree the approaches of the different actors are coherent and complementary. So far, evidence for direct influence of the PD principles on the country programmable aid is very limited (in 2009 around 45 % of new ADA commitments, representing approximately 5% of total ODA are actively programmed according to the PD principles).

Assessing commitment: The fall of the Austrian ODA volume by 31.2% in 2009 did reveal some structural problems in policy setting that did not receive sufficient attention in a large public before, as long as Austria scored well on the way to the EU 2010 ODA target of 0.51%. There is no domestic policy mechanism in place covering all Development Aid. Being a mixture between an overarching strategy and an operational plan for BMeiA and ADA, the 3YP cannot be used as such a mechanism in its present form. A shift to a politically endorsed medium-term development policy is therefore necessary for reducing overlaps and divergences among ODA and ADC. A decisive point for the Austrian commitment will be the Government programme for the 25th Legislation period 2014-17. Other commitments for individual targets of the PD, as e.g. increased joint missions and joint project implementation units, the further deployment of delegated cooperation, increase of the share of pooled funding, etc. are of minor importance but should nevertheless be tackled in a redesigned programming procedure.

Assessing capacities: Austria has remarkable capacities for delivering innovative solutions in small units in specific working contexts, but these efforts fall short of being extended to system-wide operational plans, to systematic mutual learning about potentials and risks. There is room for more delegation of competencies, for redefining working relations as well as for improving collaboration and exchange among the main parties. A rapid improvement of Austrian capacities could be

achieved, if the three main actors BMeiA, BMF and ADA would cooperate better, bringing bilateral and multilateral, financial and technical development cooperation into closer working relations under the following premises:

- Filling the gap at the head of the hierarchy of policy documents by an overarching Austrian strategy for development cooperation
- Reducing the total amount of policies, strategies and programmes at inferior level
- Transferring discussions from working groups into the line responsibilities
- Simplifying the division of labour among the three involved parties

The best means for remedying the problem of the limited deployment of capacities would be providing ADA with more institutional independence from BMeiA as well as a funding adequate to its size by an amendment of the federal act on development cooperation.

Assessing incentives: Incentives and disincentives are not well balanced. The staff of ADC has good intrinsic motivation. Disincentives stem from weak political support, missing overall development cooperation policy, distortions in ODA, a share of country programmable aid which is too small, inappropriate division of labour between BMeiA and BMF, unclear role allocation between ADA and the ministries, complicated communication of the Ministries with the coordination offices, inadequate volume of country programmes, and missing result orientation. Another hindering factor for result orientation is the Austrian cultural specificity to give higher priority to the willingness to do something than to the quality of its result.

Assessing implementation issues: At strategy level, PD principles are partly implemented in the 3YP and the interministerial strategic guidelines. They are fully implemented in the new country programmes for priority countries since 2010 and the strategic guidelines on IFIs. At operational level, they are fully implemented in ADA. However, they are scarcely implemented in other institutions. Increased complementarity and division of labour in the priority countries are likely to reduce duplications (because of less sectors and more donor coordination, etc.). But this positive trend is affected by adverse tendencies such as the increase of ODA fragmentation and the high number of overlapping policies and strategies. At financial level, the downwards trend in ADC represents an obstacle for implementing the PD principles. Multi-year commitments in the bilateral cooperation are still not sufficiently built up. In more than half of all ODA recipient countries, financial volumes are so small that proper programming cannot be done cost-effectively. The main problem with regard to mutual accountability is the missing platform for discussing Austrian political accountability at Government or Parliamentary level.

Beyond the term of the PD: The high degree of fragmentation in Austrian ODA is undermining its credibility of Austrian ODA.

Austrian has to reduce the number of recipient countries of small Austrian ODA contributions in order to avoid further reputation damages.

Recommendations

General Recommendations

- 1) **Repositioning Austrian development policy:** The external evaluator recommends to the Austrian Government: to carefully prepare the repositioning of Austrian development policy not only for a post PD period but much more so also for the next government programme.
- 2) **Designing new regional programmes according to PD principles:** The external evaluator recommends to the Austrian Government: sharpening the focus of future regional programmes (e.g. the Black Sea Region) according to the five PD principles.
- 3) **Step-by-step approach for restructuring Austrian ODA:** The external evaluator recommends to BMeiA: developing a step-by-step approach for restructuring Austrian ODA with the objective to create a legally binding, multi-annual financial framework for the overall ODA, setting deliberate priorities in strategic partnerships with other ministries.
- 4) **Streamlining strategies:** The external evaluator highly recommends to BMeiA and ADA: continuing the streamlining process that has resulted in some good achievements so far such as the two action plans 06-11 and 09-11, the new format of the country strategies, and the baseline for aid modalities despite the presumable difficult financial situation.
- 5) **Simplifying procedures:** The external evaluator recommends to BMeiA and ADA: creating transparency on strengths and shortcomings of the present ADC in a pragmatic approach, analysing the basic choices for the specific profiles in the concentration/fragmentation consequently, simplifying procedures, shifting more to a hands-on work style in the international development cooperation.

Specific Recommendation to BMeiA

- 6) **Interministerial task group:** The external evaluator recommends to BMeiA to mandate its Division VII by establishing an interministerial working group at division level including representatives of the Ministries of Finance, Science and Research, Environment, ADA, and others, with the objective of defining a step by step approach for restructuring Austrian ODA. Tasks of the group should include:
 1. Assessing options such as an amendment of the law on development cooperation, a redesign of the 3YP, a clarification of the thematic priorities, the bundling of existing strategic instruments, a redesign of

ODA financing mechanisms, shifts in attribution of responsibilities among the Ministries

2. Prioritizing the options
3. Listing the necessary measures for implementing options with the highest priorities
4. Setting a proposal for implementation including a time-frame
5. Informing the Ministries involved in the task group on parallel notes on the proposal.

The first step above should at least include the adjustment of the 3YP to the requirements of the PD, namely by:

- a) Formulating objectives and related results with quantitative indicators
- b) Making reference to objectives and results achieved in the prior programme period
- c) Making clear-cut reference to international agreements and Austrian commitments
- d) Distributing responsibilities for results among the involved Ministries.

Specific Recommendation to BMeiA division VII

- 7) **Focus on strategies:** The external evaluator recommends to BMeiA Division VII to concentrate on timely delivery

of concise strategic guidelines that include clear-cut distribution of responsibilities, planned results, planned financial inputs, and to reduce operational programming.

Specific Recommendation to ADA

- 8) **Reduce and simplify strategies, concepts and programmes:** The external evaluator recommends to ADA to reduce duplications of documents (e.g. company statute/company concept, working programme/sectoral working programme) and overlaps (e.g. 3YP – working programme); to reduce own policy considerations in all documents, and to refer to policy documents of Austrian or partner governments where necessary; and to include in all documents review-outlook comparisons and results backed by indicators.

Specific Recommendation to Austrian NGOs

- 9) **Shift from appeal to alliances:** The external evaluator recommends to NGOs to strengthen their domestic advocacy competences, to argue less in methodological or project implementation terms but more in political terms, and to forge stronger alliances in campaigns.