

Strategic Guidelines of the Federal Ministry of Finance for International Financial Institutions



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Dear
Reader,

the past few years have undoubtedly posed significant new challenges to the international community. The global economic and financial crisis of 2008/9, whose consequences have not subsided, has proven the relevance of the International Financial Institutions (IFIs) once more. Already achieved development successes were partially jeopardized thereby. Now, in addition to the effects of the economic and financial crisis further global problems must likewise be addressed, such as food and climate crises as well as problems in health care, which, as the latest example of the Ebola epidemic in West Africa shows, can quickly develop into a global crisis. Global challenges can only be solved effectively by global responses, broad participation of all development partners, and financial resources pooled at the multilateral level.

International Financial Institutions play a key role in global collaboration. They enable an indispensable combination of providing strength. They are also necessary as important fora for international dialogue since solutions to global challenges can be developed only through mutual dialogue. In addition, they act as an essential bridge between national and international levels. Thanks to their wide thematic range, these fora also offer ample room for policy development for Austria.

Above all, institutions such as the World Bank Group and the European Bank for Reconstruction and Development present, through the projects they support, also great opportunities for the Austrian private sector. Successful international Austrian companies can transfer our expertise to developing and transition countries. The principles of exchange and mutual benefit are thus, effectively implemented in the International Financial Institutions.

The present strategic guideline is intended to be a transparent basis and guidance for the positioning of Austria in the IFIs, and defines the appropriate medium-term fields of action. This brochure provides an overview of how and in what areas Austria wants to play an active role in the International Financial Institutions in years to come.

Yours sincerely,

Hans Jörg Schelling

1. Introduction and Executive Summary

1.1. Introduction

This strategic guideline is effective from 2015 to 2018. It is the framework of the Federal Ministry of Finance for working with the International Financial Institutions (IFIs), based on goals, motivations, policy orientation, priorities and selectivity. Based thereon, Austrian interventions in the IFIs are implemented and special activities of the IFIs, particularly within the programming and the policy on promoting international presence in Austria, are supported. It is an instrument of generating intra-Austrian coherence, dealing with all of our IFIs uniformly and enhancing international transparency.

International Financial Institutions are an umbrella term for Multilateral Development Banks (MDBs), such as the World Bank Group and regional development banks, and the International Monetary Fund (IMF). While the basic concept of the IMF is to monitor the global financial system and to perform short-term crisis management, development banks provide tools to supply their member countries with long-term capital. Financing ideally complements the capital market in areas where the latter cannot provide sufficient funding. Development banks contribute to the provision of regional and global public goods. They play an important role in the international development debate as providers of expertise and conveyors of knowledge (Knowledge Institutions). Moreover, diverse, specialized funds provide additional capital for development financing. They are usually geared towards specific issues and problem areas.

The strategic guideline begins with an overview of the strategic objectives of co-operation as well as the general purpose of IFIs. In the second part, the individual IFIs where Austria is represented and our central concerns are discussed. In the third part, the thematic co-operation areas of key importance for our entire work are outlined. They are especially significant for a coherent positioning in the respective institution's Board of Directors. Finally, the **four focuses of programmatic co-operation** are defined and explained. Special programs of the Federal Ministry of Finance with the IFIs in the context of programming or promoting international presence in Austria are derived from these four focal areas. These are i) **sustainable energy and climate protection**, ii) **water and sanitation**, iii) **private and financial sector development**, and iv) **urban development**.

The present guideline is based on the second strategic guideline of the Federal Ministry of Finance and is a largely

revised version. All personal terms used are understood to be gender-neutral.

1.2. Executive Summary

Summary of the strategic guide of the Ministry of Finance for International Financial Institutions

Austria, represented by the Federal Ministry of Finance, co-operates with International Financial Institutions (IFIs) in multiple and complex ways. Austria contributes to the core capital of IFIs, to special funds (so-called soft windows) and to thematic funds (Trust Funds). The overall objective of the co-operation with IFIs is to achieve positive development effects in developing and transition countries. This objectives and the role of the IFIs in general are described in detail in the first part of the guideline.

In addition to supporting objectives at the national level, IFIs also provide tools to promote impact at the global level. At the institutional level, efficient, coordinated and financially well-endowed IFIs play a crucial role in the international donor landscape. Finally, it is also an aim of the co-operation with IFIs to advance Austrian objectives in the institutions. This guideline transparently presents and justifies the activities and the thematic focuses of the co-operation with IFIs and ensures coherent Austrian positioning in the IFIs.

The strategic guideline conforms to the Austrian Development Co-operation Act and is consistent with the three-year program of Austrian development policy. Poverty alleviation, peacekeeping, respect for human rights and environmental protection are important requirements for the present strategic guideline. At the international level, Austria has committed itself to the Aid Effectiveness Agenda, which is intended to enhance the effectiveness of development co-operation through improved donor coordination.

Apart from general economic development, development co-operation aims to eradicate poverty at the global level. The United Nations, the Development Banks and bilateral donors support the attainment of the Millennium Development Goals (MDGs). Within the post-2015 agenda, a broader focus is considered, which in addition to combating poverty considers more strongly areas such as climate change, sustainable development, peacekeeping and good governance. Furthermore, attempts are made to better integrate the private sector and to strengthen individual responsibility of the institutions in the recipient countries.

The financial and economic crisis of 2008/09 has foiled numerous development successes again. The IFIs play an important role in crisis management and fulfilled their counter-cyclical role in 2009/10. All institutions have increased their lending at short notice and extended their programs. Infrastructure measures are intended to promote growth; social security nets should cushion social impacts; and the private sector is to be increasingly used to provide leverage for stabilization and improvement of growth. Further to the economic crisis, the food crises during the last two decades confronted particularly the developing countries with new challenges. Productivity increases in the agricultural sector will be essential in the future to ensure sufficient food production. In addition, mitigation of climate change through innovations in the energy sector has become an essential joint development objective.

Economic growth of different countries is strongly intertwined. Due to interdependencies, development policy also has a global, structural dimension. With the emergence of new growth areas in aspiring transition countries and the associated increase in demand for capital and innovation, a process of mutual reinforcement which will also benefit developing countries is expected. IFIs support these processes by investing in infrastructure and advising governments.

For countries such as Austria, co-operation with IFIs offers numerous opportunities for business. IFIs can open market access for new sectors and target regions; they help in the identification of business opportunities, absorb economic and / or political risks and provide essential market information for companies.

A central task of Multilateral Development Banks (MDBs) consists of providing funds on favorable terms. The total capital based on paid in capital and callable capital ensures high creditworthiness, which allows raising capital with lower interest rates from the international financial markets and pass these favorable conditions on to their customers. Loans are granted largely to projects in middle-income countries, and some parts of the returns are used for the special funds of the MDBs for the granting of concessional loans and non-repayable grants.

An important instrument, besides financial support, is technical assistance, which has gained in importance especially over the last few years. Lending by MDBs ideally follows the principle of additionality, i.e. loans from IFIs supplement other sources, such as from the private sector or by commercial banks. MDB projects often have a catalytic function, because they increase confidence in the country and thus, attract private investment to developing countries.

Therefore, IFIs play an important role in generating positive external effects for public goods. IFIs can play a special role in the control of diseases and pandemics, preservation of

the environment with a focus on climate change, financial stability and strengthening of the international trading system, as well as exchange of knowledge for development. As a first response to the economic and financial crisis in 2008, numerous capital increases were implemented in order to meet the increased demand for loans. Here a central element was a coordinated and shared approach to crisis management. Austria's interest was in particular directed to the economic stabilization of Eastern and Southeastern Europe, which as a region in the immediate neighborhood of the crisis, was rather severely hit by the crisis.

The composition of international capital flows and the donor landscape have changed greatly in recent years. On the one hand, increasingly new donor countries, such as China and India, have emerged, while on the other hand, global thematic and sector funds, such as the Gates Foundation or newly established institutions (e.g. AIIB, BRICS Bank) have joined as development actors.

The second main part of the strategic guideline deals with the IFIs, where Austria is represented at the Board of Executive Directors, in detail. The World Bank Group, consisting of the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA) and the International Centre for Settlement of Investment Disputes (ICSID), is the largest MDB. The African Development Bank (AfDB), the Asian Development Bank (AsDB) and the Inter-American Development Bank (IDB) are regional development banks with Austrian participation. Austria also participates in the European Bank for Reconstruction and Development (EBRD), the Investment Facility (IF), the International Fund for Agricultural Development (IFAD) and the Global Environment Facility (GEF). Thanks to its membership in the European Union, Austria is also a member of the European Investment Bank (EIB). The EIB's mission is to promote the balanced economic development of the EU Member States. However, it can also become active in third countries. This strategic guideline refers only to the development policy and external orientation of the non-EU part of the EIB authority.

The third part of the guideline presents the key areas of co-operation, divided into the general thematic areas and the four specific focuses of programming. In recent decades, poverty in many developing countries was reduced, but the wealth gained was not always evenly distributed. Inclusive economic growth involving large sections of the population, and hence also the lower income groups, is now seen as an essential criterion. Investments in education, health and social networks are important for an inclusive growth process. Moreover, inclusive and sustainable growth can only be achieved with due consideration of environmental criteria. Here, the public sector can create incentives for ad-

herence on the part of the economy. The establishment of functioning institutions is a fundamental condition for positive economic development, particularly in fragile states with weak institutional governance. Support of structurally disadvantaged groups such as women, ethnic minorities and people with special needs is likewise central. Given various multilateral debt relief initiatives, maintenance of a sustainable debt level has been in the focus of the IFIs. The "Debt Sustainability Framework" of the IMF and the World Bank represents a recognized framework to ensure a sustainable level of new indebtedness.

Development can be measured using qualitative and quantitative criteria. In the context of impact analysis, a causal chain consists of input, outcome and impact. Outcomes can be short-term or long-term and have a corresponding impact on the economy. This causal relationship is a prerequisite in the design of interventions enabling conclusions concerning the efficiency and effectiveness of projects, programs and entire institutions.

The Federal Ministry of Finance collaboration with IFIs has four programmatic priority areas in which additional programs (thematic funds) can be launched. The first priority area relates to sustainable energy and climate protection. Austria supports the reduction of greenhouse gas emissions and thus, the effects of climate change. This is to be supported by an increase in energy efficiency, energy saving and transition to renewable energy sources. It is also important to undertake adaptation measures to reduce vulnerability to the effects of climate change, specifically in developing countries.

Another traditionally important Austrian focus lies on water and sanitation. Despite progress, millions of people still

have no access to safe drinking water. At the same time, in many places the provision of sanitation is still a major problem. The water sector is to be supported in the areas of irrigation, hydropower, industrial water use, wastewater management and impacts of climate change on water resources. Against this backdrop, Austria can act as a knowledge provider, thanks to its extensive knowledge in the field of decentralized water supply.

A third focus area of co-operation is the financial and private sector. A dynamic private sector is essential for a functioning economy. The prerequisites include political stability, appropriate economic policies and efficient administration, ensuring law enforcement and fair competition and creating a suitable investment climate. Involvement of the local population in terms of inclusive growth is essential for achieving employment effects, improved supply and establishment of local industry, especially in rural areas. Moreover, due to low productivity and adverse working conditions, formalization of the informal sector is a central concern of Austria and the IFIs.

The increasing importance of cities as economic drivers makes them valuable targets for development policy measures. Therefore, co-operation in the field of urban development represents the fourth focus area of Austrian co-operation with IFIs. Although cities provide essential income and wealth, they are also centers of poverty and pollution. Austria holds extensive expertise and can serve as a knowledge provider in the field of sustainable urban planning and Smart Cities. Fields of action in this priority area are municipal urban planning, resource efficiency and environmental footprint reduction, as well as poverty reduction and sustainable financial management.

Part I: Objectives of co-operation and role of IFIs

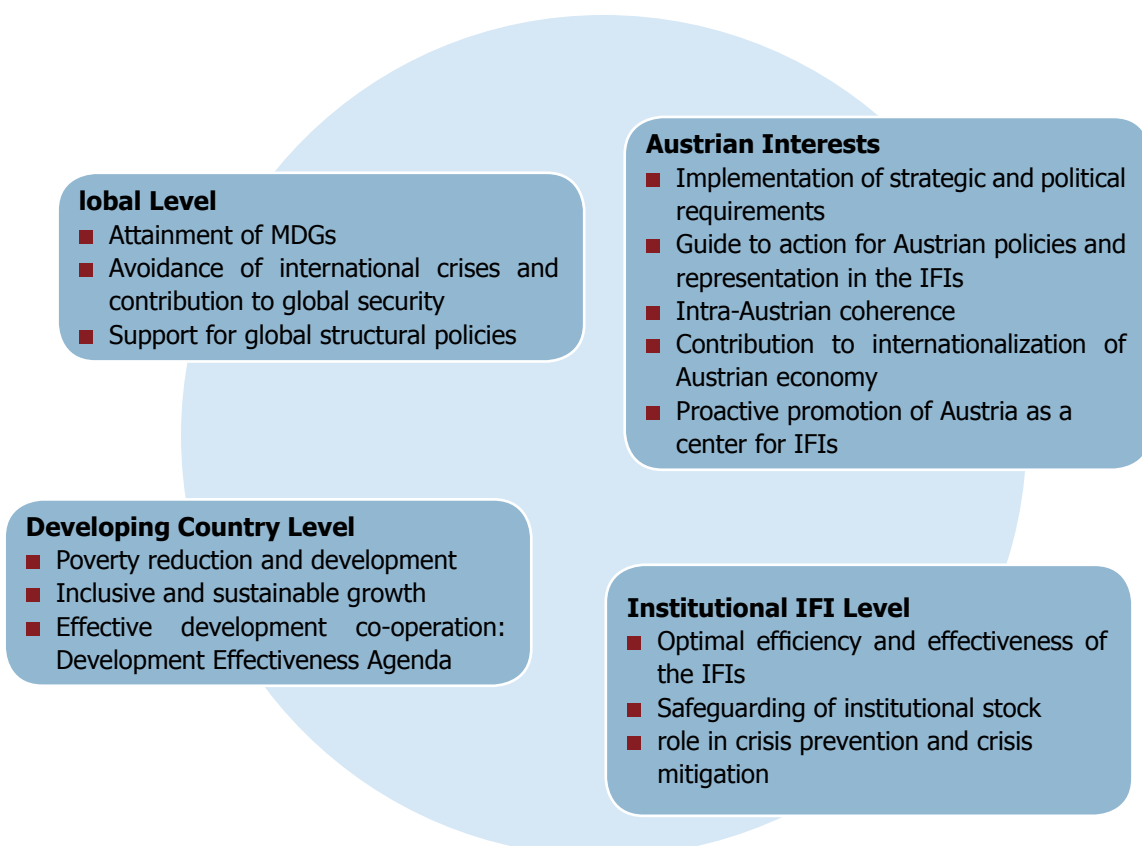
2. Strategic objectives of co-operation

2.1. Overview

The aims of Austrian participation in IFIs are manifold and can be mapped at different levels. These are to a) achieve positive development effects in developing countries, b) contribute at the global level to the promotion of public goods or reduction of public bads, c) promote efficient, concerted and adequately funded IFIs at the institutional level, and d) support Austrian concerns within the IFIs. Pursuit of all these objectives should also allow for some positive repercussions in Austria.

Attainment of these objectives is furthered by the capital investments of the Federal Ministry of Finance into the various IFIs, replenishment of funds (the soft windows of the IFIs), as well as co-operations of the Federal Ministry of Finance via specialized trust funds operating within the IFIs.

As an overview, the strategic objectives of the co-operation of the Federal Ministry of Finance can be represented as in the chart below, using the following four levels of objectives:



This guideline covers the strategic objectives and the contribution of the IFIs in detail. The strategic guideline is, however, not least a tool to illustrate the manifold Austrian co-operations with the IFIs in a transparent manner. The following aims are thus to be achieved through the guide:

- Transparency, accountability and professional reasoning in the formulation of Austrian positions in IFI policies;
- justification of Austrian priorities and co-operation programs; and
- coherence of the Austrian positions at all IFIs.

Thematic co-operation (chap. 7) is particularly relevant for coherent assertion of subjects in the respective Boards of the IFIs and concerns topics of special importance to us, which are discussed in the regular replenishment negotiations of the funds (soft windows of the IFIs).

The programmatic co-operation (chap. 8) represents the four main priority sectors of the co-operation of the Federal Ministry of Finance with the IFIs. In these four areas, additional programs can be negotiated with the IFIs and implemented. These are thematic trust funds or projects of the foreign trade program. Geographically, these programs are primarily geared towards Eastern and Southeastern Europe, followed by the MENA region. Apart from that, however, global programs or programs in other regions may likewise be supported, provided they fall within the four priority sectors and there is major interest in co-operation with the relevant IFIs in the area. In the design of the various IFI co-operations, it is also attempted to take into account the Austrian priority countries for bilateral development co-operation as much as possible.

Both thematic and programmatic co-operation permit introducing topics in IFIs and creatively exerting influence by focusing, thereby contributing to Austrian visibility in the IFIs as well as at home and abroad.

2.2. Guiding principles of co-operation

The entire co-operation of the Federal Ministry of Finance with IFIs follows guiding principles. At the national level, IFI co-operation is governed by the Austrian Development Co-operation Act and based on the objectives of the three-year program of Austrian development policy. On the Federal Ministry of Finance level, this guideline is coherent and complementary to the International Strategy of the Ministry of Finance, which is part of the overall strategy of the Ministry. At the international level, efforts are made to implement the aid effectiveness agenda of a harmonized and coherent approach optimally to improve the effectiveness of development co-operation.

Requirements pursuant to the Austrian Development Co-operation Act and three-year program of Austrian development policy

The Development Co-operation Act (DCA) and the three-year program of Austrian development policy define three overall objectives for Austrian development policy:

- to reduce poverty,
- ensuring peace and human safety and the promotion of good governance and human rights, and
- preservation of the environment.

These overall development objectives also apply to the policy of the Federal Ministry of Finance in relation to the IFIs.

Strategy of the Federal Ministry of Finance

The strategy of the Federal Ministry of Finance lists the following strategic objectives of the international activities of the Federal Ministry of Finance within the international strategy:

- Ensuring conditions that promote growth and employment
- Promoting Austria as expertise provider and interesting business partner
- Strengthening of multilateral and bilateral co-operation
- Asserting Austrian national interests in international negotiating bodies and institutions

The present strategic guideline of the Ministry of Finance for the IFIs is consistent with the general strategy of the Federal Ministry of Finance and provides an in-depth examination of the objectives of the international strategy and the contribution of the IFIs to the pursuit of these goals. The activities of the IFIs contribute to global economic and social development and thus ensure growth and employment-promoting conditions. The Austrian economy has potentials for co-operation with the IFIs, which should be systematically expanded to mutual benefit. It is therefore of particular concern to the Ministry of Finance to specifically promote Austria as expertise provider and interesting economic partner, including towards IFIs. Co-operation programs with IFIs within the defined priorities contribute to the promotion of Austria as expertise provider. Within their varied areas of responsibility, the Austrian representatives at the respective IFIs also strive to support Austrian interests and positions within the IFIs.

Development Effectiveness Agenda

At the international level, the requirements of the Paris Declaration, the Accra Agenda and the Global Partnership of Busan form an operational framework of the Federal Ministry of Finance for the co-operation with IFIs.

With the adoption of the Millennium Development Goals (MDGs) in 2000, to which Austria has committed itself, a fundamental international debate about improvement of development co-operation and more efficient coordination of all stakeholders has begun. In the following years, high-level international conferences to improve the effectiveness of development co-operation (Aid Effectiveness Agenda) took place. The Paris Declaration of 2005 established a framework for donor coordination, harmonization of programs and strategies of development partners and gradual harmonization of the donors' allocation policies.

In the Paris Declaration, donors and partner countries as well as IFIs and representatives of the civil society agreed on principles of co-operation that shall apply to bilateral as well as to multilateral actors. Co-operation with partner countries was to be improved and determined by five principles (ownership, alignment, harmonization, managing for results and mutual accountability).

The Accra Agenda for Action (2008) complements the Paris Declaration in the areas in which difficulties in implementation were encountered. With the Global Partnership of Busan (2011), the Development Effectiveness Agenda was strengthened once more and a new partnership for development launched. In the future, industrialized, emerging and developing countries shall co-operate with international development agencies and IFIs, the private sector and the civil society to achieve measurable results in poverty reduction and sustainable development.

Within the comprehensive development effectiveness agenda and the difficulties in implementation, the application of "national systems" in the awarding of contracts represents one of the major challenges for local government and partners alike. In this context, especially IFIs can make important contributions through technical assistance and use of national systems in their allocations.

However, for the success of development programs it is also important that the partner countries themselves endorse and implement the relevant reforms. Ownership is seen as crucial for good co-operation between all partners. Through consultative processes in the development of strategies, the various levels of partner governments, civil society, private sector and donor community are involved.

The implementation of the Development Effectiveness Agenda should increasingly be applied in all the instruments of the IFIs as well as in the IMF's specific development instruments. In the persecution of donor harmonization and alignment, IFIs should play an important coordinating role and actively support it. In its own trust fund programs, and specifically in project approvals in the respective Boards of the IFIs, Austria is committed to pay attention to the implementation of the principles.

2.3. Attainment of the MDGs and post-2015 Agenda

The efforts of the international development co-operation focus on poverty reduction and economic development in developing countries. The United Nations and its agencies as well as the development banks and bilateral donors are committed to poverty reduction as an overarching goal. By defining the Millennium Development Goals and their 8 objectives, 18 targets and 48 indicators, an attempt was undertaken to make development measurable. In 2015, attainment of the MDGs is measured by the level of achievement of the eight MDGs and the various subordinate goals.

The MDGs won't probably be fully achieved by 2015, but there is agreement that they were a sensible and realistic set of goals and the targets not reached should continue to be pursued after 2015. In addition, the new list of objectives for the time after 2015 is already in discussion. The aim is broader and takes into account those elements relevant to development and poverty reduction that were less prominent in the previous MDGs: Environment and climate change, peace and security, good governance, institutions and human rights, inclusive growth, employment and inequality. The goals must have universal validity, but reflect national peculiarities.

As overarching objective, it has already been recognized to globally eradicate extreme poverty with an income of less than US \$ 1.25 per capita and day by 2030 and limit the growing inequalities. The report on the post-2015 agenda by the UN High Level Panel of Eminent Persons bears the motto "Leave no one behind" to emphasize that all socially disadvantaged and vulnerable groups and people, especially people with special needs, can actively participate in the development process. The EU Council and the EU Commission in its report "A Decent Life for All" use similar language, addressing social inclusiveness, distribution, sustainability and quality of life in social and environmental terms. Apart from poverty reduction, the focus is also on other access barriers such as lack of education and health care. This extensive list of objectives of the SDGs is to ensure that sustainable development is achieved. Essential components of the development agenda are climate change, biodiversity and preservation of ecosystems.

Thus the Federal Ministry of Finance aims to pursue the following objectives:

- The international goal of reaching 0.7 % of the GNI in annual ODA flows has so far been achieved only by a small number of countries. In the wake of the consolidation of the development goals with the SDGs, , as well as in the Monterrey Conference on Financing for Development in July 2015, this 0.7 % target will also be subject-

ted to discussion. The SDGs will not be attainable with public funding alone. It will be important to increasingly tap private financing as well and use the private sector more effectively for achieving development goals.

- One of the most important sources of development funds are the developing countries' own resources. The Good Governance and Accountability objectives of the new target catalogue for "post-2015" are to contribute, among other things, to better and more equitable raising of own resources, better management of public finances and responsibility for them. The international community should also ensure that tax evasion and illegal financial flows are limited in order to allow developing countries to use their own resources.

2.4. Answers to global challenges

In addition to contributing to the achievement of the MGs and the SDGs, the IFI co-operation also presents an opportunity for the Federal Ministry of Finance to handle global challenges other than poverty. Subsequently, some key challenges for the Federal Ministry of Finance – IFI co-operation are highlighted, which will also be of particular relevance for the definition of the programmatic focus areas (chap. 8). These are the recent financial and economic crisis, the food crisis, diseases and epidemics, and issues related to environment, climate and the increasing energy demand.

Financial and economic crisis

The financial and economic crisis in 2008/9, which was initially triggered by a housing bubble in the United States, had a far-reaching and long-lasting impact on the financial world. The housing bubble was followed by a banking crisis, which developed into a financial and economic crisis and then, with some delay, also affected Europe and large parts of the global economy. Long-term effects will be felt. Banks are struggling with the consequences of the financial crisis, often with a high percentage of non-performing loans, and therefore less funds are available to companies. This leads to loss of jobs, decreasing investments and to an increase in unemployment.

The consequences of the financial crisis affected the developing countries as well, albeit to varying degrees. Many developing countries were hit hard by the crisis due to a decline in export demand and global capital flows, including foreign direct investment (FDI), portfolio investment and to some extent also remittances. As a result, progresses already made in poverty reduction were partly wiped out.

Credit shortage occurred in many developing countries. The private banking sector was not able to satisfy the funding demands. Access to international financial markets was also very much hampered.

The IFIs attempted to mitigate the immediate consequences of the crisis by temporarily higher and frontloading lending. The crisis management measures of the IFIs aimed in particular at:

- maintaining infrastructure investments in order not to jeopardize the foundations of future growth,
- ensure spending on fundamental social services and security nets to mitigate the social impact of the crisis,
- increasingly use the private sector as a leverage and thus keep the engine of growth running as far as possible.

In the spring of 2009, the members of the G-20 called on the IFIs to fulfil their countercyclical role. The shareholders of the World Bank Group and of the regional development banks complied with that request by increasing the capital of important IFIs. Funding shortages due to the hampered access of developing countries to financial markets and the decline in foreign direct investment could thus be mitigated by IFIs.

In the context of IFI co-operation, especially within the priority area of private and financial sector development, Austria supports programs for the prevention and reduction of vulnerability.

Food crisis

The prices of staple food crops (rice, corn, wheat) have risen sharply since 2003 and are very volatile. From 2006 to 2008 and 2010 to 2011, there were massive food crises due to the strong price increases. At the G8 summit in July 2009, food supply was declared a key development issue. Since these two crises, the IFIs have generally been devoting more energy to the question of sufficient food production again.

The causes of the food crisis include both supply- and demand-side factors. First, the growth of the world population, the increasing purchasing power in key emerging markets and changes in eating habits led to sharp increases in food demands. At the same time, there was a supply-side limitation of food production due to drought, loss of agricultural land (industrialization, urbanization, climate change, desertification, etc.), competition for arable land by increasing production of biofuels, and stagnation of productivity increases. In addition, the rise in energy prices led to increases in the costs of inputs (machinery, fertilizers and pesticides, irrigation, etc.), as well as of the processing of foodstuffs. The resulting price volatility was aggravated by speculation in agricultural commodities and export bans imposed by some governments.

Given an expected increase in world population to up to 10 bn. people by 2050, the importance of adequate food supply and productivity in the agricultural sector through me-

chanization, irrigation systems and support of the food processing industry is becoming increasingly important. This may require use of new technologies with renunciation of the use of genetic engineering being an Austrian concern. Moreover, reduction of harvest and post-harvest losses, e.g. by improved storage and preservation of food, constitutes important initiatives. In addition, maximum technological and environmental standards and animal husbandry criteria that meet the European standards are to be adhered to. Conservation of natural resources and biodiversity protection are factors that must also be given special consideration.

Control of epidemics

Diseases and epidemics are a big burden on public health systems, especially if these are poorly funded. This has a negative impact on economy in general and hits developing countries particularly hard. In some Southern African countries, such as Botswana and Swaziland, where up to 25 % of the working-age population live with HIV or AIDS, it also constitutes an existential threat to the functioning of the labor market, the state institutions and the entire political system. With more than 70 %, not only the majority of annual new HIV infections occur in sub-Saharan Africa, but also a disproportionately large share of deaths from AIDS. As MDG # 6, the fight against HIV, AIDS, malaria and other diseases was ranked prominently in the multilateral development agenda.

Especially in view of the Ebola epidemic broken out in the West African countries of Guinea, Liberia and Sierra Leone in the spring of 2014 it becomes clear what devastating effects epidemics can have on the economic situation of countries and entire regions. The countries affected are expected to lose up to 5 % of their GDP until the end of 2014 due to the outbreak. Since these are also strongly under-developed countries and in the case of Sierra Leone and Liberia fragile states, the epidemic jeopardizes the economic and institutional foundation of these states. The World Bank also estimates that in certain countries of sub-Saharan Africa malaria annually costs about 1 % of economic growth.

Thus the focus of the co-operation must be placed on the development of appropriate health infrastructure to prevent the rapid spread of diseases. To this end, education and training of local people for local health professions is likewise indispensable. In the case of acute epidemics, the Federal Ministry of Finance advocates immediate action and supports initiatives of the MDBs, especially in the context of development of suitable institutions in fragile states. Here large multilateral organizations can intervene better than the institutions of individual states, as they have the necessary broad expertise and staffing required. In addition, intervention of (too) many bilateral initiatives in acute situations also complicates coordination.

Environment, climate and rising energy demands

The economic growth of recent decades has also brought consequences such as environmental degradation and climate change. The rapid population growth aggravates these problems by increasing demands for natural resources. The scarcity of natural resources such as water also holds increasing potentials for crises, conflicts and migration.

The effects of climate change are as far-reaching. Global greenhouse emissions have increased by 70 % from 1970 to 2004, and could double again by 2050. It is to be feared that the global temperature increase will significantly exceed the threshold of 2 °C (see *Turn down the heat: Why a 4 °C warmer world must be avoided*" (11/2012), World Bank Working Paper).

At the same time, many developing countries are facing huge problems in the energy sector, because their energy needs are steadily increasing due to the development process. Large parts of the population have no access to efficient energy services; in addition, there are rising expenditures for the import of fossil fuels, mismanagement of local resources and limited access to capital and knowledge. Energy production in many developing countries cannot keep abreast of demand, thereby inhibiting economic growth and poverty reduction. Often, however, the energy sector is also a major contributor to local pollution and global climate change. Innovative and environmentally sound solutions are hence necessary.

The negative effects of climate change affect the poorest countries to a disproportionate extent. The costs of adaptation to the impacts of climate change are enormous for developing countries and cannot be borne by them alone. In addition, climate change and progressive urbanization increase the risks of disaster in urban agglomerations, especially due to water-related events such as floods, droughts and storms. Efficient measures for adaptation to and mitigation of the effects of climate change are necessary. IFIs can play an important role, because their expertise and areas of activity enable them to develop approaches to solutions to global problems, contemplating also intersections and contradictions between e.g. development co-operation, climate protection and energy policy. Their position as international institutions enables them to offer important regional and global platforms to bring together the key stakeholders and to support the implementation of important measures.

The Federal Ministry of Finance considers IFIs as central actors in meeting the challenges of development and global climate issues through internationally coordinated mechanisms. Within the IFI co-operation, an area of priority will be dedicated to the field of sustainable energy and climate protection, enabling specific support of projects with IFIs in this area.

2.5. Support for global structural policies

Another important issue is the support of global structural policies. We are living in a world of interdependencies. This is particularly obvious in the political fields of environment, security and economic growth. Progress or failure of other countries also has implications for our own security, living areas and present and future prosperity. This has been shown not least by the financial and economic crises, by global climate change and by the risks posed by the instabilities and migration flows emanating from fragile states. In a globalized world economy, effective development policy thus also has a global structural dimension.

In the first decade of this century, a clear trend towards economic convergence and poverty reduction was seen, as growth in the developing countries (despite significant differences) as a group significantly outpaced that of industrialized nations. At present, global economy is changing rapidly towards multiple poles of growth. As early as 2010, developing and emerging countries were already responsible for about 60 % of global growth. According to the World Bank, by 2025 six emerging economies will probably account for more than 50 % of global growth. Since 2015, China has been the largest economy in the world.

The formation of new growth poles in emerging markets will have a major structural impact on global economy, on the future of global growth and on the international division of labor. The emergence of new growth poles leads on the one hand to rising demands for capital and intermediate goods as well as for innovative technologies (e.g. in the environmental sector), while on the other hand the increasing requirements of emerging markets in terms of primary goods and commodities result in higher prices and rising incomes for poor producers countries. This also provides incentives for increased South-South investment and trade relations. China, India and Brazil already have expanded their trade and investment volumes especially in sub-Saharan Africa and / or South Asia considerably, and are investing heavily into the development of infrastructure, natural resources and agricultural sectors in these countries.

The dynamic growth of emerging markets offers developing countries opportunities for diversification and industrialization of their own economic structures. Here a process of mutually reinforcing growth poles is essential. In developing countries, the structural reforms that begun must be continued, particularly in the areas of macroeconomic management, transparent and democratic governance, development of domestic financial markets, improvement of the investment climate, in particular in sectors where the individual country has comparative advantages. A dynamic process of structural change, however, also requires infra-

structure adapted to the particular stage of development, with regard to both "hard" (transport, energy, telecommunications) and to "soft" (institutions, regulations, training, etc.) elements.

The IFIs play a key role in supporting multi-polar growth. They fund investments into growth-supporting "hard" infrastructure, advise governments in the provision of suitable "soft" infrastructure, e.g. by technical support in improving the investment climate by adapting local financial systems, debt management, etc. IFIs support development of "human capital" through financing and policy counselling in the fields of education, health and food. They promote regional integration processes, invest into global or regional public goods and provide funds to manage crises and natural disasters. In many cases, IFIs can also support public-private dialogue processes to identify potential comparative advantages and potentials for industrial upgrading and help develop an appropriate agenda for complementary policies. Austria specifically supports programs within the priority area of financial and private sector development.

2.6. Potentials for Austrian foreign trade

The international donor community increasingly recognizes the positive and important role of the private sector in the development process. The private sector is not only pivotal to a healthy and diversified economic structure, but above all creates employment. IFIs support the framework for a dynamic private sector in many ways through their projects, programs and technical assistance. IFIs are also capable of positively influencing the international framework of the partner countries for exports and foreign direct investment. Through the development of new markets and the fostering of a positive investment climate, IFIs are of high importance for industrial, emerging and developing countries alike, and for small open economies such as Austria.

Beyond this traditional contribution, however, IFIs increasingly recognize the potential of modern donor / recipient relationships. Modern donor / recipient relationships are increasingly seen as partnerships for important expertise and technology transfer and for consulting services to the mutual benefit of donor and recipient countries. This is of particular interest today where it comes to creating solutions to global challenges. To meet global challenges, the use of optimal technologies must be encouraged, e.g. to offer energy-efficient solutions, to manage water scarcity or to achieve productivity gains. Austria provides expertise in many innovative and high-technology areas and is an interesting economic partner. This will create opportunities for foreign trade.

The Austrian co-operation with IFIs is intended to generate possible synergies between development policy and foreign trade benefits. Participation in international trade and investment relationships is central to the development process of economically weaker countries. Conversely, by international presence in transition and developing countries Austrian foreign trade can reach new markets while contributing at the same time to development. Co-operation with IFIs and participation in IFI projects and their tenders may provide an opportunity for Austrian foreign trade to use these synergies.

In addition, IFIs can play an important role in the following areas of foreign trade:

- IFIs may be market-openers for new sectors and find new target regions for the Austrian economy.
- Co-operation with IFIs can help to identify and develop business opportunities.
- IFIs can absorb diverse economic and political risks, as in the case of the MIGA.
- IFIs provide sources of information for entrepreneurs who are looking for market opportunities and seek to access new markets.
- Analyses by the IFIs of key markets or sectors can be used for economic internationalization.

Through co-operation programs with IFIs in priority sectors, which are of interest for the Austrian economy and in which particular internationally sought-after expertise exists, the Federal Ministry of Finance can also support the external sector. Here the central element for the Austrian economy is access to and ensuring of information. The Austrian Economic Chamber and its worldwide network of Foreign Trade Centers play a central role, as they are the first point of

contact for Austrian companies that want to enter new markets. The networks of Austrian foreign representatives can also help in providing local contacts. To make information on IFI projects and tenders transparent and easy accessible, all IFIs display comprehensive information on their respective websites.

The Austrian representatives in the IFIs may also provide information on specific questions and, in co-operation with the Foreign Trade Centers and local offices of the Austrian Development Agency, assistance in making contact with IFI staff, technical specialists and project managers.

Austrian Development Bank (ADB)

With the Austrian Development Bank, Austria also possesses a national development bank, whose mandate it is to implement developmentally relevant and economically viable private-sector projects in developing and emerging countries. Here, with investment financing, equity investments and advisory services it has a comprehensive toolkit at its disposition, with one of the objectives being to provide targeted support for Austrian companies.

The Austrian Development Bank already co-operates closely with individual IFIs, especially the IFC and EBRD, due to their focus on the private sector. The Austrian Development Bank strives to further strengthen these co-operations in the coming years, and to expand them to other multilateral actors. Since the thematic orientation of the Austrian Development Bank is largely coordinated with that of the IFI Strategy, the ADB provides additional leverage for pursuing Austrian goals in the co-operation with IFIs, particularly in the area of private-sector development.

3. Role and function of IFIs

The Federal Ministry of Finance believes that IFIs are essential multilateral channels in international co-operation within the global "Aid architecture". IFIs are important actors for the attainment of development goals and efficient and coordinated management of current global challenges. The following section will describe general benefits, role and function of IFIs.

3.1. Role and importance of Multilateral Development Banks

Raising of capital and borrowing on favorable terms

MDBs permit efficient raising of capital on advantageous terms, since they combine the financial resources made available by a large number of countries. The total capital of the MDBs consists of callable and paid in capital. . By buying shares of the IFIs, shareholders obtain voting rights in the respective institutions. In addition to providing paid in capital, member states are liable for providing a high portion of callable capital. The total capital provided by member countries allows MDBs (usually) to get AAA status and thus raise capital from the international financial markets under particularly favorable terms.

The funds are used by the MBDs for projects in developing and transition countries. Funding will be awarded in the form of loans under the most favorable conditions to credit-worthy developing and transition countries, especially middle-income countries. The income of the banks obtained shall be used largely for transfers to the connected soft windows of the banks (IDA, AfDF, AsDF) and thus for concessional loans and non-repayable grants. From the proceeds also the management and the administration of the banks, including that of the soft windows is paid.

Developing and transition countries are often characterized by poorly developed financial markets and underdeveloped banking, so that long-term financing is not guaranteed, and generally, there is not enough capital available for funding. Here multilateral development banks can step in and pass on long-term capital urgently needed for development, on favorable terms to developing and transition countries.

Additionality of lending

The financing offered by MDBs serves for programs for poverty reduction, economic and social development, adaptation and transformation, to avert economic and financial

crises and to cushion the effects of exogenous shocks. The combination of expertise and financing allows the foundations for economic and social development to be effectively supported. MDB financing is ideally additional to other forms of funding and should primarily focus on sectors and regions, countries and areas of countries (still) hardly or insufficiently reached by private financing, even in more developed emerging and transition countries.

However, availability of long-term private financing in developing and transition countries with middle income is often insufficient, especially for development projects, where it comes to projects with high risk and / or higher social than private "return on investment". Even in middle-income countries, stable and long-term financing are very important, because these countries in particular host a large proportion of global poverty. In that context additionality, i.e. the complementarity of IFIs financing to commercial banking, is a principle that should be applied to all IFI projects.

In addition, little private capital flows especially into small economies with high transaction costs and into the poorest developing countries. Here multilateral development funds such as IDA play a significant role, especially if developing countries are not creditworthy or borrowing at market conditions would increase the risk of high indebtedness. IFIs play also a role whenever particularly eligible sectors in this group of countries are to be specifically funded.

Catalytic function

Lending by IFIs also plays an important catalytic role, since the confidence in the economy that they generate often results in private capital following their funding. IFIs thus contribute to an environment in which private capital can become active more easily. Hence IFI financing can attract private capital flows that provide much-needed private capital in developing countries.

Graduation policy

However provided IFI funding should never be a permanent source of funding. IFIs must therefore also ensure that partner countries gradually outgrow from their customer status ("graduate"), and thus the financing terms of the IFIs approach those of the market. The full integration of the graduated countries into the financial markets and their extensive use for further economic and social development is the incentive to complete the graduation. Formal criteria such as exceedance of a predefined GDP-per-capita crite-

tion are important; however, this criterion should also be considered on a case-by-case base, applying other country-specific criteria. It is also important to pay attention to the inclusiveness of growth in that context. A gradual transition, as usual exercised when it comes to the graduation of IDA countries, is one way of mitigating the transition.

3.2. Division of labour and comparative advantages of MDBs

Between MDBs

All Regional Development Banks (RDBs) have, in line with the original division of labor between the World Bank and IMF, focused primarily on the micro level, and their policies and effects have become highly similar.

Advice and support for the development of effective economic and social structures in the partner countries, however, have become more and more important in the past years. The RDBs and the World Bank increasingly complement each other in their duties. In this context, the RDBs benefit from their regional expertise and country-specific experiences that are to be conjointly expanded further. Thanks to their specific ownership structure, RDBs are very much perceived as banks of the region and their borrowing countries. Due to the intensive collaboration with national governments in their work, RDBs may have advantages in crisis prevention and in the provision of regional public goods (RPGs). In contrast, the World Bank has comparative advantages, especially in the provision of global public goods (GPGs), including the creation and provision of information on global development issues. The World Bank is therefore also referred to as Knowledge Bank, and since President Kim, as Global Solutions Bank.

In addition to the distribution of their work according to comparative advantages, a certain parallelism of the World Bank and the RDBs can be noted, which is, like the specialization, seen as positive, as parallelism also promotes positive competition among the banks. Competition and complementarity based on specialization and comparative advantages may be a precondition for improved resource allocation, an innovation driver and allow some freedom of choice between institutions.

Increased competition, however, may also encourage competitive interest rate policies among IFIs, which may be at the expense of the quality of the projects. Such a "race to the bottom", which is often associated with dilution of quality standards, should be avoided. Austria is committed to the maintenance of the highest possible quality standards and safeguards.

To strengthen their comparative advantages, RDBs have increasingly focused on decentralization, expansion of their external structures in the partner countries and thus greater proximity to the partners. We support some focus of the IFIs on their respective comparative advantages as well as decentralization processes, if this leads to increased efficiency of the banking activities and better customer service.

Global and regional public goods

In the pursuit of global objectives, IFIs can play an important role thanks to their multilateral structures. Increasing growth and advancing globalization result in increasingly positive and negative externalities. IFIs as important transnational institutions play an important role in generating these public goods, in creating the necessary conditions for them, in funding them or in regulating avoidance of and in counteracting negative externalities (public bads).

Global public goods have a global and a regional dimension, which cannot be clearly separated. Globally active IFIs like the World Bank have comparative advantages in the global dimension, while RDBs have strengths in the regional dimension.

From among the plethora of possible global public goods, the International Task Force on Global Public Goods has identified five global public goods. While one of the goals, peace and stability, primarily falls within the responsibility of the United Nations, IFIs can make significant contributions focusing on the following five global public goods. These are:

- Control of communicable diseases and pandemics: Specialized international organizations, vertical funds and private foundations already play an important role in this area. IFIs can ensure in a supportive manner that a close-meshed vertical approach does not subtract resources from other priorities of the countries and especially not from other areas of the healthcare system, and that a balance between treatment and prevention is established.
- Preservation of the environment with a focus on climate change: IFIs often deal with greenhouse gas reduction, technology development, sustainable forest management, adaptation to climate change impacts, especially for poverty reduction, sustainable use of non-renewable resources and conclusion of partnerships to foster climate-related research and to disseminate its results. In particular, the World Bank Group, with its focus on climate as an overarching objective in its work (it recently became a Cross Cutting Solution Area), plays an increasingly important role here.
- International financial stability and strengthening of the international trade system: Despite progress in recent years, the developments in the international financial markets show that structural reforms in the financial sectors of many countries need to be deepened. Together

with the IMF, IFIs can offer the instruments necessary for diagnostics, consulting and technical support. In the area of international trade, IFIs offer expertise and aid for trade to open national economies, to promote their regional and global integration, but also to formulate complementary policies in the interest of international trade, economic growth and poverty reduction. Due to the specialization of the various international institutions, it seems reasonable that in the area of international trade IFIs have only supporting functions, and the WTO plays a leading role in the coordination of this global public good.

- Knowledge for development: IFIs are leaders in the fields of expansion and global dissemination of knowledge for development. IFIs are think tanks and allow creation of a global and dynamic network with partner countries and the organization of a permanent global exchange of knowledge.

This specific expertise accessible in various forms is also an important differentiator between IFIs and other financial institutions.

The further expansion of the IFIs as knowledge banks and their further specialization in different fields of knowledge supporting their comparative advantage should continue to be pushed in the future. These knowledge findings should also be made more accessible for partner institutions and countries. Systematic exchange at the local level should be strengthened.

3.3. The role of IFIs post crisis and in crisis prevention

The financial and economic crisis in recent years has strengthened the countercyclical role of IFIs, but also presented them with new challenges. The financial and economic crisis of 2008 led very quickly to liquidity shortage in many developing countries. IFIs were subsequently required to take countercyclical measures quickly. The IFIs responded, as far as their financial margin allowed, with short-term liquidity instruments and frontloading lending. To satisfy the increased credit demand, capital increases were implemented in most multilateral development banks (IBRD, EBRD, AsDB, AfDB and IDB) in 2010/11. Austria supported the capital increases and contributed while keeping its existing equity shares.

Particularly important was coordinated action by the IFIs in crisis management by "Joint IFI Action Plans" at the regional level (e.g. in Central and Eastern Europe as part of the "Vienna Initiative" or in Africa as part of the "Joint IFI / DFI Action Plan"). In addition, for the poorest developing countries also specific facilities were established to combat the crisis and prevent future crises, such as the "Crisis Response Window" of the International Development Association

(IDA). Similar facilities or funds to support counter-cyclical policies have been implemented by regional banks as well. In that context, it was seen as particularly important to respect the division of labor between international institutions and to avoid overlappings and duplications with other multilateral actors (e.g. regarding the IMF and the UN organizations).

As a result of the crisis of 2008/9, however, also large differences in economic performance and speed of recovery in different developing and transition countries became apparent. These were mainly due to:

- the extent of vulnerability in the financial sector (dependence on short-term capital inflows, balance of payments deficits, bubble formation, fiscal leeway, international reserves, etc.)
- the fluctuation of other transmission mechanisms (FDI, trade, tourism, remittances)
- the economic situation, e.g. the fiscal leeway before the crisis and the resulting ability to implement countercyclical policies.

Resumption of rapid growth is largely dependent on the correct policy decisions of governments in crisis management and on implementation of long-term reforms. Therefore, over the coming years the IFIs should play a central role not only in development financing but also as "knowledge banks".

This applies in particular to the region of Eastern and Southeastern Europe, which was hit particularly hard by the crisis in 2008-9 and continues to be particularly vulnerable. Poor growth in Eastern Europe, high unemployment especially among young people and persistent poverty continue to require a strong role of the IFIs operating in the region, such as the World Bank, the EBRD and the EIB. They shall help to compensate the decline of private capital flows into the region, to improve the generally difficult financing conditions, to fund priority infrastructure projects and thus to provide urgently needed growth impulses.

Austria's IFI co-operation has put emphasis on the problems in our neighboring region and is intended to help counteract the negative effects of the crisis and to support structural reform processes of the economies. The targeted IFI co-operation is intended to help minimize the negative impact of the deleveraging process in companies, budgets and banks. By increased use of IFI instruments, support in the development of new financial instruments, use of the technical assistance of the IFIs to enable new member states and neighboring countries to make use of the EU Structural Funds, pre-accession and neighborhood programs. Political consultation and "capacity building" for sustainable debt management are intended to support sustainable public finance and suitable monetary and regulatory policy approaches.

3.4. Role of IFIs in the changing environment of international capital flows

The composition of international capital flows has changed considerably over the last decade, and most recently, it was strongly influenced by the international financial crisis. Here IFIs and donor countries alike are faced with new challenges.

In the years before the financial crisis, the global capital inflows into developing and emerging countries were strongly increasing. Foreign direct investment and portfolio investment grew, remittances also increased, and official development assistance likewise underwent slight but continuous increase. In 2008, due to the crisis private capital flows nosedived. Since 2011, these have been slowly recovering.

A trend that began even before the crisis and has now been intensified by the crisis is the emergence of new donors and vertical instruments (global thematic funds, such as the Bill Gates Foundation) as new sources of development funding. The new donors are partially former socialist and current EU member countries, which are gradually assuming donor roles. Other new donors are emerging economies with substantial budget surpluses and foreign exchange reserves, such as China and India, whose performances are significant and which are often seen as attractive investors by developing countries. Finally, now also more frequently global vertical (sectorial) funds emerge that can be financed publicly as well as privately, which often follow their own procedural rules and do not always fit into the development strategies of the partner countries.

Despite the success of the Paris Declaration ("Harmonization and Alignment"), it should be noted that there is a tendency to increased fragmentation of the donor landscape through new instruments, new donors and vertical funds. Today on average 33 donors operate in one developing country. The need for donor coordination along the priorities of national development strategies therefore still presents a considerable challenge.

In this new context of the international financial architecture, the role of the IFIs and of emerging new funds is being increasingly questioned. In addition, the post-2015 agenda and the SDG debate render the need for stronger efforts in generating international financing unquestionable. A new definition of the ODA calculation and imputation might become necessary. The Federal Ministry of Finance supports the following positions in this debate:

- Today the demand for specific public financing of development projects over the medium to longer term is high. Sometimes this leads to creation of new institutions. The Federal Ministry of Finance supports new institutions where existing institutions cannot provide sufficient financing, as this may sometimes be the case of global public goods. Otherwise the Federal Ministry of Finance supports meeting the demand through existing institutions.
- New donors and South-South co-operations are becoming increasingly important and fit in positively as additional contributions to the international aid architecture. However, their contributions are not always transparent and are only partially reported. The same applies to the increasing number of vertical and private funds. A new ODA system should ensure increasing transparency and acquisition of new donors, activities of the South-South co-operation and vertical as well as private funds. The process leading towards a new ODA structure should ideally integrate new donors.
- As part of the ODA reform, a new framework for statistic classification of development funding is being created. In that context, the Federal Ministry of Finance advocates a redefinition of "concessionality" that ensures better credit conditions for the funding of the IFIs and a departure from the cash flow-based system to improve reporting of development loans and new instruments.
- Furthermore, the Federal Ministry of Finance demands reporting of private funding for development leveraged by public funding in a separate category.

Part II: Co-operation with the individual IFIs

Austria is a shareholder, usually also a founding member, in the major international financial institutions. This results in supervisory duties that are perceived as part of our representation in the respective boards, but also open up poten-

tial for programmatic co-operation. In the following, governance and current issues and priorities of the various IFIs and special funds in which Austria is involved are shown.

4. Bretton Woods institutions

4.1. World Bank Group

The World Bank (IBRD) was founded jointly with the IMF in 1944 at the Bretton Woods conference in the US. Today it consists of five individual organizations, all of which are dedicated, according to their mandates, to the overarching goal of poverty reduction and economic growth. The International Bank for Reconstruction and Development (IBRD) is primarily geared towards middle-income countries, while the International Development Association (IDA) offers support for the poorest developing countries. The IBRD can finance itself at the international capital market. The IDA is a Fund financed largely by tri-annual direct contributions of the member countries.

The International Finance Corporation (IFC) is the private sector arm of the World Bank Group. Only economically viable projects are implemented with an emphasis on supporting projects in the private sector that bring positive development effects. In individual cases, the IFC also directly provides capital contributions to businesses active in developing and transition countries. The Multilateral Investment Guarantee Agency (MIGA) covers political (non-commercial) risks primarily of direct investment in developing and transition countries, thereby promoting, in co-operation with the IBRD and IFC, establishment of sustainable private-sector structures.

The International Centre for the Settlement of Investment Disputes (ICSID) deals with dispute settlement procedures for investments between developing and transition countries, with disputes of developed countries on the one hand and the investing companies on the other.

Objective of the World Bank Group

In contrast to the IMF, which primarily implements short-term measures to stabilize the balance of payments, the

WBG offers its borrowers long-term financing, with the goal of building institutions and supporting structural adaptation. According to its mandate, poverty reduction is the overarching goal of the WBG.

The general strategic priorities of the World Bank Group include:

- Development in the world's poorest countries, mainly in Africa. The World Bank's main tool for this is IDA;
- Stabilization and development in fragile states;
- Reduction of poverty and safeguarding of economic development in middle-income countries;
- Establishment of structures for the production of global and regional public goods (environment / climate, health, financial stability, knowledge);
- Preparation and dissemination of knowledge for development (Knowledge Bank);
- Focus on development effectiveness and attainment of results in developing countries (Solutions Bank).

The WBG, like the other MDBs, sees itself as a "global co-operative" and therefore collaborates with all its member states in order to achieve the objectives of poverty reduction and shared prosperity. Priority is given to the poorest countries of the world, for which the IDA is primarily available as a source of funding. However, the WBG also supports the middle-income (MICs) and upper middle-income countries (Upper MICs) to support development and avoid the "MIC trap" – a situation of stagnation due to increasing growth without structural adjustments and social inclusion. The WBG will also support MICs in their efforts to establish themselves as "emerging donors". Higher-income countries (HIC) can be supported by the WBG in times of crisis, and they can avail themselves of technical assistance services on a case-by-case basis for a fee.

The new strategy for the World Bank Group

In its new strategy, decided in the fall of 2013, the World Bank Group (WBG) defines two ambitious goals:

- Eradication of extreme poverty and
- promotion of shared prosperity.

The first objective is to reduce the percentage of the poor who have to survive on less than \$ 1.25 per day by 2030 to 3 %. Within the second objective, the goal is to increase the income of the lower 40 % of income recipients in each country. Both of these goals are to be achieved in an environmentally, socially and fiscally sustainable manner.

Apart from these two overarching objectives, the new strategy emphasizes the following areas:

- Focusing of all WBG activities on both superordinate objectives, intending to achieve maximum development impact and using the comparative advantages of the WBG.
- Operationalization of the goals by means of a new partnership model that is being created together with the countries (Country Engagement Model).
- Establishment of a results-based WBG ("Solutions Bank"), focusing on the development and dissemination of knowledge and tailored in-depth, analytically founded approaches to development.
- Stronger focus on "transformative" interventions and a well-calculated, but stronger willingness to take risks.
- Strengthening of strategic partnerships that are focused on the pursuit of both objectives, and inclusion (Crowd-In) of private and public funding, expertise and ideas.
- Co-operation in the form of a single WBG ("One WBG").

Country-specific approach

An approach tailored to the partner countries is important for the activity of the WBG and the partner countries and has been defined as an important determinant in the new strategy.

Three basic factors determine quality and success of the country specific approach: i) the existence of an own development strategy of the country with clear priorities, programs and expected results; ii) a sound macroeconomic situation; and iii) a functional institutional and administrative structure.

In the current WBG strategy, the country specific approach has been extended by systematic application of country analyses (Systematic Country Diagnostics). A country analysis provides the basis for a country partnership framework, which defines the priority areas of the development policy for the activities of the WBG in each country. In addition, regular performance and knowledge checks are performed and course corrections made where necessary.

In order to achieve a coherent approach and increase synergies between different partners, the WBG should systematically include other development partners (regional development banks, UN, EU, etc.), as well as other areas such as the private sector, into its country strategies. In addition, the capacities of the public sector, the system of public financial management, the analyses of development results and the statistical system must be greatly expanded at the national level. Austria supports these points when discussing WBG strategy papers and in board discussions.

The World Bank Group in middle-income countries (MICs)

The group of WBG partner countries comprises 77 countries, of which 69 are middle-income countries (MICs), in which 2/3 of the world's poor with a daily income of less than \$ 2 live. A country-specific approach and financial products based on the needs of each country are pursued for MICs. The financial products that will gain in importance in years to come as a result of the financial and economic crisis, especially in MICs, include products e.g. for coverage of unexpected liquidity bottlenecks due to exogenous shocks, for closing of existing gaps in the financial markets, for handling of disaster risks or for funding of the public sector at the sub-national level without government guarantees.

The recent financial and economic crisis also illustrates that social security systems for the poorest and most vulnerable populations particular in MICs became more important and need more attention. As a preventative measure for future crises, the WBG emphasizes creation of security systems. Although in MICs security systems are often better institutionalized than in LICs, they are nevertheless often insufficiently funded and coordinated. The aim of the WBG is to support developing countries (LICs and MICs alike) in the building of security nets in the coming years. The WBG therefore strives to improve its programs in the fields of social security and labor market access, and it has expressed this in its new strategy on "New Social Protection and Labor (SPL)".

Particularly important in the co-operation with MICs is technical assistance. Reimbursable policy advice, expert services and financial advisory services should be further expanded in middle-income countries. Furthermore, to improve knowledge management in general and the interface between the research activities of the WBG and the operational services in the MICs will be important.

Reform agenda

The reform agenda represents a multi-year, comprehensive modernization program of the World Bank Group, which was launched in the spring of 2010 and is intended to lead gradually to improvements in terms of openness, accounta-

bility and efficiency. Reform measures have been implemented also by the IFC 2013 initiative and the MIGA's strategic review, which focus on collaboration with the customer. All these measures should contribute to an increasingly results-oriented and accountable institution.

Within the reform agenda, the WBG has scheduled measures in the following areas. The implementation will extend into the next few years:

- Greater inclusion of client impact and results, based on the involvement of stakeholders, throughout the project cycle.
- Risk and accountability: Support of appropriate and increased risk-taking by reduction of bureaucracy and a transfer of risk management to the customer.
- Integration of knowledge and solutions by introducing 14 Global Practices and five Cross-Cutting Solutions Areas.
- Optimization of WBG decentralization, comprising opening, expansions or possibly closure of existing country offices.
- Staff and talent management: Adoption of a bipartite career path that enables staff to pursue a technical or managerial career.

The agenda also includes comprehensive reorientation of the following items, which are also supported by Austria:

- Modernization of governance structures especially by the Voice and Participation reform with increased representation of developing countries
- Measures to strengthen the bank's financial capacity

To give the developing countries, especially the fast-growing middle-income countries, a corresponding status in the WBG, improvement of their percentages of votes and their representation in the WBG is necessary. So far, in a first stage of reform, already decided and to be implemented by 2015, a doubling of basic votes, a selective capital increase for under-represented countries and the creation of a third seat on the Executive Board for Africa south of the Sahara were made. For 2015, a review of the previous voting reform is scheduled.

The comprehensive reform agenda also includes measures of amendment or adoption of new tools and services that track improvement in the following areas: i) focus on results (Results), ii) openness and transparency, iii) accountability, all of which we strongly support.

Within the improvement of the focus on results, measuring and reporting of results have been improved. In January 2012, the introduction of a new instrument, P4R (Program for Results), was approved: This strengthens the possibility of subjecting loans to previously defined result objectives. Austria supports this tool, but also advocates a review after

a first phase. Particular attention is to be paid to the application of the usual World Bank safeguard standards in P4Rs as well. Furthermore, a WBG wide measurement of results (Corporate Scorecard) was launched in spring 2014 that will be continuously improved and adapted.

To implement the ambitious goals of the new strategy, the financial capacity of the WBG will be decisive. IBRD and IDA must implement a minimum level of projects to be able to influence policies and support customers in achieving results. The IFC and MIGA, however, must handle a certain number of low-risk and particularly profitable transactions as well in order to balance their portfolios. Furthermore, targeted budget cuts will lead to increased selectivity. These restrictions will cause the WBG to consider new measures for income generation, e.g. increased use of reimbursable technical assistance. The WBG will also increase its efforts to expand trust funds further to the funding of knowledge and non-lending services.

In the course of the consultation process of the review of the WBG Safeguards Policy which begun already in 2012 it is intended to ensure social and environmental standards of projects supported by WBG funds. Austria favors maintenance of strict standards and opposes dilution of the existing minimum requirements. This process is expected to be completed in 2015.

The role of the International Development Association (IDA)

Globally, the IDA is the most important multilateral fund that provides financing at steeply discounted rates for the world's poorest countries and helps them to formulate and fund programs to promote growth and reduce poverty. Currently, 79 of the world's poorest countries, 40 of them in Africa, receive loans and grants from the IDA. The decisive factor is the GNI (gross national income) per capita. In 2013, the threshold was \$ 1,215 for obtaining IDA funding.

The replenishment of IDA-17 (2013) achieved a total contribution of \$ 52.1 bn for a three-year implementation period. In addition to the WBG itself, which provided almost half of the new funds, 46 member states participated in the replenishment. The focus of IDA-17 is to continue the implementation of the main thematic themes of IDA-16 (climate change, gender, fragile states) and to add inclusive growth as an additional major issue.

The amount of the funds supplied need also to be seen as an expression of the high esteem and confidence that the donors have towards the institution. The high quality of IDAs work is also reflected in various independent rankings by multilateral and bilateral development agencies, where IDA regularly appears among the very best.

WBG and private sector development

By numerous innovative and modern approaches, the World Bank Group attempts to support development of the private sector and encourages innovation. So far, the WBG has been supporting the private sector directly and indirectly through different measures. Technical assistance and promotion of a positive investment climate (enabling environment) have greatly increased. IBRD and IDA have expanded their activities directly and indirectly attributable to the private sector to about 1/3 of their total activities. The IFC has greatly enlarged its technical assistance in the last few years (from \$ 100 mio. to \$ 232 mio. per year in 2013), and its total project volume increased from \$ 12 bn. to \$ 22 bn. from 2011 to 2014. MIGA has likewise awarded a record volume of \$ 3.1 bn. in guarantees in the fiscal year 2014.

Austrian co-operation and positioning

The programmatic Austrian co-operation with the WBG is defined by the priority areas of the present IFI guide. In addition the cooperation also attempts to support the Austrian goal to ensure the presence of IFIs in Austria. Primarily, programs with a focus on the ECA region (Europe and Central Asia), and to a lesser extent, in North Africa (MENA) are supported. Among the most important and long-standing programs in Austria, which are implemented from Vienna, are the Vienna Centre for Financial Reporting Reform (CFRR), the Facility for Investment Climate Advisory (FIAS), the Vienna Centre for Financial Sector Advisory Services (FinSAC), the Danube Water Program (DWP) and the Urban Program.

In September 2013, an extension of the World Bank's Vienna location was implemented. In addition to the existing programs, the World Bank Country Office for South-East Europe moved to Vienna. The goal is now to make greater use of the synergies between all the existing units and to strengthen Vienna as World Bank Competence Centre for South-East Europe. Together with the already existing programs, the Vienna World Bank office counted approximately 70 employees by the end of 2014. Austria continues to support the decentralization of the WBG and seeks to expand and secure the Vienna World Bank location.

Since 2007, Austria has been supporting the World Bank's Junior Professional Officer Program (JPO) that permits highly qualified young professionals to work for two years at the WBG, with a three-year extension option. The program has already led to recruitment of several Austrians into the World Bank staff.

4.2. International Monetary Fund (IMF)

In accordance with its mandate, the International Monetary Fund (IMF) is entrusted with supporting the functioning of global economic development by, on the one hand, providing the basis for sustainable economic development and establishing a stable monetary framework, and on the other hand, by supporting countries in temporary financial difficulties to stabilize their economies. During the globalization of the last decades, the IMF's scope of activity has gradually expanded, and the IMF has assumed a number of additional tasks, inter alia also in the field of development funding. At the same time, the IMF faces difficulties in the exercise of its core competencies. Thus, it is making only slow progress in the extension of its monitoring activities from bilateral to multi-lateral monitoring. Under pressure from the economic crisis of 2008, the reform process of the IMF has accelerated, and the importance of the IMF as a global financial institution, which has appeared to be declining since the Asian crisis, has become clear again. The new dynamics of the IMF are, however, attributable less to internal reform impulses than to the pressure of the G-20, which in the new international institutional structure play a key role in the development of the IMF.

Medium-term strategy

The global economic crisis of 2008/09 and the accompanying rise of the G-20 to become the main forum for international economic coordination that also makes the strategic decisions in the IMF have accelerated the pace of reform of the IMF. The direction of the reforms is defined on the one hand by the global economic ties – such as the increase of international capital flows or strongly growing linkages in global real economy and their impact on developing countries – and on the other by the demands of the large emerging economies (EME) for better representation in the IMF.

In the area of monitoring and regulating the financial sector, development should be promoted with regard to micro-economic and macroeconomic, global and national systemic regulation alike. The IMF is co-operating with the Financial Stability Board and other organizations to develop new principles and guidelines concerning capital adequacy, liquidity, leverage, networking, systemically important organizations, regulatory scope and nature of rules.

In the context of the crisis of 2008/09, further extensive adjustment of the funding available to the IMF was necessary. The required lending volume was put in a better relationship to the volume of the global economic activities, and the flexibility of the credit lines was increased while they were adapted to the needs of the borrowers.

The work of the IMF in low-income countries is to be made more flexible and more efficient, and the emphasis placed

on those areas that are essential and in which the IMF possesses expertise and comparative advantage. Lending was improved by the new credit mechanisms and the doubling of quantitative access.

Monitoring

The assessment of the economic development and the issuance of recommendations by the IMF take place on the one hand based on the Art. IV consultations which are focused on the individual economies, and on the other hand through publications that address global economic development such as the World Economic Outlook (WEO). Since the economic crisis of 2008/09, risk considerations (Early Warning Exercise) and spillover effects have been increasingly included into the economic evaluation. In 2012, the first Spillover Report was published, describing the influence of the economic policies of the five largest economies on their partners. From an Austrian perspective, however, the greater emphasis on global monitoring, basically to be welcomed, must not lead to restrictions in the Art. IV consultations. Financial analysis is gaining more and more importance. At the individual country level, the Financial Sector Assessment Program is the counterpart of the Art. IV consultation. At the global level, the Global Financial Stability Report deals with the development of the financial sector. There is some opposition to the implementation of the assessment of a country's foreign trade stability by the IMF, which concerns in particular exchange rate policy and reserve management. The IMF is planning to issue its own semi-annual report on this subject.

Financing

According to its statutes, the IMF must fund its lending mainly from the subscriptions (quotas) of its member countries. However, it has always had access to other funds as well, such as Special Drawing Rights (SDR) or bilateral funds provided by the member states. Since the financial crisis of 2008/09, however, the funding of IMF loans has strongly shifted in favor of bilateral contributions such as the NABs (New Arrangements to Borrow).

The NABs have a volume of approximately \$ 555 bn., while the current total quota is approximately \$ 368.5 bn. In particular, the emerging and developing countries are sceptical about the expansion of bilateral loans, as this reduces their influence on the IMF, which is tied to the voting rights associated with the quotas. However, the European Union including Austria also demands that the IMF remain a quota-based institution. Therefore, these countries support the rapid implementation of the doubling of the quota volume laid down in the quota and governance reform in 2010 and an associated reduction in NABs. This return to an IMF that is again more quota-based is, however, undermined by the new replenishment of IMF funds by bilateral loans.

To avoid a situation as before the crisis of 2008/09, when the IMF was in serious financial difficulties due to the low lending rate, in the future, steps were taken to decouple the ongoing financing of the IMF's work from its lending. Thus, the expansion of the investment guidelines and activities, the creation of a foundation through the sale of a limited part of the IMF's gold reserves and the collection of fees for services to the member countries were decided.

As part of the review of the credit facilities of the IMF necessitated by the crisis of 2008/2009, as a precautionary facility among other things the Flexible Credit Line (FCL) was established for members with sound economic policies. Furthermore, relaxations for the conditionalities of all IMF loans have been implemented, which in the future will allow more flexible responses to demands for credit.

IMF and development politics

Since the mid-80s, the IMF has been increasingly confronted with tasks of development politics. Thus, it got into conflict with its classical role of short-term crisis management and its rather monetarily oriented macroeconomic tasks. In addition, the social costs of these programs as well as the problems of their political feasibility were underestimated. In the course of the consolidation of its activities in development policy, which is also supported by Austria, the IMF currently focuses on the following activities:

Policy advice or technical assistance for developing countries is provided by the Regional Advisory Centers or in the context of monitoring or lending.

An important approach to the building of own capacities consists in forming regional training institutes. Austria intensively participates, in co-operation with other international organizations, in the Joint Vienna Institute (JVI), which is to be expanded over the next years to a cross regional "learning organization" by closer coordination of training and technical assistance.

In cases where macro-relevant structural barriers hamper growth, the IMF provides a number of long-term financing options. Since the reform in January 2010, these have been the credit lines consolidated into the Poverty Reduction and Growth Trust (PRGT). Essentially, these are the Extended Credit Facility (ECF), replacing the previous Poverty Reduction and Growth Facility (PRGF), and the Rapid Credit Facility (RCF), replacing the Emergency Post-Conflict Assistance (EPCA), and the Emergency Assistance for Natural Disasters (EAND) and the Trade Integration Mechanism (TIM). The IMF also participates in the debt relief initiative for Highly Indebted Poor Countries (HIPC Initiative). Through the Post-Catastrophe Debt Relief (PCDR) Trust Fund, the IMF may also participate in debt relief for low-income countries (LICs) affected by natural disasters.

The IMF contributes to the Monterrey Consensus and to attainment of the Millennium Development Goals (MDGs) through the PRGT and its advisory role.

Governance reform

Since the economic crisis, the policy of the IMF has been defined by the agenda of the G-20, which have established themselves as the de facto steering group of the International Monetary Fund. This has brought to its provisional conclusion a development that had begun with the financial market turmoil in 1994, when the G-7 increasingly intervened in the agenda of the IMF and were supported, from 1999 on, by the G-20 then still acting as Committee of Finance Ministers. This development has gradually weakened the official bodies of the IMF – the International Monetary and Financial Committee (IMFC), the Board of Governors and the Executive Board –, while concomitantly decision-making structures were built that are not always transparent, especially for the smaller countries.

The great influence of the G-20 also affects the administrative reforms of the IMF. Due to the structure of the G-20, the previously disadvantaged major EMEs will benefit from the reforms, while the smaller industrial countries come under pressure. This development had been on the horizon as early as during the quota reform adopted by the IMF's Spring Meeting in 2008. From this quota redistribution, particularly the large EMEs benefited. With the governance and quota reform adopted in 2010 but currently blocked by the US Congress, this development is continued.

As part of the governance reform of 2010, the smaller industrialized countries of Europe will cede two of their seats on the Executive Board of the IMF to the EMEs. Since this affects Austria as well, the existing Constituency group with Belgium was dissolved in 2012 and a new Constituency

group with a ten-year term was formed with countries from Central and Eastern Europe (incl. Turkey), in which Austria is represented with a permanent Alternate Executive Director (AED).

Co-operation between the IMF and the World Bank Group

From an Austrian perspective, the co-operation between the IMF and the World Bank Group (WBG) must be intensified further to be able to use the available resources optimally and generate synergies. While the IMF is responsible for external stability, including macro equilibrium in the program countries, thereby creating the macroeconomic environment for poverty reduction and sustainable growth, the WBG combats poverty and promotes development through investment into human and material resources. The IMF and the WBG thus create the structural basis for growth and human development and weaken the causes of macroeconomic imbalances. To this end, the IMF mainly provides short-term liquidity support. The WBG finances projects and structural reforms to promote long-term growth and reduce poverty. Due to the complementarity of these tasks, close co-operation between the IMF and the WBG is important, since only thus a stable economic development in the program countries can be achieved. Here key reforms such as administrative reforms, strengthening of the tax authorities or reforms of the social security systems should be implemented.

For successful co-operation between WBG and IMF, the relevant conditions must be further improved at the organizational level. While essential elements of the IMF – WBG co-operation in the areas of shared responsibility have been defined in the Concordat of 1989, the joint Management Action Plan (JMAP) of the IMF and the WBG is strengthening the co-operation at country level.

5. Regional Development Banks

5.1. African Development Bank Group (AfDB)

The African Development Bank Group is the largest international financial institution operating exclusively in the African region. It is dedicated to the social and economic support of its regional members by granting loans and non-reimbursable funding. The AfDB funds creditworthy members at near-market conditions; to this end, with the help of the guarantee capital especially of the non-regional members, it raises its own funds on the financial markets. In 2010, the 6th general capital increase was approved, which led to an increase in capital by 200 % to approximately 68 bn. of Special Drawing Rights (SDRs), about € 80 bn. The goal was to react to the financial and economic crisis and to enable the bank to continue supporting its borrowers who had suffered heavy economic setbacks due to hampered access to the financial markets and the decline in FDIs.

The African Development Fund (ADF), however, supports the poorer, not-creditworthy African countries at very favorable conditions and is to this purpose endowed with fully payable contributions of the (mainly) non-regional members. The payments are made at regular intervals. The most recent (13th) replenishment was completed in September 2013, providing approx. 4.9 bn. of SDRs for the years 2014 – 2016.

Beyond mere financial flows, for the bank and its African member countries it is very important that they can consider the bank as “their” institution, not only because it was originally launched by African countries and is always headed by an African, but also because they hold a majority stake in the institution. The institution is headquartered in Abidjan.

Governance structure

At the African Development Bank (AfDB), in terms of shares and voting rights there is a ratio of 60 : 40 between African and non-African shareholders. In general, 66.66 % of the votes are required for resolutions, in case of vital interest of a member even 70 %. This ensures that no group of shareholders can overrule the other. Since the recent enlargement of the Board, there are now 13 African and 7 non-African Executive Directors.

The structures in the African Development Fund (ADF) are likewise determined by ownership and partnership. The

ratio of votes between African and non-African countries is, despite the financial predominance of non-regional donors 50 : 50. Votes usually require a majority of 75 %. African and non-African countries each delegate 7 Executive Directors. A contemplated change in the governance structure of the AfDF for further preferential treatment of African countries (e.g. participation of recipient countries in AfDF negotiations, distribution of the votes of the AfDB to the regional executive directors) should be performed while concomitantly taking into account the financial role of the non-African countries, whose percentage of votes should not fall below 50 %. Admission of new members, repeatedly discussed, is essentially welcomed by Austria, since it would enlarge the donor community, increasing funding for Africa.

For some time now, the bank group has been in an accelerated decentralization process. Thus, there are now offices in 39 regional countries. Decentralization is seen as the key to strengthening institutional effectiveness. Essential for this, however, is the increasing transfer of programmatic and financial decisions (participation in project design and implementation of the project) to the field offices. Austria continues to support the decentralization efforts and recognizes, in addition to the necessary delegation, the importance of appropriate staffing and funding of the country offices.

Operational policy

The Medium-Term Strategy 2008 – 2012 (MTS) outlined the operational focus of the Bank Group that had arisen due to a decision for selectivity and utilization of comparative advantages and was in force until recently. Accordingly, infrastructure, governance, regional integration and fragile states were identified as priority areas. The crosscutting issues, private sector development, adaptation to and mitigation of climate change, gender equality, food security and agricultural productivity, should constitute the core operations of the AfDB Group. Poverty reduction and attainment of the Millennium Development Goals (MDGs) were the superordinate requirement. Austria supported this operational approach, although some areas significant for development, such as health and agriculture, were missing from the strategy.

The Long-Term Strategy 2013 – 2022 essentially continues these MTS objectives, but emphasizes “Inclusive Growth” and transition to “Green Growth” as guiding principles.

As priority areas, in terms of infrastructure the Bank Group pursues especially transport and energy, but also water and sanitation. As much as the importance of transport

and energy is recognized, still the relatively modest size of operations in the water and sanitation sector (cumulative until 2013: 7.5 % of total approvals) needs to be increased. Given the failure of sub-Saharan Africa in achieving the water-related MDGs, especially those concerning hygiene, higher funding of this area by the institution appears to be desirable. Austria will continue to campaign for this.

The special needs of fragile states are taken into account by a separate facility, which primarily offers additional resources for investment in the key areas of the Bank Group and help with debt relief and technical assistance.

The private sector as driver of economic growth and poverty reduction, as well as a provider of employment, has in recent years increasingly benefited from AfDB support (in 2013 these were about 15 % of total approvals). A large percentage of private sector activities is accounted for by middle-income countries and regional projects; however, low-income countries increasingly receive support by credit lines, special funds and direct grants for project planning.

In 2010, the AfDB Group established a Department of Energy, Environment and Climate Change. Thus, the specific interconnections of these areas are organizationally accounted for as well. In addition, all infrastructure projects are subjected to evaluation with regard to environmental and social impacts, and adaptation to climate change is integrated into operations. In the current energy policy – very strongly supported by Austria – support for the clean energy sources wind and water is also stipulated, as is use of modern technologies to protect against emissions from fossil fuel use. The latter appear most favorable to some African countries with relevant sources, so it is important to enable these countries to make decisions based on information about alternatives and, where applicable, at least ensure modern pollution control. Austria attaches particular importance to continue not to provide any activities relating to nuclear energy.

The demand for gender equality, only recently confirmed on the occasion of the 13th replenishment of the AfDF, is to be supported especially by investments encouraging women participation in the fields of infrastructure, agriculture and education, and further pursued through capacity building in the bank and the recipient countries.

The area of food security and agricultural productivity has gained in importance due to the food crisis. An evaluation of agricultural activities performed in 2009 in collaboration with IFAD recommended more selective implementation of the area in view of the MTS priorities. Therefore, the bank's strategy is based on two pillars: Development of rural infrastructure and natural resource management. Thus, investment into irrigation, processing, storage facilities and transportation is to increase the productivity. Austria will

continue to advocate greater commitment of the institution in this area. The AfDB Group also actively pursues co-operations with other institutions (World Food Program, FAO and IFAD) to create leverage.

Reforms

As part of the negotiations for the 6th general capital increase and in the negotiations for replenishments of the AfDF, extensive reform measures have been agreed.

The most important areas of reform include decentralization and a focus on energy and environment. Particularly comprehensive reforms are also being considered in the staff area. Austria supports the staff reforms and (not only monetary) incentives that can attract and retain good performing staff.

In the field of anti-corruption, significant measures (awareness-raising campaigns, possibility of reporting suspicions of corruption anonymously or strictly confidentially) have been taken, and a separate department for integrity and anti-corruption has been installed.

One of the fastest-growing areas of the AfDB Group are private sector activities. The current private sector development strategy rests on the following three pillars:

- a) Improvement of the investment and business climate through support and advice in legislation, fiscal systems and as well as assistance in strategic planning.
- b) Improvement of access of the private sector to "soft" (law, regulations, payments, capital markets, credit rating) and "hard" infrastructure (transport, telecommunications, water).
- c) Support in corporate and business development (access to finance, training, creation of value chains) as well as support by the bank's "Natural Resource Centre", which advises on mining, agriculture, forestry and fisheries. New trade financing also fall into this category.

The bank's current private sector portfolio is still relatively young, and so far, it has allowed only little experience to be gained. Austria supports a move towards smaller-structured funding and to an increasing shift of the activities to poorer regions as well.

The donors place particular emphasis on improved outcome measurement. The already adopted "Results Measurement Framework (RMF)" of the AfDB Group is intended to monitor the quality and financial management of projects continuously in order to counteract vulnerabilities in time. As principal means of information on the results, an "Annual Development Effectiveness Review (ADER)" of the bank group was launched.

Austrian co-operations

Since 2005, Austria (Federal Ministry of Finance, Austrian Foreign Ministry / Austrian Development Cooperation) has been taking into account the special importance of water for development in Africa through technical assistance, secondments of specialists and financial contributions to the AfDB-managed African Water Facility. The private sector in Africa is supported by Austria (Federal Ministry of Finance, Austrian Development Bank) through the AfDB's Fund for Private Sector Assistance.

5.2. Asian Development Bank (AsDB)

Since its foundation in 1966, the Asian Development Bank has been supporting poverty reduction and growth in the Asia-Pacific countries according to its mandate. The region and thus the customers of the bank could hardly be more diverse: The income differences between countries are considerable; there are rapidly growing economies such as China and India alongside very poor and slow-growing countries such as Cambodia, Nepal and Laos. Very large, populous countries are among the borrowers of the bank as well as small and economically isolated island states in the Pacific, of which the least populated number only about 10,000 inhabitants. In addition, Afghanistan and Myanmar, which present particular challenges to the bank due to their specific contexts, are among the members of the AsDB.

Since the foundation of the bank, economic conditions in Asia have changed dramatically, and thanks to strong economic growth, many countries have made the transition to middle-income, and some even to advanced industrial countries. Nevertheless, the bank's development mission is still far from fulfilled. The Asia-Pacific region continues to have the globally highest number of people living below the poverty line (about 2/3 of the world's poor).

The majority of the borrowing countries of the AsDB are middle-income countries (MICs), many of which have access to resources on the capital market. In case the current credit practice, which is strongly geared towards MICs, would be changed, resources for poorer countries in the region could be increasingly freed. At the same time, however, the majority of the poor in Asia live in MICs. By a strong commitment to these countries, the AsDB can influence their development path, e.g. by its work in the areas of inclusive growth and climate change. The AsDB and thus Austria as well will have to deal with these and other questions in the next few years to initiate any necessary reforms.

Governance structure

In 2014, the AsDB had 67 member countries, including 48

from the Asia-Pacific region and 19 non-regional countries. With a percentage of votes of 65 %, the regional member countries have a strong majority. With 12.7 % of the votes, Japan is the largest regional investor. Other major member countries are the People's Republic of China, followed by India, Australia and Indonesia (each about 5 % of the votes). With a share of the same size as Japan, the US are the non-regional member country with the highest number of votes. The major borrowers are China, India, Vietnam and Pakistan.

A special feature of the governance structure is the tradition of appointing a Japanese president, which has been in place since the inception of the bank. An open discussion of this practice would be desirable.

The Asian Development Fund (AsDF)

Since 1973, the Asian Development Fund is providing grants and loans on concessional terms to their Asian member countries with low per-capita income. The fund's resources come from voluntary contributions made by the developed member countries, as well as from internal resource and profit transfers of the bank. Austria has regularly participated in the replenishments of the AsDF. The 10th replenishment (AsDF XI) was completed in March 2012 with a total of 8 bn. of SDRs, or \$ 12.4 bn. Austria has pledged € 32 mio. (\$ 43.2 mio.) for AsDF XI. The 11th AsDF period covers the years 2013–2016.

The bank is currently working, in co-operation with its members, on a long-term vision for the AsDF. Objectives and focus as well as composition are to be adapted to the changing socio-economic realities. From an Austrian perspective, it would be desirable to see the emerging regional economies playing a greater role as donors within their region in the future. At the same, it must be ensured that certain priorities of AsDF, such as focus on poverty reduction, inclusive growth, gender equality and climate change, are maintained.

Operational policies and reforms

The large-scale orientation of the bank is defined by "Strategy 2020", the long-term strategic framework document that was adopted in the spring of 2008 and covers the period up to 2020. In the pursuit of its mission, to liberate the Asia-Pacific region from poverty, the bank thus follows three complementary objectives: inclusive growth, sustainable growth and regional integration. Here it focuses its activities on the following five operational priorities: a) infrastructure, b) environment, c) regional co-operation and integration, d) development of the financial sector, and e) education. Austria supports these priorities.

In addition, however, it is important that the bank maintain enough flexibility to be able to respond at the country level,

in coordination with the donor community, to the specific needs of the population. Traditionally, the strength of the AsDB is in the preparation and implementation of infrastructure projects. In particular, the AsDB plays an important role in strengthening anti-poverty and sustainable infrastructure investments in Asia-Pacific countries. In 2011, the AsDB invested approximately \$ 2.1 bn. into projects in the field of renewable energy and energy efficiency.

Furthermore, the private sector is of increasing importance within the bank. The "Strategy 2020" stipulates that by 2020, direct operations with the private sector and operations in the area of private sector development should account for 50% of the annual operations of the bank.

The AsDB has made significant progress in gender mainstreaming. By specific enhancement of internal capacities, both in Manila and in the local country offices, clearly defined processes, rules and goals, as well as a public commitment by the management of the bank to gender equality and "empowerment" of women, in 2011 the AsDB managed to qualify 51 % of their projects as "gender mainstreamed"; of the projects financed by the Asian Development Fund, 67 % of the projects were so. It is important to note that there are no uniform standards and definitions to determine when a project is to be considered "Gender Mainstreamed", making comparisons between institutions difficult. The categorization used by the AsDB is certainly far more rigorous and demanding than that of the other IFIs and could serve as an example for the latter.

In 2008, the AsDB was the first multilateral development bank to introduce an institutional results framework. The results framework is based on the requirements of the "Strategy 2020". It defines strategic, operational and organizational objectives, which are measured by specific indicators. The results are presented in the annually prepared "Development Effectiveness Review". In order to be able to allocate its contributions to the attainment of the regional development goals even better, as well as to improve some aspects of the results framework, the bank revised in 2012 its results framework in close co-operation with the member states and the AsDF donor and recipient countries. From an Austrian perspective, priorities included a breakdown of the indicators by gender, as well as more information on how the AsDB contributes to inclusive growth, gender equality and the fight against climate change.

Fiscal policy

By the 5th capital increase of the AsDB, adopted in 2008, the ordinary capital of the Bank was tripled from \$ 55 bn. to \$ 160 bn., enabling the Bank to react adequately to an increased demand for loans due to the financial crisis, and to provide money to achieve the Millennium Development Goals in Asia and the Pacific. Austria assumed new shares in accordance with its capital share of 0.34 % in the bank.

The capitalization of the bank is, however, very tight despite the capital increase. The total amount of support for their borrowing member countries approved by the AsDB in 2011 was \$ 21.72 bn., of which \$ 14.02 bn. were provided directly by the AsDB and special funds and \$ 7.69 bn. through co-financing partners. However, because of the low paid in share of the capital (only 4 %), the sustainable financing capacity of the bank decreased to only US \$ 8 bn. per year. However, the demand for loans, particularly for infrastructure financing, remains high, and an annual financing volume of \$ 10 bn. is generally regarded as the significance limit of the bank.

Austria is committed to ensuring that the AsDB takes timely measures to counter these developments. First, it is important to check the rules of capital adequacy of the bank and initiate appropriate reforms if necessary. Furthermore, the AsDB should consider options for sustainably increasing the net income of the bank. In this context, Austria has several times advocated increasing the costs of regular loans of the AsDB. Finally, Austria advocates discussing the option of introducing fees for technical assistance to the bank's better-to-do borrowers.

The proposal by the management to carry out a merger of the AsDF and the AsDB comprises carryover of all outstanding AsDF loans as assets into the balance sheet of the AsDB. This will triple the operating capital of the AsDB. However, the risk in the AsDB's loan portfolio will thereby increase significantly (AsDF countries are generally more risky), so that the ratio of capital to lending will have to be raised to further safeguard its AAA rating. The financial capacity of the AsDB would, however, expand significantly, to a new loan volume of more than \$ 10 bn. per year. This step will be made possible by strong decrease of the AsDF's borrowing countries in coming years. The remaining AsDF will be funded by significantly reduced donor contributions and increased AsDB income transfers as a Grant Facility. AsDF countries will get concessional loans on AsDF terms from the AsDB. For the AsDF donors, however, influence on financing conditions for AsDF countries will decrease. These changes will not affect shareholding and voting rights.

Austria supports the merger on condition that the further concessional financing of the AsDF countries is institutionally guaranteed. Furthermore, Austria advocates that capital transferred from the AsDF to the AsDB will be credited to the AsDF donors in any subsequent capital increases in proportion to their shares in the capital increase.

Austrian co-operations

In co-operation at the program and project levels, Austria is particularly active in the priority areas defined by the IFI strategy, in particular water and sanitation, urban development, climate change and energy. Here, Austria participa-

tes in the Water Financing Partnership Facility, the Cities Development Initiative for Asia (CDIA) and the Energy for All Initiative. In addition, Austria finances employment of sector experts at the bank.

5.3. Inter-American Development Bank (IDB)

The activity of the IDB is of considerable importance for the countries of Latin America and the Caribbean (LAC). The IDB is one of the largest and most important multilateral lenders in the region. Its primary mandate is to combat poverty, create social justice and promote sustainable economic development in the region. In addition to the funding of investment projects, loans for specific sectorial and structural reforms, similar to direct budget support, play an important role.

In March 2010, the governors of the bank approved a capital increase of the IDB to the amount of \$ 70 bn. and a replenishment of the bank's soft window (Fund for Special Operations). This should enable to satisfy the capital needs of the Latin American borrowers which increased substantially in the wake of the financial crisis. Austria has participated in accordance with its existing share in the capital increase. In the context of the capital increase, the bank also aims at implementing a number of reforms that are mainly related to the institutional strategy of the bank, the priority sectors and the implementation of the Better Bank Agenda.

Governance structure

With just over 50 %, the regional member countries have a majority of voting rights in the bank. The largest individual capital owner is the US (30 %). Brazil and Argentina (about 11 % each) are the largest borrowing countries. The non-regional member countries (from Europe and Asia) hold a total of just under 16 % of the votes. In early 2009, China joined the Bank.

Austria welcomes the accession of new states, but it should be ensured that the admission process is defined by fair and transparent rules comparable for all new members. Likewise, payment for the shares to be acquired and thus the "membership fee" should reflect the economic possibilities of the new accession country.

Operational policies and reforms

Since 2006, the Bank has been undergoing a reform process that is intended to make the operations of the IDB more efficient, flexible and result-oriented. The central element of the reorganization of the bank (realignment) was the introduction of a matrix organization structure and the conversion of the bank from offer to demand orientation. To

respond more specifically to the needs of each country and offer customized solutions, the business operations were further decentralized to the country offices, and the country strategies were redesigned to be more flexible.

The bank's new institutional strategy, which was adopted in the context of the capital increase, mainly refers to the bank's comparative advantages and continues to focus on country orientation and increased decentralization, coordination of financing in the public and private sectors, diversification of financial and non-financial services to better respond to specific country needs, and promotion of regional integration and regional trade. Based on the overarching objectives of reducing poverty and promoting sustainable development in the region, the goal for the future is to increasingly meet the requirements of the small and less developed countries in the region and extend the activities in the private sector. In addition, priorities are to be set in the sectors of infrastructure, climate, energy efficiency, renewable energy, and regional integration.

Especially in the field of climate change, the bank has positioned itself as a center for innovative technologies and measures in the fields of adaptation and mitigation. The IDB aims to increase the share of renewable energies in the regional energy mix, to minimize energy generation from fossil fuels and to prevent the future growth of the region from being afflicted by an increase in greenhouse gas emissions. In addition, increasingly measures are to be taken to reduce the vulnerability of the region with regard to the consequences of climate change, prevent future damage and better prepare the region with regard to changes to be expected, especially in the field of water supply and in coastal regions.

As part of the mid-term evaluation of the implementation of the obligations that arose from the capital increase, the institutional structure of the private sector operations has been criticized: The breakdown of the private sector financing divisions between IDB and IIC (Inter-American Investment Corporation) leads to duplication, inefficiencies and lack of strategic orientation in this area. The IDB is now undergoing a major reform process, which is to integrate the private sector operations of the entire banking group into one institution and lead to a sharpening of the strategic orientation. Given the increased financing needs in the region, the IDB will focus on financings in the private sector that bring direct added development value, on promoting innovative projects and on strengthening the focus on renewable energy. In addition, the promotion of "Inclusive Business" models and the development of projects that increasingly integrate poorer groups as producers and consumers ("Bottom of the Pyramid") are to be pushed.

To make all activities of the bank more accountable and measurable, and thereby increase the bank's efficiency and

the effectiveness of its products, the IDB has developed a comprehensive results framework that monitors implementation of the strategic and operational objectives of the bank and reports them annually. In the results framework, regional development objectives have been defined, as well as prioritized disbursements that reflect priority sectors defined in the context of the capital increase (climate, energy, regional integration and poverty reduction, as well as small and less developed countries). In addition, the results framework provides the necessary basis to make decisions in the context of "results-based budgeting". The IDB is therefore currently the only development bank that ties its disbursements in this context bindingly to the results and achievements of the respective departments.

Fund for Special Operations

In the context of the capital increase of the IDB, there was also a replenishment of the Bank's soft window (Fund for Special Operations, FSO) to the amount of \$ 479 mio. In response to the vast earthquake damage in Haiti in 2010, the governors of the Bank agreed on the establishment of a new, independent Haiti Grant Facility, financed by transfers from the income of the capital stock. In addition, complete debt relief for Haiti was implemented.

Fiscal policy

In the years immediately prior to the financial crisis, the countries of Latin America and the Caribbean showed strong economic growth, increasing government revenues and growing reserves. Some countries could therefore also repay their existing obligations to the IFIs early. High liquidity, relatively low interest rates and much easier access to international capital markets caused the general demand for credit from multilateral banks to decline.

Due to the economic and financial crisis, the need for capital in the region has sharply increased again, and the IDB had to take short-term measures to comply with the increased financing needs. To take into account the "frontloading", conducted since 2008 as a countermeasure to the financial crisis, and to be able to continue serving the capital needs of the borrowing countries, in 2010 the 9th capital increase of the IDB was approved.

In the context of the capital increase, the introduction of a new long-term financial framework was also agreed on, which now calculates the entire expenditure and income of the bank annually and is intended to use the resulting possibilities of lending more flexibly. This framework makes it easier for the bank to review the interaction of various spending decisions continuously for their impact on the capital stock. The annual lending volumes and the corresponding interest rates are set annually with the aim of enabling a stable capital stock while simultaneously being able to provide maximum loan volumes.

Austrian co-operations

The Federal Ministry of Finance is active in the priority areas defined by the IFI strategy, particularly in the fields of climate and energy, water, private sector development and sustainable urban development. Austria participates in the SECCI (Sustainable Energy and Climate Change Initiative), in the Emerging and Sustainable City Initiative and in OMJ (Opportunity for the Majority). A cooperation with the Technical University of Vienna allows Austrian students to participate in the implementation of the Emerging and Sustainable City initiative.

6. Other banks and Fund contributions

6.1. European Bank for Reconstruction and Development (EBRD)

The European Bank for Reconstruction and Development (EBRD) was established in 1991 to support the transition to free market economy in the former centrally planned economies of Eastern Europe and the Soviet Union. This is implemented with the support of private entrepreneurial initiatives. The EBRD pursues an explicitly political mandate. According to Article I of its Charter, it promotes multi-party democracy and pluralism.

The bank is therefore committed to help reforming countries in the implementation of structural and sectorial economy reforms, including de-monopolization, decentralization and privatization. Its activities include promotion of private sector activities, strengthening of financial institutions and legal systems, and development of the infrastructure necessary for supporting the private sector. The EBRD operates 80 % in the private and 20% in the public sector.

Governance structure

The EBRD has 66 members (64 countries plus the EC and EIB). Of these, 30 recipient countries are in Eastern Europe and the former Soviet Union, and four countries in the southern and eastern Mediterranean. The newest member is Libya. Austria is a founding member of the bank. The share capital of the Bank amounts to € 30 bn., Austria holds a capital share of 2.28%.

The EU countries have the majority, and the president has so far always been from an EU country. In 2012, the president was elected for the first time in a free and transparent selection from among several candidates.

Operational policies and reforms

Since the EBRD operates mainly in the private sector area, it is also exposed to higher risks than other MDBs, since no counter-guarantees of the member state are required to collateralize the project risks.

In transition countries, the EBRD pursues, in addition to its political mandate, the following objectives:

- Good governance, particularly with regard to human rights
- Environmental sustainability
- Poverty reduction

Extension of the operational radius

In 2011, expansion of the operational area of the EBRD to four countries of the southern and eastern Mediterranean (SEMED region), which in the wake of the events of the "Arab Spring" are to be helped by the international community (G-8, EU) onto the path to a working market economy, was approved. These are Egypt, Morocco (these two are already members of the EBRD), Tunisia, and Jordan (new members). In a three-step process, initially only technical assistance programs are carried out, and investments will be funded only subsequently.

In connection with the geographical shift of focus of the bank's activities further to the east and south-east, the network of Resident Offices is considerably up-valued and given greater competences. Currently also country offices in Egypt, Jordan, Morocco and Tunisia are being established.

Austria welcomes this increased decentralization on condition that risk control and human resources remain at a high level in terms of quality and quantity.

Strategic alignment by the 4th review of capitalisation

In 2010, the new 5-year planning period of the EBRD was approved by the governors. The strategic objectives and the business model of the bank are largely to be continued. The increased focus on Central Asian and Caucasus countries ("East") and the Balkans ("South") was maintained, as well as the strong role of Russia as the EBRD's largest customer. For Turkey, too, significant project funds are provided. Diversification of the economies, energy efficiency and sustainable energy supply are also target areas, as development of local financial markets for increased financing in local currency and urban infrastructure are.

The SEMED countries joined in 2012 should gradually be served by additional funds, but not at the expense of the former target countries. The 7 EU target countries that had joined the EU in 2004 were encouraged to "graduate" by the end of the period (2015) as target countries, market conditions permitting.

Austria supports these goals and the expansion of the operation area. The EBRD's strong focus on energy efficiency and sustainable energy supply is continued in all countries of operations with positive results, and it should become a central element for the new countries.

Fiscal policy

After income losses in 2009 and 2010 in the wake of the financial crisis, the EBRD has since returned to profitability. To combat the financial and economic crisis, in 2010 the bank approved a capital increase by 50 % to a total of € 30 bn. paid out of the reserves of the bank (€ 1 bn.). With this capital increase, the EBRD could double its loans to € 9 bn. per year and thus meet the demand for financing loans markedly increased due to the withdrawal of commercial financiers. Thus, provisions for the higher intervention volume during the crisis as well (unintentionally) as for the extension of the operation area into the SEMED region were made. By further supply of reserves from the net income of 2013, the reserves of the bank increased to € 8 bn. With this capital endowment, in the mid-term the bank could implement a business volume of up to € 2.5 bn. annually in the SEMED region, without having to restrict its activities in the previous target countries and without requiring additional new capital.

Given the huge challenges during the financial and economic crisis, it was important that the IFIs jointly fought the crisis in Eastern Europe. In 2009, they launched the joint action plan of the IFIs (EBRD, EIB and IFC) with a financing volume of \$ 25 bn., supporting the recapitalization and refinancing needs of the banking networks. On the initiative of the EBRD and Austria, the Vienna Initiative was created, which should act as a coordination platform for crisis management for large systemically important cross-border banks in Eastern Europe. Subsequently Vienna Initiative 2.0 was established as a common platform of the home and host countries for supervisory coordination and crisis management to avoid disorderly retreat of large international banking groups from Eastern Europe. In 2012, EBRD, EIB and WBG agreed on a joint action plan for growth in Central and Eastern Europe. It has been concluded that they will provide, in close co-operation, € 30 bn. in funds for 2013 and 2014.

The crisis also made it evident that many target countries had not completed their transition by far, and that in some cases the EBRD had even partly contributed to the development of the crisis (e.g. foreign currency financing). A new business model was called for, which was defined in the new strategic orientation for 2010–2015. The bank is now trying to improve the political dialogue with its customers, and to form integrated approaches across all sectors. Here also the corporate sector is to be supported, which is the key to sustainable transformation and diversification of the economy. The goal is to promote and develop the local financial markets and financing in local currencies more actively.

Austrian co-operation

Austria supports technical assistance in the areas of energy efficiency, renewable energy and sustainable energy finan-

cing as well as of community infrastructure, which are made in preparation and for the support of specific investments and are of interest for the Austrian economy.

6.2. European Investment Bank (EIB)

The EIB's mission is to promote the balanced economic development of the EU Member States. The outstanding loan volume in countries outside the EU amounts to € 34 bn., or about 8 % of the outstanding loan total (2013). Of this, the candidates account for about half, and the non-European Mediterranean region for a quarter. The remaining quarter is allocated roughly equally to Latin America, Asia and Africa. The annual new commitments outside the EU amount to approximately € 7 bn., the regional structure being similar. The activities outside the European Union focus on measures for the development of the private sector at the local level, in particular support of SMEs, social and economic infrastructure and the fight against and adaptation to climate change.

Governance structure

The governance structure of the EIB is similar to that of other multilateral development banks. At the top there is a Board of Governors composed of the ministers of finance of the member states, making the strategic decisions. Exercise of the other ownership rights, including approval of loans and guarantees, is delegated to an Administrative Board. Operationally, the bank is managed by a Board of Directors consisting of a President and 8 Vice-Presidents. All EU Member States are also members of the EIB; third countries cannot become EIB members.

Operational policies and reforms

The operational guidelines for the activities in the individual regions are defined by the respectively applicable policies of the European Union. For the membership candidates, this is the EU's pre-accession strategy, under which for the individual countries Accession Partnerships or European Partnerships are formulated. The political framework for the neighboring countries in Eastern Europe and the Mediterranean consists of neighborhood politics. Its goal is optimal economic and institutional strengthening of the relations of these countries to the European Union, and in this context especially promotion of a democratic society. In analogy to the Accession Partnerships with the candidate countries, action plans are defined with the neighboring countries, into which the EIB's activities in each country are integrated. In addition to investment projects, both in the candidate countries and in the neighboring countries technical assistance plays an increasingly important role. For Asia and Latin America there are regional strategies, with the contribution of the bank focusing on projects for the eradication of poverty and social inequality. The overall objective is to con-

tribute to sustainable and social development. Main focus areas are measures to promote regional integration and mitigating climate change and its impacts. Another goal is to promote bilateral economic co-operation. For the activities of the EIB in Africa and in the Caribbean and Pacific states, there is a specific institutional framework, the Investment Facility (see Chapter 6.3). A general political requirement is also that with all its projects in developing countries the EIB is to contribute to implementation of the European Consensus on Development.

Mid-term reform priorities are further intensification of co-operation with the European Commission, with the multilateral development banks, in particular the EBRD, and with the national development banks, further development of project-related technical support and of the range of financial instruments, particularly in the areas of guarantees and equity investments.

Austrian co-operation

Austria provides contributions to trust funds of the EIB, by which sector studies for project preparation and project-related technical assistance in the southern and eastern partner countries of the EU are funded.

6.3. Investment Facility (IF)

The Investment Facility (IF) is a support instrument set up under the ACP-EC Partnership Agreement (Cotonou Agreement) with a term until 2020. It came into force on April 01st, 2003, and originally it had a capitalization of € 2.2 bn. from the 9th European Development Fund. Its resources are allocated at regular intervals from the European Development Fund, and returns are reinvested. The IF is managed by the EIB and supplemented by the credit line financed by the EIB's own resources.

The IF primarily serves for development of the private sector in the ACP countries. Public infrastructure projects are funded if they are beneficial to the development of the private sector. As sub-sectors, projects in the fields of energy, water, waste and transport are primarily supported.

Climate protection receives greater attention across sectors in promoting climate-neutral growth, with a focus on renewable energy and energy efficiency. Food safety is promoted in the light of food shortages. In this field, selected projects are to be supported directly (agricultural clusters that cover production, transport, storage and irrigation alike).

As a member of the European Finance Partners (EFP), the Austrian Development Bank (ADB), like the EIB, participates in the co-financing of projects in ACP countries. This co-operation of the IF should be deepened and expanded.

6.4. International Fund for Agricultural Development (IFAD)

The main task of the International Fund for Agricultural Development (IFAD), a specialized agency of the UN established in 1977, is to mobilize resources to support the poorest rural populations in developing countries with loans on very favorable terms and non-repayable grants. Key elements of the activity are facilitation of access to micro-credits, appropriate technologies, fair markets, basic infrastructure, health services and primary education, especially in rural areas.

By fighting rural poverty, the fund makes a direct contribution to the attainment of the Millennium Development Goals. Reduction of rural poverty and increased food production will play an important role in the post-2015 agenda as well.

Governance structure

The organizational structure of the fund is equal to that of the development banks. The Board of Governors, in which all member states are represented, is the supreme governing body. The operational decisions are made by the Board of Directors.

Operational activities

The current framework of the fund is formed by the "Strategic Framework 2011–2015". As part of this guide, the IFAD is committed to enable its customers to access natural resources such as water and land, improved agricultural techniques and production equipment, a wide range of financial services, functioning markets for agricultural products, rural non-farming activities and decision-making processes in the context of local and national policy and program developments.

To achieve the greatest possible contribution to development with the given resources, successful products and knowledge are to be multiplied by partnerships with recipients and development partners (scaling up). IFAD will specialize in projects with model character for its recipient countries that can be subsequently replicated by poor countries also independently.

Management for development results is a defining element of all fund activities. Since the latest food crisis in 2008/2009, support of agriculture has moved into the focus of the development policy dialogue, enhancing the role of the institution. The IFAD shall comply with this increased visibility by innovative projects and relevant contributions to the development dialogue.

It is incumbent upon the member states to gear the fund even more accurately towards its mission of rural poverty

reduction and food production boosting, in order to continue to contribute sustainably to the attainment of the MDGs and the future SDGs in the form of better food supply and increases in revenue for its target group.

6.5. Global Environment Facility (GEF)

The Global Environment Facility is the main vehicle for implementing the Rio Conventions (Convention on Biodiversity (CBD), Framework Convention on Climate Change (UNFCCC), Convention to Combat Desertification and Land Degradation (UNCCD), as well as the Stockholm Convention to Combat Persistent Organic Pollutants (POPs) and the Minamata Convention for the Control of Mercury). It serves as an international financial mechanism (FM) to address global environmental problems in the areas of biodiversity, climate change, international waters, land degradation (primarily by desertification and forest decline) and ozone hole, as well as chemicals and waste. Two-thirds of the funds of the FM are used for the two largest areas of climate change and biodiversity. The central task of the financial mechanism is mobilization of resources to support global environmental projects in the areas mentioned, where only the additional costs of a global environmental project are funded and no local costs are covered. Financially, the GEF is managed via a trust fund administered by the World Bank.

GEF has become one of the largest financiers of global environmental projects. Over the last 20 years, the GEF has allocated approximately \$ 10 bn. in grants and attracted endowments over \$ 47 bn. in co-financing, supporting more than 2800 projects. Under the Small Grants Program, more than 13,000 small grants to civil society and community organizations were awarded.

Governance structure

The GEF was established in 1991 and today has 182 members. Austria joined after the pilot phase in 1994 and has pledged a total of approximately € 144 million so far.

The GEF is a network organization. The governance structure of the GEF consists of Assembly, Council and Secretariat; in addition, there is furthermore an Advisory Panel staffed with international scientists that advises the GEF on scientific and technical issues, as well as the independent Evaluation Office set up in 2006. The GEF is headed by the CEO / Chairperson who is elected by the Council for four years. The Assembly is held every three to four years (most recently 2014 in Cancun).

Special funds

Temporarily, on behalf of the UNFCCC the GEF also manages the Special Climate Change Fund (SCCF), as well as the

Least Developed Country Fund (LDCF) and the Nagoya Protocol Implementation Fund of the Convention on Biological Diversity (CBD). In addition, the GEF supports the Adaptation Fund in developing its strategies, policies and institutional architecture, and it has been providing secretarial work for the Adaptation Fund Board since 2008.

Operational policies and reforms

The GEF finances only projects in developing and transition countries that strive to overcome global environmental problems. The GEF as a financial mechanism cannot implement the projects on its own, but uses external implementation agencies (IAs): World Bank, UNDP, UNEP, UNIDO, FAO, IFAD, AsDB, AfDB, EBRD and IDB.

The extension of the partnership to local / regional IAs and NGOs poses a particular challenge for the GEF, as local IAs on the one hand can work more cost-effectively and efficiently, while on the other hand they bring higher risks with them. New partners shall meet a minimum of standards, but impose no additional burden on the GEF. So far, the following four IAs have been admitted: World Wildlife Fund, Conservation International, South African Development Bank, International Union for Conservation of Nature.

To cover costs for the identification, preparation and implementation of the projects, the GEF pays a fee to the IA, the amount of which is disputed. Most recently, to save costs it was lowered to 9 %. The costs vary among the IAs, so despite several studies, the real project costs for the IA could not be conclusively elicited. Issues of quality, efficiency and effectiveness are the determining factors. Austria supports the notion that the IAs should implement only such projects where they have a comparative advantage over other IAs and are more efficient and less costly.

The new resource allocation system (System for Transparent Allocation of Resources, STAR) has replaced the insufficiently working predecessor RAF (Resource Allocation Framework), eliminating the biggest weaknesses here. As with all resource allocation systems, quality and functionality depend on the underlying data and metrics, which are particularly difficult to detect in the global environment sector. Therefore, some flexibility has been built into STAR, and some areas were initially excluded. STAR is used only in the areas of climate change, biodiversity and land degradation, while the other three GEF areas (international waters, ozone hole, chemicals) remain initially excluded. Nevertheless, almost 90 percent of the GEF's operational budget is allocated based on STAR. Austria subscribes to the view that due to the complexity of the indicators STAR should be expanded to the other areas only if the MTR is clearly positive and no additional costs accrue.

Austria supports continuation of the reform of the GEF portfolio and in particular the effort to make the project cycle

more efficient and effective. The decision-making process is likewise to be improved. Another important objective of the reform is better use of the synergies within the GEF areas and a clear delimitation of the roles and responsibilities of the individual GEF partners.

A specific objective of the GEF is the greater involvement of the private sector in the global environment area, supported by Austria. The private sector has been included too little, because the relevant policies and instruments were missing. The private sector provides not only additional resources

but also scientific and technological contributions that can help to identify new approaches to the treatment of global environmental problems.

The challenges posed by the increasing threats to the global environment are to be met by increased scaling-up of GEF projects and programs. The GEF can mobilize additional resources for the scaling-up of successful programs in close co-operation with its partners, donors and developing countries and thanks to the unique GEF experience. This should be further strengthened in the future.

Part III: Priority areas of co-operation

Below, selected topics are addressed, which are particularly important for coherent positioning in the respective Boards of the IFIs. The following topics furthermore represent con-

cerns that are regularly brought up during the recurring replenishments of the soft windows.

7. Thematic co-operation

7.1. Inclusive economic growth

Inclusive economic growth is an important prerequisite for development and poverty reduction. Only a growing economy can create jobs and income for the rapidly growing population in many developing countries, and in the longer term lead to global equalization of human living conditions. In recent decades, in parts of Asia and Latin America poverty has been dramatically reduced. The successful countries have this in common that they had been able to maintain very high growth rates over long periods. However, significant differences in the extent to which rapid growth was reflected by poverty reduction were also seen. Growth is therefore generally seen as a necessary but not sufficient prerequisite for rapid poverty reduction. It also matters how the additional national product achieved by growth is distributed.

Numerous studies have found that not only overall growth rates but also country-specific, geographical and sectorial patterns of growth are important for poverty reduction. Moreover, growth leads to poverty reduction more quickly if social disparities are less pronounced. At the same time, wide distribution of income enhances growth by increasing purchasing power. Furthermore, high inequality is correlated with higher poverty rates, and it slows down growth, e.g. by leading to socio-political instability (hampering investment) or impeding development of "human capital" in poor strata. Without investment into education, health and social security, productivity and competitiveness will hardly increase to the necessary extent. However, socially equalizing supportive measures are required for various short- and long-term effects, such as growth measures that reduce poverty in the long term but increase it in the short term.

In the course of the discussion on the attainment of the MDGs, new policy discussions on inclusive growth strategies have begun as well. "Inclusive growth" refers to a process of rapid and prolonged economic growth on a broad sectorial basis that includes the majority of a country's workforce.

The approach combines micro- and macroeconomic determinants of growth by attempting to identify the key barriers ("binding constraints") to the acceleration of growth and the creation of employment and income. Ex-ante, appropriate economic policies are to be used to react. Inclusivity is understood as equal opportunities for large parts of the population. This approach primarily aims at productive employment. This is not just about the expansion of gainful labor in the forms of employment and independent work, but also about development of productivity as a prerequisite for increasing the income of both groups. This requires a level playing field, competition and equal opportunities for individuals and businesses. The analysis aims at increasing the resources and capacities of workers on the supply side, but also on creating new opportunities for productive employment on the demand side. The approach seeks to accelerate growth by better use of workers who are active in low-productivity sectors or excluded from the growth process. This also requires a process of structural transformation and diversification of the production structure in line with the resources available and the evolving comparative advantage of a country. An inclusive growth strategy must therefore comprise a long-term component and ensure actions in relation to long-term growth.

The aspect of institutional development plays an important role. The term "institutions" is understood to refer to the "rules" or formal or informal norms in a society, whose incentive structure is particularly important in the process of economic growth. There is significant correlation between quality of institutions and growth at the national and regional levels. Investment-friendly environments, for example, have a direct impact on local and foreign direct investment. This can in turn contribute, through transfer of knowledge and expertise ("spillovers"), to increased product variety / quality, improved competitiveness and higher growth. For developing countries, this means that they cannot rely on automatic "catching up", but must actively shape the endogenous conditions for growth.

“Inclusive growth” is a policy approach that is currently being intensively discussed in the IFIs, and which Austria consistently supports and demands in the institutions. One challenge is joint understanding and implementation into economic measures that bring about inclusive growth. However, an increasingly important topic is environmental sustainability and green growth. Some question in this context: Are Inclusive Growth and Green Growth compatible? Does not integration of billions of people as consumers and producers in the South inevitably generate additional pressure on global ecosystems? How can both policy goals – inclusion and green growth – be simultaneously pursued?

7.2. Sustainable growth

The commitment to sustainable growth (Inclusive Green Growth) is based on three assumptions: (i) Current growth patterns are unsustainable in the long term, as they place too great a burden on environment and climate; (ii) the different income strata of a national economy can benefit from economic growth to varying degrees, economic growth not necessarily being associated with poverty reduction within a country or region; and (iii) the established pattern of growth is economically thoroughly inefficient in terms of utilization of resources to generate output.

Green Growth is the fundamental environment-friendly redesign of economic production and distribution processes by suitable incentive policies on the part of the public sector. In order to determine the efficiency of environmentally sound growth, externalities, such as pollution and depletion of natural resources, must be factored in.

There are a variety of economic instruments for conversion to environmentally friendly growth, such as abolition of subsidies (e.g. on mineral oils) or further international development of the metrics used to quantify growth. Other measures include switching to renewable energy sources, development of low-emission cities and implementation of sustainable agricultural solutions that reduce greenhouse gas emissions in the long term.

Although almost everybody will benefit from cleaner environment and reduction of global climate change, environmentally sound growth cannot be equated with socially equitable growth and poverty reduction. In order to make environmentally sound growth socially equitable as well, policies for fair access to resource use, social security and targeted measures to mitigate negative impacts on the lower-income strata of a company (through tax reforms) must be supplemented. If environmentally sound growth is to reduce global poverty as well, it must follow a principle that supports the poorest and most vulnerable population groups significantly and disproportionately.

Through sustainable growth, global change towards a holistic understanding of economy in which conservation of biodiversity, slowing down of climate change and poverty reduction are the basis for global and national economic policy is to be achieved. In order to introduce this understanding into the global discourse and implement it in the real world, among the IFIs Austria campaigns e.g.:

- For a careful design of environmentally sound growth policies and poverty reduction
- For clear goals concerning emission reduction, biodiversity protection, resource efficiency and waste minimization
- For implementation of comprehensive wealth accounting at country level for quantifying sustainable growth
- For social mitigation of negative effects on low-income strata
- For abolishment of subsidies for fossil fuels with simultaneous dismantling of environmentally destructive industries
- For further development and adherence to international social and environmental safeguards
- For gender- and child-friendly design of inclusive green growth
- For protection of global natural resources such as air, water, oceans, forests and wetlands
- For sustainable, environmentally sound agriculture
- For construction of low-emission cities
- Against use of nuclear energy

Sustainable growth, however, is inevitably embedded, at the national and international levels, into a variety of trade-offs. Green Growth, for example, is not necessarily inclusive or automatically geared towards poverty reduction. Therefore, national priorities of developing countries and developed countries often diverge. Not only in the design and financing of innovative environmental projects should IFIs therefore play an important pioneering role, but also in specific policy consultation and formulation of action plans, it is their role to assist and advise governments.

7.3. Good governance, fragile states and institutional development

The terms governance and good governance are often translated into other languages as good governmental practices, but there is more to this. Lacking a universal definition, the Federal Ministry of Finance uses the delimitation used in the Good Governance Guidelines of the ADC, based on the Cotonou Partnership Agreement. Thus, good governance is transparent and accountable management of human, natural, economic and financial resources within a social system with the objective of sustainable and balanced development.

Good governance is one of the crucial keys to effective development and sustainable poverty reduction. Today the va-

rious stakeholders in development co-operation, including the IFIs, see good governance as an essential prerequisite to achieve these objectives, as well as a development goal in its own right. Protection of human rights, functioning democratic systems, rule of law and legal certainty, separation of powers including independence of justice, but also a lively civil society and free independent media are central elements in the broader sense of good governance. In addition, an effective public sector meeting the principles of transparency, participation and accountability is essential for prevention of corruption and for achievement of development results, and thus an important element of sustainable poverty reduction. In particular, targeted reforms of public finance can contribute to resources, internal and external provided by donors, can be utilized optimally and in a transparent manner. Another key element is the building of various institutions of a country, as well as the development of their capacity. Therefore, institutional development should always be promoted in parallel.

In the work of the IFIs, compliance with the principles of good governance plays a role mainly on two levels. First, it is important that IFIs consider these and integrate them in all programs and projects, and second, they are eligible as separate intervention sectors. The former, the taking into account as crosscutting issues, should build on in-depth political economy and governance analyses of the borrowing countries, possibly carried out in co-operation with other donors, whose results and proposed measures are reflected by the respective country strategies and related results frameworks. Appropriate governance analyses, concrete measures and indicators should furthermore exist at the sector and project levels. Areas that particularly lend themselves to stronger commitment of the IFIs, but also in the way of independent interventions, due to their mainly non-political orientation and special skills, include reform of public finance, state and administrative reform, support of national procurement systems and measures to prevent and combat corruption and strengthen fiscal transparency.

Furthermore, good governance principles are to be applied to all IFI interventions themselves. Here the mechanisms envisaged by the IFIs to safeguard social and environmental standards and mitigate the associated risks, appeal procedures and compensation mechanisms for the affected population play a significant role. In this area, care should be taken to ensure that the affected population is sufficiently informed from the very beginning and involved into planning processes; that the applicable rights and standards are accessible to them as well; and that there are appropriate appeal procedures, which they may optionally set in motion. Furthermore, effective and systematic monitoring of policies and projects regarding compliance with good governance should be ensured. Moreover, it is essential for the IFIs to reflect the principles of transparent, participatory and accountable resources management in their institutional strategies

and policy documents as well, e.g. in the communication policies that govern accessibility and transparency of decisions and documents. The field of procurement of goods and services, as well as the policies and practices of the IFIs in the recruitment and management of staff, is also to be named here.

Fragile states

Conflict-ridden, post-conflict or fragile states are usually characterized by a very weakly developed institutional environment with particularly insufficient governance structures. In addition, or perhaps especially because of this, these countries are usually characterized by extreme poverty.

According to the "World Development Report 2011: Conflict, Security and Development", countries that experience protracted violence fall back a long way in the development process and on average have poverty rates that are 20 % higher than those of countries that suffer only occasional violence.

These states must cope with particular development challenges, such as destroyed or absent infrastructure, very limited access to basic services, or particularly low institutional capacities. At the same time, the absorption capacity of funding is often very limited. For this reason, not only adequate financial resources are required, but also a special approach of the IFIs is needed to be able to meet these challenges properly. Based on Political Economy, fragility and governance analyses, IFIs should pledge long-term commitment in the respective country, supported by political dialogue, local presence and intensification of strategic partnerships with the government and other donors, but also with civil society organizations and the private sector. A focus on institutional capacity building should be emphasized by new approaches to peace building and state building, which are taken into account in project design and implementation. In addition, it will be important to apply, with the involvement of all stakeholders, innovative and tailored implementation instruments that address the specific local challenges.

7.4. Gender mainstreaming

Discrimination against women in social, economic and political life in many developing countries means that they are disproportionately affected by poverty. In secondary and tertiary education in general and particularly in sub-Saharan Africa, West Asia and Oceania, even in primary education fewer girls than boys attend school, resulting in limited prospects for future employment, income and economic opportunities. There is also still a higher mortality among women, especially in early childhood and during the reproductive years. In addition, in developing countries prenatal sexing results in many girls not even being born in the first place.

Women are often excluded from access to productive resources such as land, credit and financial services, while the economic “empowerment” of women would be an important prerequisite for sustainable and inclusive growth leading to poverty reduction. Especially consideration of gender is, however, also referred to by the World Bank as “smart economics”, because it has been calculated that economic participation of women contributes to higher economic growth. Similarly, limited participation of women in political institutions and decisions also has a negative effect on how the different needs and interests of women and men are taken into account, as well as on a change of existing conditions.

Establishing social gender equity is a human right and necessary for a just and equal society. This is reflected in MDG 3 as an independent development objective. Moreover, inclusion of the gender dimension into the strategies of the developing countries is a necessary precondition for better development results. Without targeted efforts to resolve the different aspects of gender inequality, the talents and potentials of half the population will remain unused. Equal opportunities for women in social, economic and political contexts are an essential element of an inclusive growth strategy.

The main approach of the IFIs to achieve gender equality is gender mainstreaming in their operations. Here the IFIs are currently using different systems and definitions. In order to allow comparison among institutions, it were desirable if IFIs used as uniform systems as possible.

In any case, however, it is important to ensure that IFIs apply gender mainstreaming at all levels, from country strategies through economic and sectorial work down to the individual programs and projects. This should be based on well-founded gender analyses developed in co-operation with other donors at the country as well as sectorial level that illuminate the economic, social and political status of women in the local context and lead to development of special country-gender strategies. An important requirement in addition to in-depth analysis is also the availability of gender-specific data, as well as their regular measurement and reporting. Gender mainstreaming itself must also be clearly measurable and be regularly reviewed in terms of qualitative and quantitative objectives. As a particular challenge for the IFIs, gender mainstreaming is to be pushed especially in those very sectors where it has traditionally been more difficult to take into account the different needs and interests of women and men, such as in the energy or other classic infrastructure sectors. In order to cope with such gender-specific challenges, IFIs need a critical mass of gender experts in their workforce, both at the headquarters of the institution and in the individual country offices.

However, IFIs should not content themselves with gender mainstreaming in all their operations. In order to cope with

existing social, economic and political inequalities, often stronger and more targeted measures are required, such as special projects pursuing precisely this objective. Furthermore, in particular regional IFIs should use their comparative advantage as trusted development partner from the regions to initiate a political dialogue with the developing countries on establishment of social gender equity based on the country-specific gender analyses and strategies.

Apart from the goal of gender equality in developing countries, it is important to ensure that the percentage of women among the staff of the IFIs, and here in particular in senior management, is continuously increased among those IFIs in which women are grossly under-represented. This also includes creation of the necessary conditions that allow women to fill specific positions in the first place.

7.5. Sustainable debt relief and sustainable debt levels

With the debt relief initiative for Heavily Indebted Poor Countries (HIPCs) initiated in 1996 by the World Bank and IMF and expanded in 1999, the debt burden of the poorest countries has been reduced to a level that permits rapid development successes and has laid the groundwork for sustainable economic and social development. In 2006, the MDRI (Multilateral Debt Relief Initiative) followed, by which all claims of the IDA, IMF and AfDB against the signing HIPCs were irrevocably waived and compensated by pledges of donor contributions.

The success of this debt relief, however, is given only by successful low new indebtedness in the long term. To allow new indebtedness to a certain sustainable level and to create a framework for new lending, in 2004 the IMF and the World Bank created the “Debt Sustainability Framework” (DSF). This framework defines when loans are to be allocated with a higher or lesser grant element. The DSF currently represents the basis for new credit decisions of the MDBs, the IMF and other development partners.

However, the DSF and sustainable debt levels largely depend on general application. Export loan agencies, private lenders and new donors are asked to base their decisions on the DSF, rather than using, as free riders, the low overall debt and thus higher creditworthiness for new bilateral lending.

The DSF has been criticized in recent years because of its complexity and rigidity and inflexibility of application. In 2011, the DSF was revised, and some of the criticisms were taken into account. Austria is committed to the retention of the DSF and its wide application. However, rational reforms of elements of the DSF and a certain increase in flexibility are supported.

Yet responsibility for new indebtedness rests not only with the lenders, but also with the debtor countries themselves. Increased international efforts therefore increasingly flow into the building of mechanism to improve national debt management. IMF, World Bank and MDBs are called on in close co-operation to increasingly provide technical assistance in order to support institutional capacity building, improving the debt management of the poorest countries. Austria supports this goal in the form of participation in the Debt Management Facility Trust Fund of the World Bank and the IMF.

To ensure responsible lending and borrowing, in addition to a sustainable debt policy and co-operation of all stakeholders the exchange of data on planned new lending is an important factor. Export credit agencies, private lenders and emerging donors should ideally be involved into this structure.

A few HIPCs are still on the brink of a comprehensive debt relief through the HIPC and MDRI debt relief initiatives. Most of these are now post-conflict or fragile states, requiring special co-operation measures that take into account the specific conditions of the country. In this context, often mechanisms must be found in order to waive legacy burdens that prevent a country from participating in the HIPC initiative. This requires a case-by-case decision by the Boards of the IFIs. Transparent decision-making and optimally fair participation of the international donor community are important to Austria.

7.6. Measurement of results and impact analysis

Measurement of development is an important part of development co-operation. Results can be determined using qualitative as well as quantitative criteria. The aspiration to map the effects of interventions metrically or qualitatively may also have direct effects on the development activities. On the one hand, a strong focus on results may provide incentives for effective and efficient management of projects and programs. On the other hand, in the selection stage preference may thereby be given to those projects whose results are easier to measure, regardless of what development impact they are actually capable of achieving.

In the context of the impact analysis, the following causal chain is assumed: Contribution (input) → Activity (activity) → Product → Service (output) → Result (outcome) → Effect (impact). The term contribution refers to resources provided for activities. Activities are actions that are carried out with regard to the generation of products / services. Products / services in turn are the results of activities and serve to obtain results. Results lead to changes or effects among the beneficiaries of the intervention that are genera-

ted by means of outputs. It is crucial that available products or services be drawn upon by the beneficiaries in the first place. These results can be short, medium or long-term in nature, and often they will also concern behavioral changes of project beneficiaries or improvements in systemic or institutional performance. Such results may have farther-reaching implications for a society or economy.

This causal relationship is essential for the design of interventions in development co-operation and a prerequisite for the measurement of results in order to be able to draw conclusions about cost-effectiveness (efficiency) and efficacy of projects, programs and entire institutions. Efficiency is about whether the resources have been used optimally in the context of the activities carried out to achieve the desired products or services. Effectiveness thus pertains to the effect of an intervention and thus to the question of whether the correct activities have been set at all.

The role of the IFIs is in the generation of products and services (outputs) through specific activities such as funding, knowledge generation and transfer, capacity development, and the development and use of partnerships. Short- to medium-term effects (outcomes) – influenced by the IFIs and other partners – can be achieved only by the customers or beneficiaries themselves. Such results (outcomes) accordingly do not consist of the number of schools built or kilometers paved (output); results (outcomes) take a further step and consist e.g. in learning results of children and in the reduction of transport time and costs.

From a perspective of development, the Federal Ministry of Finance is primarily interested in (short-, medium- and long-term) effects. Austria is committed to contribute to increasing efficiency and effectiveness in IFIs, and campaigns among all IFIs in particular for the following items:

- Mainstreaming and operationalization of clearly defined causal effect chains for interventions, e.g. by results frameworks
- Strengthening of the focus on outcomes and impact
- Additional consideration, where possible, of impact evaluations already at the stage of project design
- Evaluations to measure results and their impact as well as promotion of the institutional learning from it and the translation of insights
- Project development objectives in terms of short-term results that
 - are realistic and achievable within a defined period with certain inputs and taking account identifiable risks;
 - clearly identify what a project can be held accountable for;
 - are results-based, i.e. express a change in behavior, condition, or performance of a target group or institution; and
 - include higher-order objectives that are only partially attributable to the project, with clear indication of this attribution gap;

- Selection of performance indicators which are specific, measurable, attainable, realistic, relevant, and limited in time.
- With regard to development results, recipient governments should be primarily accountable to their own citizens.
- The impact focus should be mainly on sustainable poverty reduction.

8. Programmatic co-operation

Below, the four priority areas of the co-operation of the Federal Ministry of Finance with the IFIs are illustrated, in which additional programs with the IFIs can be concluded through thematic funds (trust funds). These serve Austria's development policy, foreign trade interests and Austria's interest in being an attractive location for IFIs alike.

8.1. Sustainable energy and climate protection

Climate protection in the sense of the UN Framework Convention on Climate Change (UNFCCC) comprises aspects of the reduction of greenhouse gas emissions and thus of climate change (mitigation) as well as measures to adapt to the impacts of climate change (adaptation). In a context of unequal global distribution of resources and capacities, through the financing of mitigation and adaptation, international compensation in the sense of differentiated responsibility must be provided. As global and regional institutions, IFIs have a crucial role in the structuring, regulation and financing of global public goods, such as the climate. As instruments of global financial architecture, IFIs therefore play an important role in climate protection. Apart from financing, they also support improvement of planning principles, institutional frameworks and capacities. They provide important information by specific analyses of potential and requirements that are essential for the identification of effective mitigation measures.

Mitigation refers to reduction of anthropogenic climate change by global stabilization or reduction of atmospheric levels of greenhouse gases. Given the projected increase in global average temperatures by 1.8 – 6.0 °C by 2100 compared to pre-industrial levels and the associated, partly devastating effects on people and ecosystems, mitigation is an absolute necessity. Long-term reduction of greenhouse gas emissions (GHG) must be taken seriously, as any delay will lead to an increase in adaptation costs for future generations.

Reduction of GHG emissions can be achieved primarily through increased energy efficiency, energy saving and switching to renewable energy sources. While industrialized countries historically bear the main responsibility for the present elevated atmospheric GHG concentrations, it is the developing and emerging countries that currently have the highest growth rates in emissions. It is estimated that up to 70 % of the increase in global CO₂ emissions from 2002 to 2030 will come from countries such as China, Brazil, South Africa, Mexico and India. All the more urgent is to enlist,

with the help of the IFIs, these and other countries as strategic partners to combat anthropogenic climate change. In the field of mitigation, Austria in particular advocates:

- Increasing the financing volumes for renewable energy sources
- Improvement of energy efficiency
- Energy security through the broadest possible mix of technologies in the energy portfolio of a country or regional economic community
- Critical case-by-case examination of potential social, economic and environmental impacts in the promotion of different energy sources, especially agro-fuels, and
- Renunciation of nuclear energy and greenfield projects that continue to rely on fossil fuels (exceptions for brownfield projects are possible if they achieve reduction of emissions; likewise exceptions for fossil fuels are conceivable for the poorest countries (IDA countries) if using the latest technology).

Adaptation refers to initiatives and measures to be taken in order to reduce the vulnerability of natural and human systems to actual or expected climate change effects. This includes adaptation to extreme climatic events as well as to slower changes (e.g. shifting of the start of the rainy season). Many developing countries are characterized, due to their comparatively fragile economic and ecological structures, high vulnerability of sectors, ecosystems or human health to the effects of climate change. Adaptation activities aim at reducing these vulnerabilities or to increasing resilience and using possible opportunities from changing climatic conditions.

IFIs can make an important contribution to the effect that climate-related adaptation measures are incorporated as early as possible into the strategies for sustainable poverty reduction (e.g. in terms of food security) and disaster preparedness. Preventive measures for (the effects of) disasters due to natural hazards, not only save lives; prevention of material damage is also recommendable from a financial perspective. For example, private investors will prefer vulnerable areas where prevention and insurance mechanisms exist to reduce the risk and impact of disasters. Austria sees GHG reduction and adaptation to climate change in close interconnection – both are necessary – and in the area of adaptation in particular campaigns for:

- Stronger activity of the IFIs in the field of climate change adaptation

- Consideration of the effects of climate change in all possibly climate-sensitive development activities (e.g. infrastructure)
- Integration of climate change adaptation and disaster protection into national and local development plans, infrastructure and land use strategies
- Strong involvement of the population groups most affected by climate change (e.g. women and girls) to improve the resilience of local societies
- A focus on early warning systems, protective infrastructure and environmental buffer zones

Differentiated accountability

Anthropogenic climate change, historically caused in large part by industrialized countries, is intensified by the economic boom in emerging countries, where growth is characterized by GHG-producing combustion of non-renewable resources. At the same time, developing countries are generally most vulnerable to the consequences of climate change, where in particular poor, disadvantaged and vulnerable population groups – such as minorities, women, children, the elderly or people with special needs – are particularly jeopardized. The intersection of victims and perpetrators is therefore only relatively small. This results in differentiated responsibility concerning the measures to combat climate change and the financing of adaptation strategies. For countries that were able to increase their level of development by emission of GHG, there is therefore a proportional obligation to act earlier and do more. Austria campaigns among the IFIs for:

- Integration of sustainability and climate protection targets into the post-2015 agenda
- A stronger role of the IFIs, especially the WBG, in international climate negotiations to link climate change, development and growth policies
- Mobilization of additional financial resources for climate funding (mitigation and adaptation) by IFIs as well as from other sources

Coherence in intra-national action

Due to the growing environmental and climate-related challenges and the principle of differentiated responsibilities, coherent action of national decision-makers with respect to bilateral and multilateral financial institutions appear essential. In connection with the above-mentioned sustainability and climate change objectives, the Federal Ministry of Finance is therefore committed to close coordination with other relevant national strategies (e.g. the "Austrian Strategy for International Climate Funding 2013–2020").

Crisis prevention and civil protection

In the context of the Global Facility for Disaster Reduction

and Recovery (GFDRR) initiated by the World Bank together with seven other multilateral organizations, Austria as one of 38 donor countries advocates increased use of measures for adaptation to increased environmental risks ascribable to climate change. Thus, damage to people and infrastructure is to be prevented or, in case of disaster, minimized. Improved disaster risk reduction and sustainable reconstruction are to be achieved via six stages of action. This is done using technical assistance and policy advice from experts. In this context, the local governments and the population should be involved into disaster preparedness work, such as joint risk mapping, which is to facilitate capacity building in this area accordingly.

8.2. Water and sanitation

The immediate importance of water for development is also reflected in the MDGs. The current implementation state of the MDG of halving the percentage of people without sustainable access to safe drinking water and basic sanitation by 2015 is cause for optimism, but also requires more effort.

Regarding drinking water, all regions have made progress. Thus, globally access has increased significantly, and the drinking water target of the MDGs has been achieved, not only in some regions, but globally, already in 2010. Since 1990, over 2 bn. people have gained access to safe drinking water; 116 countries have reached the drinking water goal. However, some regions, particularly sub-Saharan Africa and Oceania, clearly still have to catch up. In 2012, about 750 million people, of these 325 million in sub-Saharan Africa, still had no safe drinking water.

The perspective is less encouraging for basic hygiene. Only 77 countries had achieved the hygiene goal by 2012; 2.5 bn. people still did not have adequate sanitation. Although globally progress is being made, only North Africa, East and Central Asia have already exceeded the target. Especially South Asia and Sub-Saharan Africa continue to show the highest deficits. According to current estimates, this goal will not be achieved by 2015.

Due to its great social, economic and peace-promoting importance, Austria supports development of the water sector by IFIs in developing and transition countries. Here the IFIs are faced with a wide range of activities, from drinking water / sanitation already mentioned through irrigation, hydroelectric power and industrial water use to the effects of climate change on water resources, such as lowering of the water table due to drought.

Austria particularly campaigns for ensuring that IFIs serving sub-Saharan Africa and South Asia further increase their efforts in the area and fund more projects with their own resources for water and sanitation to reduce the backlog of these regions sustainably.

Due to its small-area settlement development, Austria has a special structure of water supply (unlike many industrialized countries) and possesses special expertise in decentralized water supply, which is to be made available in Austria's co-operation with the IFIs. In the areas of water and wastewater technology, adapted sanitation, regional water management planning and decentralized solutions, consulting and applied research, water storage and water power plants, Austrian companies can offer important expertise and capacity for the programs of the IFIs.

Initiatives of the IFIs, such as the "Water and Sanitation Program" (WSP) of the WBG, the "African Water Facility" of the African Development Bank and the "Water Financing Partnership Facility" of the Asian Development Bank provide opportunities for targeted IFI co-operation. Water, energy and food safety are mutually dependent topics with corresponding repercussions onto others, such as biodiversity or climate. Together with the World Economic Forum (WEF) and some national government initiatives and NGOs, in 2011 the EU launched the NEXUS initiative in Bonn. This considers the three issues as integrated. The focus is on access (social component), efficiency (economic component) and sustainability (ecological component).

(Clean) water as a scarce resource is increasingly leading to distribution conflicts, and this poses special challenges for IFIs: Drinking water versus productive use for agriculture and industry; rural areas versus urban agglomerations; industrial development and consequential water pollution. All these challenges are to be met by increased countermeasures in the projects and programs of the IFIs and targeted policy advice.

8.3. Private and financial sector development

A dynamic private sector is the backbone of any aspiring economy: Successful private enterprises create jobs and income opportunities, produce goods and services and are a source of tax revenue. They drive innovation and growth and are thus an important prerequisite for development and poverty reduction.

Having a constant job with regular income is the ambition of most people, not only in developing countries. Stable employment allows perspectives for the future. Jobs increase individual self-esteem and promote social inclusion. Access to productive employment is therefore crucial to increasing quality of life and relevant to overcoming poverty.

The fundamental prerequisites for creation of a dynamic and competitive private sector in developing countries include political stability, a predictable economic policy and an efficient administration that guarantees legal enforceability

and creates a suitable investment climate and business environment. The aim is to create the legal and regulatory framework to ensure fair competition, promote innovation and economic diversification, make market entry and exit easy and permit exploiting commercial potential. With regard to transport and energy supply, this also requires development of basic infrastructure and a corresponding foreign trade policy.

In addition, the creation of public frame conditions is needed to promote industrialization processes and initiate necessary structural change. Comprehensive promotion of relevant technologies, human capital and innovation plays just as important a role as identification of growth sectors and implementation of targeted measures to build them. Here e.g. subsidization of initial investment may be important, as well as measures to address coordination problems and other market failures.

In poor countries, implementation of economic and industrial policies that pay special attention to the involvement of the poorer strata is of great importance. Inclusive Growth must comprise effects on employment, integrated value chains and supply of the local population. Measures to improve the investment climate and to promote new economic sectors must always keep in mind potential adjustment costs and negative effects on existing sources of employment and businesses, and, where necessary, implement proposed structural adjustment processes only gradually or with specific social mitigation measures in order not to exacerbate poverty. In the least-developed countries, in a first stage expansion of the rural production and services sector is important, in particular support of local industry, as well as promotion of employment-intensive sectors such as manufacturing, which may provide access to employment in particular for low-skilled workers.

A major problem in developing countries is the widespread informality, which, however, is a key element of individual poverty reduction. Nevertheless, the informal sector is usually characterized by low productivity and adverse working conditions. For development considerations, formalization of the informal sector must be a concern of public interest and hence also of the IFIs. For example, creation of a market for micro-consulting services (Business Development Services) and better involvement of micro, small and medium-sized enterprises into larger production chains through backward linkages of global companies can significantly increase SME development and transfer of technology and corporate standards. Here IFIs are encouraged to promote innovative instruments for a local business development culture.

In order to promote entrepreneurship and start-ups, as well as to support formalization, access to financial services is likewise crucial. Lack of access to loans, savings, money

transfers and insurance is still be seen as one of the greatest challenges for entrepreneurs in developing countries. Due to high risk assessments, lack of collaterals and low profitability, formal financial services in developing countries, especially in rural areas, are severely underdeveloped. This applies particularly to small and medium-sized businesses that because of their size and lack of collaterals come into question neither for microfinance loans nor for business loans from commercial banks. In addition, they are often denied access due to lack of financial knowledge and technical capacity (Financial Literacy), since accounting and balance sheet often do not receive enough attention. For this group often only access to informal financial sources remains, which, however, are often very unfavorable and expensive.

To allow the introduction of sound financial conditions for the real economy, a stable financial sector is required, which can serve the needs of the local business sector. Systematic efforts to strengthen the banking sector and deepen the capital market include introduction of appropriate regulation and tax legislation, promotion of proper regulatory frameworks, appropriate risk management systems and practices, and development of local savings and investment activities. The support of rating agencies, credit bureaus and information technology providers, which play an important role in the provision of financial services in developing countries, as well as strengthening and formalizing the overall microfinance sector, contribute to improvement of savings, insurance and credit offers.

To promote the development of a dynamic private sector in developing countries optimally Austria particularly champions a systemic approach of IFIs that aims at strengthening the corporate sector as a whole by promoting appropriate political and legal frameworks and removing barriers to market. Experience from work in many developing countries has shown that by implementing simple reforms in the regulatory and legal environment to make the establishment of businesses, trade and marketing easier or more cost-effective, and to reduce the administrative burden on entrepreneurs, can achieve tremendous success in the stimulation of the private sector.

Beyond that, Austria has the following concerns regarding the private sector activities of the IFIs:

- promotion of the private sector must take place in such a manner that poor and disadvantaged population groups are increasingly recognized and involved as active market participants. This is to ensure optimally broad based growth and maximize poverty-reducing effects. Interventions that maximize employment effects while maintaining social standards and support of market systems in which the poor have increased opportunities of participation as workers, producers, consumers and entrepreneurs play a central role.

- Key decision criteria and requirements for corporate financing decisions are the development effects to be achieved. This includes integration of the relevant companies into the local value chain, possibilities of technology transfer and positive spillover effects, effects on employment and the upholding of comprehensive environmental and social standards.
- Any direct business financing must be additional, i.e. it must not compete with commercial financing offers and should have a catalytic effect. This is often the case e.g. with projects that are in the public interest (for example in the field of renewable energies), but because of their profitability and risk structure are not feasible for private financiers without the involvement of the IFIs.
- Technical assistance for small and medium enterprises in project preparation, training and market development can make a vital contribution for connection to local and national markets, public tenders and integration into local and regional value chains. Through specific funds, IFIs can offer entry opportunities here, which are indispensable in case of insufficient private financing.

8.4. Urban development

Cities play a central role in securing sustainable development: In the new millennium, for the first time more than half the world's population is living in urban settlements. About 90 % of this burst of urbanization takes place in developing countries. The WBG expects that in 20 years another 2 bn. city dwellers will have to be expected. Every day the number increases by approximately 180,000 people.

Cities are a source of income, employment and prosperity, and thus key drivers for economic growth and poverty reduction. They contribute almost 70 % of global economic growth. They are centers of innovation and creativity, hubs for the exchange of goods, technology, services and information, and providers of important impetus for the national and international economies.

Simultaneously, poverty moves more and more into the cities: Currently about 1 bn. people live in slums and shantytowns without connection to public services, education, job opportunities, information or municipal activities.

In addition, cities are responsible for up to 70 % of global greenhouse gas emissions, although they occupy less than 2 % of the Earth's surface. Obsolete or non-existent water supply and sewerage systems, burning of fossil fuels for energy and increased consumption of energy for industry, housing and transport contribute to high pollution of air and environment in urban areas.

At the same time, as a significant political and administrative level in the modern state, cities offer the opportunity to experiment with innovative measures and new approa-

ches. Its experience and expertise in the field of sustainable urban planning enable Austria to present as an important partner of developing countries and support implementation of sustainable strategies through technical assistance, expert networks and information exchange.

Cities accumulate both the effects and the causes of global climate change. Due to the concentration of industry, transport, housing and waste, they are crucially responsible for the emission of climate-relevant greenhouse gases, accelerating climate change. At the same time, especially the cities located in coastal areas are affected by climate change: rising sea levels jeopardize the livelihood of entire communities. Poorer population groups are particularly vulnerable, as they often settle in risk areas that are particularly affected by extreme weather events and flooding.

At the same time, cities offer huge opportunities for significant contributions to national and international climate goals through sustainable urban planning and efficient resource policy. Improving energy efficiency is one of the greatest challenges for urban planning. Today, the greatest potential for savings is in the design of energy-efficient strategies in transport and mobility, as well as in the use of green

technologies in the construction of buildings and resource efficiency in living and working areas. Density-enhancing settlement policies for avoidance of long transport routes, as well as expansion of public transportation to limit private motorized transport, provide key contributions to reduce greenhouse gas emissions in urban areas. Energy-efficient building must also be a priority in urban planning.

It is crucial to perceive urbanization trends as an opportunity to contribute significantly to national and international climate goals. In addition, the development and application of climate-related technologies provide economic growth opportunities and contribute to strengthening the locational advantages of individual cities by increasing quality of life.

Most growth takes place in mid-sized cities; already almost half of the global urban population is living in cities with a population below 500,000 citizens. In the context of IFI co-operation, Austria's primary focus is to promote initiatives that support these cities in the design of a sustainable growth path. The fields of action of particular importance in this context concern local urban planning, resource efficiency and environmental sustainability of cities, poverty reduction and sustainable fiscal management.

List of Abbreviations

\$	= US Dollar	IMF	= International Monetary Fund
ACB	= Austrian Control Bank	IMFC	= International Monetary and Financial Committee
ACC	= Austrian Chamber of Commerce	JI	= Joint Implementation
ACP	= African, Caribbean and Pacific	JVI	= Joint Vienna Institute
ADA	= Austrian Development Agency	LAC	= Latin America and the Caribbean
ADB	= Austrian Development Bank	LDC	= Least Developed Countries
ADC	= Austrian Development Cooperation	LIC	= Low Income Country
AfDB	= African Development Bank	LTEF	= Long Term Expenditure Review
AsDB	= Asian Development Bank	MDBs	= Multilateral Development Banks
AWS	= Austria Wirtschaftsservice GmbH	MDG	= Millennium Development Goal
BMEIA	= Federal Ministry for Europe, Integration and	MEA	= Multilateral Environment Agreement
BMF	= Federal Ministry of Finance	MEB	= Multilateral Development Banks
CDCf	= Community Development Carbon Fund	MIGA	= Multilateral Investment Guarantee Agency
CDF	= Comprehensive Development Framework	MSME	= Micro, Small and Medium-Sized Enterprises
CDM	= Clean Development Mechanism	MTEF	= Medium Term Expenditure Review
COD	= Cut-Off Date	MTS	= Medium Term Strategy
CSD	= Commission for Sustainable Development	NEPAD	= New Partnership for Africa's Development
DC	= Developing Countries	NGO	= Non-Governmental Organization
DCO	= Development Cooperation	NPV	= Net Present Value
DDR	= Doha Development Round	ODA	= Official Development Assistance
DFID	= Department for International Development	PER	= Public Expenditure Review
DSF	= Debt Sustainability Framework	PPP	= Public-Private Partnership
EBRD	= European Bank for Reconstruction and Development	PRGF	= Poverty Reduction Growth Facility
EIB	= European Investment Bank	PRSP	= Poverty Reduction Strategy Paper
EME	= Emerging Economy	R&D	= Research and Development
ESAF	= Enhanced Structural Adjustment Facility	REB	= Regional Development Bank
EU	= European Union	REEEP	= Renewable Energy & Energy Efficiency Partnership
External Affairs		RMF	= Results Measurement Framework
FCL	= Flexible Credit Line	SAF	= Structural Adjustment Facility
FDI	= Foreign Direct Investment	SDG	= Sustainable Development Goal
FM	= Financing Mechanism	SDR	= Special Drawing Rights
FSO	= Fund for Special Operations	SDT	= Special and Differential Treatment
G7 / G8	= Groups of the 7 / 8 leading industrialized countries	SPS	= Sanitary and Phytosanitary
GDP	= gross domestic product	TBT	= Technical Barriers to Trade
GEF	= Global Environment Facility	TFP	= Total Factor Productivity
GFSE	= Global Forum on Sustainable Energy	TIM	= Trade Integration Mechanism
GHG	= Greenhouse Gas	UK	= United Kingdom
GNI	= gross national income	UN	= United Nations
HIPCs	= Highly Indebted Poor Countries	UN	= United Nations
IA	= Implementing Agency	UNFCCC	= United Nations Framework Convention on Climate Change
IDA	= International Development Association	WSP	= Water and Sanitation Program
IDB	= Inter-American Development Bank	WTO	= World Trade Organization
IFC	= International Finance Corporation		
IFI	= International Financial Institution		

Imprint:

Editor, owner and publisher:

Austrian Federal Ministry of Finance, Dep. III/3

Johannesgasse 5, 1010 Vienna

Design: Printing Office of the Austrian Federal Ministry of Finance

Vienna, August 2015



- Printed according to the Austrian Ecolabel criteria for printed matter,
Printing Office of the Austrian Federal Ministry of Finance, UW-Nr. 836