

# Strategic guideline of the Federal Ministry of Finance (BMF) for the international financial institutions



Vienna, June 2023

**Imprint**

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Dear Sir, Dear Madam!

The past few years have undoubtedly presented the international community with major new challenges. The current socio-economic environment, characterized by multiple crises such as the far-reaching consequences of the COVID-19 pandemic, globally evident consequences of climate change, persistently high inflation, as well as Russia's war of aggression in Ukraine, has once again demonstrated the relevance of the International Financial Institutions (IFIs).

To meet these challenges, an active cooperation of the international community is needed more than ever. Global problems can only be effectively addressed through global solutions, with a broad involvement of all development partners, and the pooling of financial resources at the multilateral level. The interdependence of developed and developing countries in the management of global instabilities has steadily increased in recent years, and developing countries are much more severely affected by the consequences of the crises due to their more fragile institutional base. Development gains already made have been jeopardized and in some cases even reversed.

International Financial Institutions play a key role in supranational cooperation. They offer a combination of problem-solving skills and financing power that we cannot do without. They are also important international forums for dialogue that enable solutions to global challenges. In addition, they play an important bridging role between the national and international levels, as solutions need to be decided at the international level but then implemented at the national level.

As Federal Minister of Finance responsible for the International Financial Institutions, I have the task of effectively representing Austria's international development and economic policy interests in these organizations. These strategic guidelines are intended to serve as a transparent basis and guide for Austria's positioning in the IFIs and to define fields of action for our cooperation. My aim is to give you an idea of the direction in which Austria intends to take the International Financial Institutions in the coming years. It is a particular pleasure for me personally to be able to present these strategic guidelines in 2023, the year in which Austria celebrates its 75<sup>th</sup> anniversary as a member of the World Bank.

Your Finance Minister Dr. Magnus Brunner



Your Finance Minister  
Dr. Magnus Brunner

Dear readers!



Mag. Harald Waiglein

In addition to the indispensable role of IFIs in overcoming global challenges and in development cooperation, Austria's membership in various IFIs, such as the World Bank Group or the European Bank for Reconstruction and Development (EBRD), also offers important opportunities for the domestic economy. Austrian know-how or market-leading Austrian technology of internationally successful domestic companies can be used in various projects for the benefit of developing and emerging countries.

In addition, Austria's reputation in the IFI community is strengthened by its participation in various programs. The Financial Sector Advisory Center (FinSAC), a World Bank program based in Vienna, advises countries in Eastern/Southeastern Europe and Central Asia on the establishment of modern financial market regulation and thus contributes to strengthening the stability of the financial sector in the region. Cooperation and workshops with various Austrian stakeholders from universities or research-related areas, as well as with well-known Austrian companies, are an important component of the exchange.

The fact that numerous IFI cooperation programs are implemented by the World Bank's teams in Vienna has contributed significantly to the expansion of the office. The Vienna office is now one of the most important representations in Europe and constitutes an increasingly important hub for projects in Eastern and Southeastern Europe and the Western Balkans. Cooperation with the Vienna office continues to be a priority in Austria's cooperation with IFIs.

Mag. Harald Waiglein,  
Director General for Economic Policy and Financial Markets

# Inhalt

<b>Executive Summary</b> .....	<b>4</b>
<b>Kurzfassung</b> .....	<b>6</b>
<b>1 Purpose of the strategic guideline</b> .....	<b>8</b>
<b>2 National and international environment</b> .....	<b>10</b>
<b>3 Global challenges, trends and risks</b> .....	<b>12</b>
3.1 Challenges in development policy.....	12
3.2 Changes in development cooperation architecture and institutions.....	15
<b>4 IFIs' basic characteristics and processes</b> .....	<b>16</b>
4.1 How IFIs work.....	16
4.2 Capitalization.....	17
4.3 Austria's supervisory role in IFIs.....	17
4.4 Participation in fund replenishments.....	19
<b>5 Strategic goals of Austrian cooperation with IFIs</b> .....	<b>21</b>
<b>6 Guiding principles of Austria's cooperation with IFIs</b> .....	<b>23</b>
6.1 Guiding principle 1: Inclusive economic growth and poverty reduction.....	23
6.2 Guiding principle 2: Ecological sustainability and climate action.....	23
6.3 Guiding principle 3: Ensure viability of new debt.....	24
6.4 Guiding principle 4: High standards of governance and transparency.....	25
6.5 Guiding principle 5: Promotion of a sustainable financial structure of the IFIs.....	26
6.6 Guiding principle 6: Promotion of gender equality at all levels.....	27
<b>7 Programmatic focus</b> .....	<b>28</b>
7.1 Focus area 1: Sustainable energy and climate action.....	29
7.2 Focus area 2: Water and sanitation.....	31
7.3 Focus area 3: Private and financial sector development.....	32
7.4 Focus area 4: Sustainable urban development and connectivity.....	33
7.5 Geographic focus and selection criteria.....	35
7.6 Further objectives.....	36
<b>List of abbreviations</b> .....	<b>40</b>

# Executive Summary

This strategic guideline describes the framework for the Austrian Federal Ministry of Finance's (BMF) activities vis-à-vis IFIs.

Austria, represented by the BMF, cooperates with international financial institutions in a variety of ways. Austria contributes to the share capital of IFIs as well as in Trust Funds. The overriding goal of cooperation with IFIs is to achieve positive development effects in developing and emerging countries.

The success of numerous development efforts of recent decades has been jeopardized by the global outbreak of the COVID-19 pandemic or even nullified. The current environment of compounding crises, such as high inflation, the outbreak of the Russian war in Ukraine, the increase in global natural disasters caused by the climate crisis, poses an additional challenge for developing countries. Cooperation with IFIs is therefore essential, especially in times of multiple crises.

The strategic guidelines are based on the Austrian Development Cooperation Act and are coherent with the three-year program of Austrian development policy as well as with the Austrian Climate Finance Strategy. In addition to the global goal of poverty reduction and the associated sustainable, social and inclusive global economic development, cooperation with IFIs also holds potential at the national level. Through cooperation with IFIs, new opportunities can be created for Austria's economy and Austrian actors can become active internationally.

Austria's role as a shareholder in the IFIs is determined by six guiding principles, which serve as the basis for substantive positioning in the institutions: 1) inclusive economic growth and poverty reduction; 2) environmental sustainability and climate action; 3) promotion of sustainable debt management; 4) high governance and transparency standards; 5) promotion of a sustainable financial structure of the IFIs; and 6) promotion of gender equality at all levels.

By focusing on specific thematic areas, development goals can be achieved more effectively and Austria's foreign trade interests as well as the increased representation of IFIs in Vienna can be pursued in a more targeted manner. In cooperation with IFIs, the BMF develops specialized programs in four priority sectors: 1) sustainable energy and climate action; 2) water and sanitation; 3) private and financial sector development; and 4) sustainable urban development and connectivity. In addition to the main thematic priority sectors, the BMF pursues four other objectives implemented through joint programs

with IFIs: 1) support and reconstruction of Ukraine; 2) promotion of IFI representation in Vienna; 3) promotion of Austrian foreign trade; and 4) staffing programs.

In its cooperation with IFIs, Austria acts flexibly with regard to current and ongoing crises and contributes to alleviating regional and global problems. The projects are fully eligible as official development assistance (ODA) and partly also as international climate financing.

# Kurzfassung

Der vorliegende strategische Leitfaden ist als Handlungsrahmen des Bundesministeriums für Finanzen (BMF) gegenüber den IFIs zu sehen.

Österreich, vertreten durch das BMF, kooperiert auf vielschichtige Weise mit IFIs. Der Beitrag Österreichs setzt sich dabei aus Beteiligungen am Grundkapital von IFIs und an speziellen Fonds zusammen. Übergeordnetes Ziel der Kooperation mit IFIs ist es, positive Entwicklungseffekte in Entwicklungs- und Schwellenländern zu erreichen.

Zahlreiche Entwicklungserfolge der letzten Jahrzehnte wurden durch den globalen Ausbruch der COVID-19 Pandemie gefährdet oder sogar zu Nichte gemacht. Das aktuelle Umfeld multipler Krisen, wie die hohe Inflation, der Ausbruch des russischen Angriffskriegs in der Ukraine, der Anstieg an globalen durch die Klimakrise bedingten Naturkatastrophen, stellt eine zusätzliche Herausforderung für Entwicklungsländer dar. Die Kooperation mit IFIs ist vor allem in solch einem Kontext unumgänglich.

Der strategische Leitfaden basiert auf dem österreichischen EZA-Gesetz und ist kohärent mit dem Dreijahresprogramm der österreichischen Entwicklungspolitik sowie der österreichischen Klimafinanzierungsstrategie. Neben dem Ziel der Armutsreduktion und einer damit einhergehenden nachhaltigen, sozialen und inklusiven globalen wirtschaftlichen Entwicklung birgt die Kooperation mit IFIs auch Potentiale auf nationaler Ebene. Durch die Kooperation mit IFIs können neue Chancen für Österreichs Wirtschaft kreiert werden und österreichische Akteure/innen international tätig werden.

Österreichs Rolle als Anteilseigner der IFIs wird von sechs Leitprinzipien bestimmt, die als Grundlage für die inhaltliche Positionierung in den Institutionen dienen: 1) Inklusives Wirtschaftswachstum und Armutsreduktion; 2) Ökologische Nachhaltigkeit und Klimaschutz; 3) Förderung von tragfähiger Neuverschuldung; 4) Hohe Governance- und Transparenz-Standards; 5) Förderung einer nachhaltigen Finanzstruktur der IFIs; sowie 6) Förderung der Geschlechtergleichstellung auf allen Ebenen.

Durch Fokussierung auf bestimmte Themenbereiche können Entwicklungsziele effektiver erreicht und weitere Interessen Österreichs gezielter verfolgt werden. Das BMF entwickelt in Kooperation mit IFIs spezialisierte Programme in vier Schwerpunktbereichen: 1) Nachhaltige Energie und Klimaschutz; 2) Wasser und Siedlungshygiene; 3) Privat- und Finanzsektorentwicklung; sowie 4) Nachhaltige Stadtentwicklung und Konnektivität. Neben den thematischen Haupt-Schwerpunkten verfolgt das BMF vier weitere Ziele, die über gemeinsame Programme mit IFIs umgesetzt werden: 1) Unterstützung und



Wiederaufbau der Ukraine; 2) Förderung der IFI-Ansiedlung am Standort Wien; 3) Förderung der österreichischen Außenwirtschaft; und 4) Personalentsendungen.

Österreich handelt in seiner Kooperation mit IFIs flexibel hinsichtlich aktueller und anhaltender Krisen und trägt dabei zur Linderung regionaler sowie globaler Probleme bei. Die Vorhaben sind dabei zur Gänze als öffentliche Entwicklungsleistungen (Official Development Assistance, ODA) und teilweise auch im Rahmen der internationalen Klimafinanzierung anrechenbar.

# 1 Purpose of the strategic guideline

These strategic guidelines provide a framework for the BMF's activities vis-à-vis the IFIs. Austria is a shareholder and often also a founding member of central IFIs. The BMF has the role of owner representative of the Republic of Austria. In fulfilling this role, priority development policy goals and international obligations are mixed with Austrian foreign trade and foreign policy interests and priorities, which also requires a careful balancing of different goals and interests.

IFIs are an umbrella term for multilateral development banks (MDBs). The IFIs include the institutions of the World Bank Group (WBG), regional development banks and the International Monetary Fund (IMF). Development banks can raise funds on the capital market and make them available to their member countries as long-term financial instruments. This financing is complementary to the capital market and serves those areas where the capital market cannot provide sufficient funds. IFIs play an important role as knowledge carriers, knowledge promoters, and in the development and dissemination of best practices. In addition, IFIs oversee a variety of specialized Trust Funds that provide additional resources for the design and financing of development projects, most of which focus on specific themes or regions.

These strategic guidelines outline the content and thematic priorities of the Austrian cooperation with IFIs, define goals and explain the Austrian positions on key issues. On this basis, Austrian engagement in the IFIs is shaped, Austrian positions are coordinated and put forward in the IFI's Boards of Directors, and special cooperation programs are promoted. The target group of these guidelines are persons within and outside the Ministry who deal with IFIs or are interested in their activities.

It thus serves as a guideline both for the Austrian representatives in the governing bodies of the IFIs and for the employees of the Austrian administration who deal with IFIs. The aim is to ensure coherence and to promote a unified Austrian position within and towards all IFIs. By disclosing Austria's priorities and positions, the guidelines ensure accountability and transparency, both vis-à-vis national actors (such as the interested public, civil society, interest groups) and international partners (governments and implementing agencies in other donor and recipient countries, national and international development organizations).

This document is the fourth revised version of the strategic guidelines. It is valid for at least three years from 2023.

# Guiding principles

Guiding principle 1  
Inclusive economic growth  
and poverty reduction

Guiding principle 2  
Ecological sustainability and  
climate action

Guiding principle 3  
Ensure viability of new debt

Guiding principle 4  
High standards of governance  
and transparency

Guiding principle 5  
Promotion of a sustainable  
financial structure of the IFIs

Guiding principle 6  
Promotion of gender equality  
at all levels

## Strategic goals of cooperation

Global level  
Sustainable and inclusive economic development

Country level  
Economic and social progress

Institutional level  
Effective and efficient IFIs

Introduction of Austrian concerns and interests

## Programmatic focus

Sustainable energy and  
climate action

Water and sanitation

Private and financial sector  
development

Sustainable urban  
development and  
connectivity

2030 Agenda for Sustainable Development  
Paris climate agreement  
Aid Effectiveness Agenda

Three-year program of Austrian  
development policy

## 2 National and international environment

The cooperation of the BMF with IFIs is based on the following national and international agreements and is designed in accordance with these overarching principles.

At the national level, the IFI cooperation is governed by the Austrian Act on development cooperation (“EZA” Act) and is based on the objectives of the Three-Year Program of the Austrian Development Policy. The overarching objectives of the “EZA” Act are 1) poverty reduction, 2) peacekeeping and the promotion of good governance, the rule of law and human rights, and 3) the protection of the environment and natural resources as the basis for sustainable development. The three-year program also prioritizes the empowerment of women and inclusive societies, a sustainable economy and the fight against climate change and its consequences.

At the global level, the United Nations (UN) 2030 Agenda for Sustainable Development and the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and the Aid Effectiveness Agenda are the main references. In addition, the goals of other agreements, such as the Sendai Framework for Disaster Risk Reduction and the Kunming-Montreal Convention on Biological Diversity, are also supported. The 2030 Agenda with the SDGs, provides the overarching international framework for action. In September 2015, all 193 UN member states committed to work towards the implementation of the Agenda at the national, regional and international levels by 2030.

The core of the agenda is a catalog of 17 SDGs, which are broken down into 169 concrete, measurable sub-goals. Three basic principles are central to the SDGs: a human rights-



based approach, leaving no one behind, and gender equality and women's empowerment. Multilateral organizations - such as the IFIs - are recognized as having a key role to play in implementing the 2030 Agenda.

In December 2015, the international community agreed on the Paris Agreement. It aims to limit annual global warming to well below 2 degrees Celsius, and ideally 1.5 degrees Celsius, compared to pre-industrial levels. It also aims to align financial flows with low-carbon, climate-resilient development. An important cornerstone is the commitment of developed countries to continue to increase their support for climate action in developing countries and emerging economies. IFIs have a crucial role to play in this regard.

Within the framework of international initiatives, Austria also supports the Aid Effectiveness Agenda. The aim of this agenda is to increase the effectiveness of development cooperation through more harmonized and coherent action by donor countries and international actors such as IFIs.

# 3 Global challenges, trends and risks

The COVID-19 pandemic and the outbreak of the Russian war of aggression in Ukraine in February 2022, as well as man-made global warming have triggered profound economic shocks that have created an environment of multiple, mutually reinforcing crises. Economies in all regions of the world are under increasing pressure from rapid price increases in global energy and food markets, disrupted supply chains, and rising core inflation.

Despite an economic boost from the global decline in COVID-19 infections, global economic growth is expected to remain moderate, slowing to 2.2 % annual global growth in 2023, according to the OECD. As a result of Russia's war of aggression in Ukraine, global GDP in 2023 will be at least 2.8 USD trillion lower than previously expected<sup>1</sup>. In addition, global inflation is rising rapidly. Central banks around the world are raising interest rates to curb inflation.

In addition, the Russian war of aggression in Ukraine directly led to rising energy prices, as many countries were initially dependent on energy imports from Russia. The global food system also faces significant challenges as Russia and Ukraine are major global suppliers of wheat, sunflower oil, corn and fertilizers.

## 3.1 Challenges in development policy

The COVID-19 pandemic has caused the biggest setback in global poverty reduction in decades. According to the World Bank's definition, people living in extreme poverty have less than 2.15 USD a day (as of 2022). The number of people living in extreme poverty rose from 648 million people in 2019 to 719 million people in 2020, the largest one-year increase since global poverty measurements began in 1990. By the end of 2022, the number of people living in extreme poverty is expected to fall to around 680 million, still well above pre-crisis levels.<sup>2</sup>

This setback came at a time when progress in poverty reduction was already slowing down. In the five years before the pandemic, the rate of poverty reduction had slowed to 0.6 percentage points per year. It is estimated that 7 % of the world's population -

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<sup>1</sup> Source: <https://www.oecd.org/economic-outlook/september-2022/>

<sup>2</sup> <https://openknowledge.worldbank.org/bitstream/handle/10986/37739/9781464818936.pdf>

some 574 million people - will still be living in extreme poverty in 2030. This is far from the global target of 3 % by 2030.<sup>3</sup>

According to the UN, the world's population is growing by approximately 80 million people each year, with 90 % of the growth occurring in low- and middle-income countries. By 2050, the UN expects the world's population to grow to nearly 10 billion people. Rapid population growth, combined with a circular economy that is not fully established, agricultural intensification and rapid urbanization and industrialization, is placing increasing demands on soil, air, water, forests and other natural resources. As a result, biodiversity is declining and natural resources are becoming increasingly scarce. It is estimated that by 2030 the global demand for water will increase by up to 55 % and that for energy by 35 %.<sup>4</sup>

Developing countries also face the challenge of meeting their growing energy needs as their economies grow. Energy production often fails to keep pace with demand, hampering economic growth and poverty reduction. At the same time, the energy sector is a major contributor to local environmental pollution and, as a further consequence, to the global climate crisis.

According to the IPCC's Sixth Assessment Report<sup>5</sup>, climate change, including more frequent and intense extreme weather events, is already causing widespread loss and damage to nature and people worldwide, over and above natural climate variability. The least developed countries are most vulnerable to adverse effects of climate change. The climate crisis is not only leading to an increase in heat-related human mortality, coral bleaching and death, forest dieback, ocean acidification and sea level rise, but is also reducing global food and water security and working against the achievement of the SDGs. According to the IPCC, the impacts and risks of climate change are becoming increasingly complex and difficult to manage, as a wide range of climate hazards will occur simultaneously and interact with each other. The associated costs are significant for developing countries and cannot be borne by them alone.

The scarcity of natural resources such as water also increases the potential for crises, conflicts and involuntary migration. In addition, millions of people are directly affected by the effects of the climate crisis and need to be protected from severe weather events or the long-term consequences of the climate crisis. More than two billion people worldwide lack safe access to clean drinking water. And more than twice that number live without adequate sanitation. Countless people live in precarious housing conditions, with nearly

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<sup>3</sup> ibid

<sup>4</sup> <https://www.un.org/en/desa/sustainable-water-and-energy-solutions-network>

<sup>5</sup> [https://www.de-ipcc.de/media/content/Hauptaussagen\\_AR6-WGII\\_deutsch.pdf](https://www.de-ipcc.de/media/content/Hauptaussagen_AR6-WGII_deutsch.pdf)

900 million people worldwide<sup>6</sup> living in slums. More and more people are leaving their homes - voluntarily or involuntarily. In 2022, more than 100 million people worldwide were displaced<sup>7</sup>. The vast majority will seek refuge in neighboring countries, and thus also in developing countries.

Remittances from migrants to their relatives in the country of origin, amounted to 605 USD billion in developing countries in 2021<sup>8</sup>, more than three times the global Official Development Assistance (ODA)<sup>9</sup> received by these countries. This shows that migration can be an important contributor to economic development in countries of origin, where remittances boost household spending and investments in education, health, sanitation, housing and infrastructure.

High debt burdens and interest payments mean that even fewer resources are available for investment. In addition to the challenges posed by the COVID-19 pandemic, in recent years many countries have increasingly resorted to borrowing and debt financing to implement development and infrastructure projects in the face of sluggish tax revenue growth. The number of highly indebted developing countries has increased dramatically.

Institutions that enable markets to function are often absent or inadequate in developing countries. Insufficient protection under the rule of law and corruption make it difficult for companies to conduct their day-to-day business. Productive investment is also hampered by the limited range of financial services and instruments available in most developing countries, as well as the challenge of reaching many people and (small and medium-sized) businesses.

Technologies such as artificial intelligence, robotics, 3D printing, block chain, the Internet of Things, cloud computing and big data are opening up new possibilities. For developing countries and development cooperation, this creates new opportunities, but also challenges. Digital infrastructure and technological innovation can be the basis for new business, economic and growth models that promote employment-effective and ecologically and socially sustainable structural change in developing countries. These opportunities must be made as widely available as possible.

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<sup>6</sup> <https://www.habitatforhumanity.org.uk/blog/2017/12/the-worlds-largest-slums-dharavi-kibera-khayelitsha-neza/>

<sup>7</sup> Figures from UNHCR (<https://www.unhcr.org/refugee-statistics/insights/explainers/100-million-forcibly-displaced.html>)

<sup>8</sup> <https://www.migrationdataportal.org/themes/remittances#key-trends>

<sup>9</sup> <https://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/official-development-assistance.html>



## 3.2 Changes in development cooperation architecture and institutions

Over the past decade, new donor countries and relevant economic actors have increasingly established themselves around the world. In particular, China and India have become major engines of growth and important trading partners, increasingly influencing the economic development of many countries and regions. Both countries have significant budget surpluses and foreign exchange reserves and are often seen as attractive investors by recipient countries.

Specialized funds and foundations are playing an increasing role in the financing of development projects. They may be publicly or privately funded and often follow their own rules of operation. The private sector is also playing an increasingly important role in development cooperation. It has various functions: As a co-financier, as a provider of know-how, and as a partner in structuring projects and finding solutions (technical, financial, etc.) for specific development challenges.

Blended finance has become increasingly important in development cooperation in recent years. The aim is to leverage public funds to mobilize additional private capital for development purposes. Blended financing aims to mitigate investment risks and increase private investment in sectors that make a particular contribution to achieving the SDGs. IFIs can play an important role in this regard by supporting the development of bankable projects and national investment pipelines. At the same time, IFIs in general are devoting an increasing share of their activities to promoting the private sector in developing countries.

# 4 IFIs' basic characteristics and processes

With their broad international membership base, IFIs have considerable reach and can mobilize and coordinate different actors in the field of development finance. They have an important role to play in the implementation of the 2030 Agenda.

## 4.1 How IFIs work

IFIs support their member countries primarily in the following four areas:

1. providing financing
2. project implementation
3. know-how and advice
4. provision of public goods

The setup or organizational structure of the various IFIs is similar, but not identical. The core business of the IFIs - also known as “hard window” - is to provide member countries with access rights to non-concessional financing at near-market conditions. Because of its good credit rating (usually AAA), an IFI can borrow funds cheaply on the international capital markets and pass them on to borrowing member countries on a long-term basis.

In addition, some IFIs have established concessional funds for their least developed members. These funds - also known as “soft windows” - provide low-cost long-term loans and grants to the poorest countries, whose creditworthiness is often insufficient to qualify for commercial loans. Because of their concessional nature, soft windows depend on regular replenishment by the donor community.

IFIs can also implement specialized “Trust Funds”. Through these, donor countries with IFIs as trustees provide additional capital, public special funds, so to speak, for specific topics and problem areas.

IFIs have a wealth of experience in development cooperation and proven best practice models. They make this available through advice and technical assistance (TA) to institutions in recipient countries and through local capacity-building activities. In addition, IFIs act as knowledge carriers, collecting empirical data and enabling institutions in developing countries to collect and manage data. They make knowledge available to partner organizations and institutions in the development context in the form of scientific

studies and reports or as part of events. In addition, IFI-funded projects implement high internationally recognized environmental and social standards.

Because of their broad international membership structure, IFIs are able to mobilize and coordinate a large number of different governmental and non-governmental actors. For example, IFIs play a leading role in funding and financing climate action measures. They also contribute to the stability of the international financial system by providing counter-cyclical emergency assistance and coordinating debt relief initiatives. IFIs also provide emergency assistance in the face of natural disasters and health and hunger crises by rapidly financing responses.

## 4.2 Capitalization

IFIs are capitalized by their member countries. When an IFI is established or a new member joins, the member countries acquire a share of the IFI's capital and voting rights in proportion to their paid-in share. IFIs differ from commercial banks by virtue of their character as subjects of international law. IFIs also differ from conventional banking institutions in terms of their mandate, as their focus is on the long-term economic and social development of their members and the implementation of the SDGs, in particular on global poverty reduction and inclusive growth.

During the life cycle of an IFI, the need for a capital increase may arise at irregular intervals, depending mainly on economic (e.g. economic crises) or political factors (e.g. expansion of lending to new members). Participation in a capital increase allows member countries to maintain and sometimes increase their voting rights. The overall objective of a capital increase is to ensure that the respective IFI has sufficient financial resources and thus a certain volume of lending through adequate capital resources. Capital increases can also often be linked to important institutional reforms aimed at improving the efficiency, effectiveness and development outcomes of the institution.

## 4.3 Austria's supervisory role in IFIs

Austria holds different shares in the capital of selected IFIs. The Austrian shares vary between 0.16 % and 2.76 % (see Figure 1). The shareholding in an IFI determines the extent of the voting rights and forms the basis for cooperation with an IFI. The respective shareholding gives the shareholder an appropriate right of co-determination in the Board of Governors and the Board of Directors. This goes hand in hand with an important steering function and the assertion of supervisory duties vis-à-vis the management of the bank.

Austria is a reliable partner for a large number of IFIs and was in most cases a founding member. In addition, the Austrian Development Bank (OeEB) was founded in 2008 and has since become the seventh largest European development bank (EDFI). The BMF represents Austria in the following IFIs:

Image: Overview of the IFIs in which Austria is represented on the Board of Governors by the Federal Minister of Finance<sup>10</sup>

World Bank Group	Regional development banks	European financial institutions	Other funds
<b>IBRD</b> – International Bank for Reconstruction and Development (0.71%)	<b>AfDB</b> – African Development Bank Group (0.44%) • <b>AfDF</b> – African Development Fund (1.98%)	<b>EDF</b> – European Development Fund (2.71%)	<b>IFAD</b> – International Fund for Agricultural Development (1.43%)
<b>IDA</b> – International Development Association (1.51%)	<b>AIIB</b> – Asian Infrastructure Investment Bank (0.52%)	<b>EIB</b> – European Investment Bank (2.58%) • <b>EIF</b> – European Investment Fund	<b>GEF</b> – Global Environment Facility (1.47%)
<b>IFC</b> – International Finance Corporation (0.79%)	<b>AsDB</b> – Asian Development Bank (0.34%) • <b>AsDF</b> – Asian Development Fund (0.74%)	<b>ESM</b> – European Stability Mechanism (2.76%)	
<b>MIGA</b> – Multilateral Investment Guarantee Agency (0.77%)	<b>EBRD</b> – European Bank for Reconstruction and Development (2.30%)		
<b>ICSID</b> – International Center for Settlement of Investment Disputes	<b>IDB</b> – Inter-American Development Bank (0.16%)  <b>IDB Invest/IIC</b> – Inter-American Investment Corporation (0.54%)		

<sup>10</sup> The IMF is not listed here, since Austria is represented in this institution on the Board of Governors by the Austrian National Bank. Shares with a reference date of mid-2022 or late 2022.

IFIs tend to have similar governance structures. The two main decision-making bodies are the Board of Governors and the Board of Directors:

- The Board of Governors serves the shareholders as the supreme decision-making and supervisory body. It decides on the major strategic policy areas of the banks and on central financial matters (e.g. new financial instruments, capital increases, membership applications, etc.). Austria is represented in the Board of Governors by the Federal Minister of Finance.
- The Board of Directors, often referred to as the Administrative and Supervisory Board or simply the “Board”, is responsible for overseeing the overall operations of the IFIs. Projects and detailed strategies are discussed and decided upon in the Board of Directors. It is an important steering instrument for the shareholders to put forward their concerns and positions.
- Most countries are grouped into constituencies on the Board of Directors. The representation of each country is defined in constituency agreements. Austria is represented on the boards of the IFIs according to its paid-up capital shares and thus holds various positions with different levels of responsibility.

Since decisions in the Board of Governors and in the Board of Directors can only be controlled to a limited extent by individual shareholders, it is important for smaller countries like Austria to cooperate in a group and to form alliances. Austria supports coordination among EU member states.

The committees of the boards are also important, as they prepare the content of decisions for them. They deal with issues such as human resources, budget, audit, risk and strategy, development effectiveness, governance and administrative matters. Austria follows the work of the committees both locally and at a technical level in the Federal Ministry of Finance.

## 4.4 Participation in fund replenishments

As a donor country, Austria participates in the regular replenishment of the “soft windows” of the following IFIs:

- International Development Association (IDA)
- African Development Fund (AfDF)
- Asian Development Fund (AsDF)
- Global Environment Facility (GEF)
- International Fund for Agricultural Development (IFAD)

While IFIs are generally profitable and do not require ongoing payments from donor countries, due to their concessional nature, funds generally need to be replenished every three to four years. Funding for replenishments comes from returns, internal resources such as profit transfers, and contributions from donor countries.

Prior to a replenishment, the fund management presents the planned objectives in terms of content. Measuring and verifying results is an important aspect of replenishment for Austria. Part of a replenishment is the agreement on concrete goals and indicators for measuring results (Results Measurement Framework), which enables the international donor community to monitor the achievement of goals. Austria advocates a system that is as efficient and comprehensible as possible, that allows comparisons between IFIs, and that is increasingly harmonized. The Federal Ministry of Finance regularly reports to Parliament on progress in achieving the goals and on the efficient use of the funds.

# 5 Strategic goals of Austrian cooperation with IFIs

With regard to the participation in and involvement in IFIs, the BMF pursues the following strategic goals on four levels:



Through its participation in IFIs, the BMF wants to contribute to positive development effects in developing countries and to the implementation of the 2030 Agenda. Poverty reduction and inclusive growth are central concerns. Therefore, through its participation in IFIs, the BMF seeks to promote broad-based and sustainable growth that benefits the target groups most in need and the broadest possible segment of society.

Austria also participates in IFIs to ensure that they are well-functioning organizations that act in an up-to-date manner and adapt to constantly changing challenges, requirements and demands in line with their respective supervisory functions. Ensuring that IFIs are results-oriented and effective is a top priority. In addition, Austria expects IFIs to operate efficiently in terms of resources and costs, to adhere to high environmental and social standards, and to provide easily accessible accountability and complaint mechanisms, such as ombudspersons, whistleblowing, or similar.

Last but not least, the cooperation between the BMF and the IFIs should also have positive effects on Austria. A strategic goal of Austria's engagement in IFIs is therefore

also to bring national concerns, emphases and priorities into the activities of the IFIs. In its cooperation with the IFIs, the BMF also strives to network with Austrian stakeholders and the contribution of Austrian expertise. The Austrian business community, as well as universities, research institutes and experts, have great potential for cooperation. It is therefore a particular concern of the BMF to strengthen the perception of Austria as a source of knowledge and as an interesting business partner for IFIs. The BMF's cooperation programs with the IFIs contribute to this. Another concern and goal of the BMF is to strengthen Austria as a location for regional offices of the IFIs. Cooperation with development policy and humanitarian non-governmental organizations can also offer potential for cooperation.

Furthermore, active cooperation with IFIs enables smaller countries like Austria to leverage their own ODA funds by pooling donor countries' resources. Through pooling, multilateral engagement can effectively complement bilateral development cooperation and national initiatives.

Independent evaluations give IFIs a very positive testimony regarding the efficiency, effectiveness and transparency of their activities. With comparatively low administrative costs due to the pooling of resources, IFIs are particularly efficient. They are considered effective because of their strong focus on results, high environmental and social standards, and strong accountability mechanisms. Thanks to regular reporting, they are also among the most transparent institutions when it comes to implementing development projects.



# 6 Guiding principles of Austria's cooperation with IFIs

Austria's role as a shareholder in the IFIs is determined by guiding principles that serve as the basis for Austria's substantive positioning in the institutions:

## 6.1 Guiding principle 1: Inclusive economic growth and poverty reduction

The COVID-19 pandemic has wiped out four years of progress in poverty reduction, and Russia's war of aggression in Ukraine has reduced the prospects for success. According to the World Bank, around 70 million more people are living in extreme poverty than would have been the case without these shocks. All the more reason for the IFIs to step up their efforts to reverse this trend and close the poverty reduction gap.

IFIs aim to enable prosperity for all by promoting inclusive economic growth that raises the incomes of broad sections of the population and contributes to poverty reduction. Inclusive growth has a positive effect on social inequality within a country, as well as regionally and internationally, and should therefore allow all segments of the population to benefit from economic growth. IFIs are required to focus on the least developed countries (LDCs), in line with the principle "Leave no one behind" of the 2030 Agenda, as well as on disadvantaged and vulnerable groups. In particular, less developed regions, such as sub-Saharan Africa or conflict-affected states, are more severely affected by multiple crises. At the same time, these countries often have no or only very limited access to the capital market and have far-reaching institutional vulnerabilities. Austria urges the IFIs to work towards inclusive growth processes in their activities that offer everyone the opportunity to participate in economic, social and technological progress.

## 6.2 Guiding principle 2: Ecological sustainability and climate action

Austria is committed to protecting the planet, conserving natural resources and biodiversity, and mitigating and adapting to climate change at all levels. Austria calls on the IFIs to play a leading role in making a significant contribution to international climate finance and to further increase it, to set specific and ambitious climate finance targets in the context of the Paris Climate Agreement, and to report regularly and transparently on the achievement of these targets. Regarding issues of Loss and Damage, potential

synergies with activities in the area of Mitigation and Adaptation should be taken into account Austria is also committed to ensuring that the entire portfolio and all activities of all IFIs are aligned with the UN Agenda 2030 and the goals of the Paris Agreement (Paris Alignment). IFIs should report regularly on their Paris Alignment and justify any deviations accordingly.

At the project level, compliance with environmental standards plays an important role. For Austria, it is essential that very high environmental and social standards (safeguards) are observed in the development and implementation of projects. In the energy sector, Austria opposes any form of involvement in nuclear energy. In the infrastructure sector, IFI financing for aviation projects in particular is viewed very critically and will only be considered if the project can accelerate long-term decarbonization.

Austria opposes the financing of fossil fuels such as coal and oil by IFIs. Upstream and midstream gas projects are rejected in line with the existing energy sector strategies of most IFIs. Downstream activities will be assessed on a case-by-case basis in low- and middle-income countries and may exceptionally be considered as a transition technology if they are aligned with national climate action plans and contributions (NDCs) and long-term climate and decarbonization strategies. It is important to ensure that an overall reduction in baseline emissions is achieved and that there are no lock-in effects. It is also important to avoid the risk of stranded assets.

Austria also supports ambitious national action plans and long-term climate and decarbonization strategies through IFIs. This is in line with Austria's strategy for international climate finance. In addition, the promotion of biodiversity in IFI projects is an important concern for Austria. If IFIs propose activities that promote monocultures (e.g. palm oil), Austria rejects them. Activities related to genetically modified organisms (GMOs) are critically examined in accordance with the precautionary principle. Within the framework of IFI financing, Austria is increasingly committed to promoting nature-based solutions and making natural capital measurable. In this way, Austria aims to contribute to the implementation of the Austrian Biodiversity Strategy in an international context.

### **6.3 Guiding principle 3: Ensure viability of new debt**

Through debt relief initiatives for heavily indebted countries such as HIPC (Heavily Indebted Poor Countries) or the MDRI (Multilateral Debt Relief Initiative), the debt burden of the poorest countries has been reduced to a level that allows for development successes and creates the conditions for sustainable economic and social development.

In the long term, Austria is committed to keeping the new debt of these poorest countries at a sustainable level. This is based on the MDB debt sustainability framework (DSF) and

the G20 Debt Transparency Initiative. IFIs must therefore take debt levels into account when granting loans, especially to the poorest and most fragile countries, in order to avoid over-indebtedness. Austria advocates a harmonized application of the DSF within all MDBs and other creditor countries (e.g. export credit agencies, new donor countries, etc.). An important part of this is capacity building in debt management in developing countries. This is supported, for example, by the Debt Management Facility (DMF) of the World Bank and the IMF, in which Austria participates.

Following a joint call by the IMF and the World Bank, the G20 countries launched the Debt Service Suspension Initiative (DSSI) in May 2020, which allowed for debt deferrals on G20 bilateral loans until the end of 2021. The Common Framework for Debt Treatments beyond the DSSI, or Common Framework, launched by the G20 and the Paris Club in November 2020, is now intended to create debt restructuring options for the 73 countries that were already eligible for debt suspension under the DSSI. Austria supports the Common Framework initiative to create a framework with the broadest possible participation of private creditors and creditor countries that are not members of the Paris Club.

## **6.4 Guiding principle 4: High standards of governance and transparency**

In order to be able to adequately perform the oversight and steering function in the IFIs, an institutional orientation is required that guarantees transparency, responsibility, accountability and quality assurance. The Paris Declaration on Aid Effectiveness is an important basis for this. In all IFIs, Austria advocates modern and highest possible standards of governance as well as continuous monitoring. For example, IFIs must ensure compliance with environmental and social standards (safeguards) in the implementation of their projects and programs, as well as periodic and systematic evaluation and measurement of results by an independent organizational unit. These safeguards also include, for example, the people directly affected by IFI projects, including indigenous peoples. In addition to an internal audit function to review financial management, there is also a need for complaint mechanisms for those affected by IFI projects. The establishment of an anti-corruption unit (e.g. in the procurement area), as well as arbitration boards and ombudspersons are also important pillars of IFI governance mechanisms.

In addition, it is essential that IFIs are transparent about their decisions and work processes and publish relevant information as soon as possible. Results measurement and impact analysis systems need to be applied to IFI activities to increase efficiency and effectiveness, provide visibility of development impact, and ensure accountability

to stakeholders. Ambitious targets and easily measurable indicators are essential and can be used, for example, to measure thematic results.

Compliance with good governance principles plays a role in the work of the IFIs at two levels. First, it is important that IFIs integrate them as a cross-cutting issue in all programs and projects, and second, they can be considered as independent areas of intervention, such as public finance reforms, support to national procurement systems, or measures to prevent and combat corruption. IFIs should support good governance based on a functioning democratic system, the rule of law and legal certainty, the separation of powers and an independent judiciary in the respective countries of operation. It guarantees the protection of human rights, including children's rights, free and independent media and a vibrant civil society.

Austria is also committed to ensuring that IFIs develop and implement strategies or guidelines for dealing with non-transparent and non-cooperative tax jurisdictions in order to prevent support for harmful practices such as tax avoidance, tax evasion, money laundering and terrorist financing. The BMF's assessment is based on the applicable EU list of third countries for tax purposes and the OECD Global Forum classification.<sup>11</sup>

## **6.5 Guiding principle 5: Promotion of a sustainable financial structure of the IFIs**

A sustainable financial structure includes an adequate general annual budget (including administrative budget), adequate capitalization of the IFIs (triple AAA, balance sheet optimization measures), mature risk management and adequately assessed lending costs of the institutions. Austria calls on the IFIs to pursue frugality and efficiency as overriding principles. Annual budget adjustments to the administrative expenses of the IFIs should not exceed the rate of inflation at most, except in very well justified exceptional cases. Furthermore, Austria advocates economic salary adjustments at all levels, especially in times of crisis.

A mature risk management system should be based on the monitoring of meaningful capital adequacy indicators. The implementation of the recommendations of the G20 Independent Review of MDBs' Capital Adequacy Frameworks should be fully examined. The recommendations include five instruments to increase the volume of MDB funding: Adapting the approach to risk tolerance, paying more attention to callable capital, expanding the use of financial innovation, improving the rating of MDBs by credit rating agencies, and improving access to MDB data and its analysis. Austria's overriding concern is to retain the AAA rating for all institutions. Additional financing instruments, such as

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<sup>11</sup> <https://www.consilium.europa.eu/de/policies/eu-list-of-non-cooperative-jurisdictions/>

raising funds on the capital markets (e.g. hybrid capital), must be carefully considered and cannot be an alternative to a sound capitalization of MDBs. With regard to funds, the instrument of raising resources on the capital markets should also be critically reviewed.

Loan pricing should not lead to competition among IFIs. On the one hand, it should allow for attractive financing for developing countries and, on the other hand, ensure that the administrative costs of the MDB are largely covered. Thus, on the one hand, the development needs and the repayment capacity of the recipient countries should be taken into account and, on the other hand, the necessary sustainable financial management of the IFIs should not be neglected.

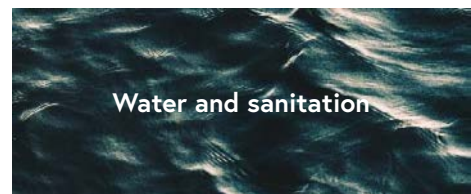
## **6.6 Guiding principle 6: Promotion of gender equality at all levels**

Women are often disadvantaged in social, economic and political life and are disproportionately affected by poverty worldwide, especially in developing countries. Women's rights are human rights. Gender equality is a prerequisite for a just and inclusive society and sustainable development. Integrating the gender dimension into the activities of IFIs is essential for achieving better development results. Women's economic empowerment leads to higher economic growth, and their adequate inclusion in decision-making mechanisms leads to better consideration of different needs and interests. Access to public services in the areas of care, health and education is a key prerequisite for increasing women's participation in the labor market. Equality for women in the social, economic and political context is an indispensable element of an inclusive growth strategy.

Austria therefore advocates that IFIs develop and implement their own gender strategies and action plans. Gender equality should be pursued both in personnel policy (equal representation) and as a cross-cutting issue in project design and implementation (gender mainstreaming). IFIs should consider gender equality as an essential pillar of their country strategies and mainstream it in all strategy documents. Specific indicators for gender goals and gender mainstreaming should be included in IFI results measurement systems and gender-specific data should be collected where relevant.

# 7 Programmatic focus

By focusing on specific thematic areas, development goals can be achieved more effectively and Austria's foreign trade interests as well as the increased representation of IFIs in Vienna can be supported. In cooperation with the IFIs, the BMF is therefore developing specialized programs through payments into Trust Funds that support activities in four priority areas:



Participation in Trust Funds is the most important way for the BMF to engage in thematic cooperation with IFIs. Through this type of cooperation, the priorities set by the BMF can be implemented in a targeted manner, and the orientation of the content can also be significantly influenced. This so-called programming is therefore an important area that can be substantially controlled by the BMF. In the four strategic areas mentioned, existing programs can be continued and additional programs can be negotiated and concluded with the IFIs.

The supported Trust Funds and programs are carefully selected and strategically deployed by the BMF and the results are continuously tracked.

## 7.1 Focus area 1: Sustainable energy and climate action

Sustainable energy and climate action are important development policy issues. They are becoming increasingly relevant due to the unequal global distribution of resources and capacities, the growing impact of climate change, and the need to ensure long-term energy security while protecting the environment and biodiversity.

Through core contributions to IFIs, as well as through IFI cooperation programs, Austria supports measures aimed at global emission reduction (mitigation) as well as the energy transition away from fossil fuels to environmentally and climate-friendly technologies. Examples of such measures are the improvement of planning bases, meteorological data and institutional frameworks, capacity building, etc.

An essential part of the IFI cooperation are also measures supported by Austria for better adaptation to climate change in order to increase resilience. Examples include preparedness and adaptation measures to avoid and improve the management of natural disasters, measures for data collection, the establishment of early warning systems, etc. In this context, Austria is also committed to avoiding costly, misguided adaptation initiatives (avoidance of maladaptation).

Protecting biodiversity is also important for maintaining a livable environment. This includes protecting forests, water and marine resources, and reducing or avoiding certain chemicals and substances that pollute the environment.

Austria is thus contributing to the goals of the Paris Agreement and the EU's Green Deal. The importance of climate change mitigation and adaptation, biodiversity, renewable energy and sustainable solutions for energy efficiency promise not only a significant contribution to the implementation of international environmental goals but also promises opportunities for Austrian stakeholders to apply their expertise.

### Program example: Global Facility for Disaster Reduction and Recovery (GFDRR)



Vanuatu:  
Aftermath of Tropical  
Cyclone Harold  
(© World Bank)

The World Bank's GFDRR is a global partnership, that helps developing countries cope with natural disasters and adapt to climate change through grants, technical assistance, analytical support and training. Integrating disaster and climate risk management into policies and strategies is essential. GFDRR's activities support the Sendai Framework Agreement, the Paris Climate Agreement and the SDGs.

Austria has been a member of the GFDRR since 2012 and is considered one of the most important donor countries supporting activities in the regions of Europe and Central Asia (ECA) and Africa. Austria's focus is on the areas of resilient urban development, hydro-meteorological activities, surface-based systematic weather and climate observations, and nature-based solutions in mountain regions. There are already collaborations with a number of Austrian institutes, including the Central Institute for Meteorology and Geodynamics (GeoSphere Austria).



## 7.2 Focus area 2: Water and sanitation

Due to the great social, economic and peace-keeping importance of the water sector, Austria supports the sustainable promotion of the water sector in low- and middle-income countries through IFI cooperation programs. Cooperation with IFIs in the water sector has the longest tradition and is therefore closely linked to Austria's bilateral development cooperation. Due to the contribution of Austrian expertise in the field of small-scale settlement development and special structures of water supply, it is characterized in particular by a strong link to foreign trade, which should continue to be used in the best possible way within the framework of the IFI programs.

### Program example: Danube Water Program (DWP)

The DWP is a technical assistance program aimed at strengthening the water sector in the Danube region. Key activities include analytical and advisory services, capacity building, and knowledge sharing for water sector professionals and stakeholders in the region. The program is implemented by the World Bank in partnership with the International Association of Water Service Companies in the Danube River Basin (IAWD). The program covers 16 countries, of which 11 are target countries and 5 are participating countries (see map). Austria/the BMF has been supporting the DWP since 2013.

The DWP was officially launched in May 2013 in collaboration with line ministries, regulators, water utilities and local government representatives from a dozen countries in Southeast Europe. The program supports utilities and sustainable water and sanitation services in the Danube region. Technical and administrative capacities are strengthened through partnerships with regional, national and local stakeholders and an informed policy dialogue on sector challenges.



Orange: target countries  
Yellow: participating countries  
Framing: Danube River Basin

### 7.3 Focus area 3: Private and financial sector development

The objective of Austria's cooperation with IFIs in the area of private and financial sector development is to support low- and middle-income countries in creating the necessary legal and institutional framework for a positive investment climate and in laying the essential foundations for competitiveness and productivity. Sustainable private sector development is essential for generating local income and employment and is promoted by fostering economic diversification and local innovation as well as by expanding basic economic infrastructure and capacity building.

The global financial and economic crisis of 2008/09 and the far-reaching financial consequences of the COVID-19 pandemic have also highlighted the importance of a well-functioning, transparent and clearly regulated financial sector: Not least because of the globalized financial markets, modern supervision, regulation and accounting are important factors for sustainable development, especially in low- and middle-income countries.

#### Program example: Financial Sector Advisory Center (FinSAC)



Panel Discussion  
FinSAC Conference 2019

FinSAC, based in Vienna, is a technical unit of the World Bank that provides advisory services and support for the implementation of financial sector reforms in Europe and Central Asia (ECA). The center has been supported by Austria since 2011.

FinSAC promotes the use of international benchmarks and standards in the financial sector. The program organizes specialized technical assistance under the following three thematic pillars: 1) financial stability, crisis preparedness and macro prudential framework; 2) strengthening micro prudential supervision and regulation, including the resolution of non-performing loans; and 3) bank recovery and resolution. Each year, the FinSAC Annual Conference invites key stakeholders from the banking sector in the ECA region to participate in various workshops related to recent developments in banking supervision and financial stability, thereby contributing significantly to knowledge transfer.

## 7.4 Focus area 4: Sustainable urban development and connectivity

The proportion of the world's population living in urban areas is currently 57 %<sup>12</sup> and is expected to rise to 68 %<sup>13</sup> by 2050 according to UN projections. Urbanization will be particularly rapid in developing countries in Asia and Africa. On the one hand, these trends can be seen as an opportunity for economic development. On the other hand, growing metropolitan areas and rapidly increasing urban populations pose particular challenges, especially for people with disabilities. Against this background, Austria actively supports the development of various concepts for sustainable urban development, such as the promotion of urban transport and supply systems.

Connectivity is provided by network infrastructure in various ways (digital infrastructure, rail networks, etc.). Among other things, Austria is committed to creating sustainable transport networks. Safe and integrated transport solutions are to be developed, which are essential for improving mobility and increasing the quality of life in cities and their surrounding areas.

In addition, global trends and technological progress, especially in the context of sustainable urban development, require the expansion of digital infrastructure and the promotion of digitization, as this can make a positive contribution to a large number of goals such as inclusion, security and sustainability. Through the targeted promotion of digital infrastructure, Austria also contributes, among other things, to the agenda of the EU's Digital Decade and to the global accessibility of digital goods and services. In this context, Austria also focuses on the expansion of e-government.

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<sup>12</sup> <https://data.worldbank.org/indicator/SP.URB.TOTL.IN.ZS>

<sup>13</sup> <https://www.un.org/development/desa/en/news/population/2018-revision-of-world-urbanization-prospects.html>

**Program example: Railway focus under the Sustainable Transport for all initiative of the AsDB**



Company visit in Austria with Azerbaijani participants

Parts of Azerbaijan's rail network are in poor condition, resulting in high costs/prices, long travel times, and a lack of safety. This is a clear disadvantage for the country's competitiveness. The AsDB is therefore supporting Azerbaijan in modernizing the state rail network and making its management more sustainable in order to optimize usage and costs. One aspect is the use of digital technologies that enable preventive maintenance to avoid breakdowns.

With the support of the BMF, AsDB, together with the Technical University of Graz, organized in-depth training courses in which participants from Azerbaijan and other Asian countries learned more about sustainable and efficient management of railway networks. This improved public services, strengthened the overall competitiveness of the state railway, and established Austria as an attractive knowledge and trade partner in the railway sector.

## 7.5 Geographic focus and selection criteria

Geographically, the IFI cooperation is primarily focused on Eastern and Southeastern Europe as Austria's neighboring region, since Austria's foreign, security and economic policy interests overlap particularly strongly in these areas and the added value that Austria can achieve through programmatic cooperation with the IFIs is particularly high. Africa, the Middle East and Central Asia also play an important role. Programs in other regions can also be supported as long as they fall within the four priority areas.

IFI cooperation is also designed to take account of the priority countries of Austrian development policy. Through thematic and programmatic cooperation, it is possible to introduce topics in the IFIs, to exert an influence by setting priorities and thus to contribute to Austria's visibility in the IFIs as well as at home and abroad.

### **BMF selection criteria for contributions to IFI Trust Funds:**

- Alignment with the priorities of the BMF
- Promotion of strategic interests and visibility of Austria, including contract opportunities for companies, networking, settling in Vienna, etc.
- Quality of the partnership relationship with the IFI
- Additionality of Austrian funds and mobilization of additional funds
- Expected development impact and efficiency of use of funds
- High standards of results measurement and reporting
- Promotion of an innovative element or new approaches
- Strengthens local technical expertise and capacity
- Promotion of gender equality and inclusion

## 7.6 Further objectives

In addition to general support for Austria's four priority areas (see above), Trust Fund contributions have further objectives. They also serve as a framework for 1) Support and reconstruction of Ukraine; 2) Promotion of IFI representation in Vienna; 3) Promotion of Austrian foreign trade; and 4) staffing programs.

### 1. Support and reconstruction of Ukraine

The Russian war in Ukraine has caused devastating human, social and economic damage to the country. Ukraine needs billions each month to maintain essential government services, including essential public services in health, education and social security. Rapid and substantial investment is needed to repair infrastructure such as energy and transportation, as well as destroyed homes, schools and clinics.

It is important for Austria to support activities in Ukraine through the IFIs in order to show solidarity with the Ukrainian people and to make a lasting contribution to stability in Europe. Rapid assistance is essential to meet the most urgent needs of the Ukrainian population. In the medium term, the focus will shift to supporting the planning and implementation of reconstruction.

#### Ukraine Relief, Recovery, Reconstruction and Reform Trust Fund (URTF) of the World Bank



Ukraine Relief, Recovery, Reconstruction and Reform Trust Fund

The URTF was presented at the IMF/World Bank Annual Meetings in October 2022 against the backdrop of the dramatic consequences of the Russian war of aggression in Ukraine and was supported by Austria with a contribution of 20 EUR million in December 2022. It is part of a World Bank Group support platform for Ukraine, which mobilizes financial resources from public and private donor countries and is to be implemented jointly by the WB

sub-organizations (IBRD, IDA, IFC, MIGA) in coordination with the EU and other partners.

The objectives of the program are to assist the Ukrainian state in 1) maintaining its capacity to provide essential administrative functions and public services and to carry out relief operations; and 2) planning and implementing measures to promote sustainable reconstruction and the implementation of reforms in Ukraine.

## 2. Promotion of IFI representation in Vienna

The Ministry of Finance actively promotes IFI representation in Vienna with the aim to strengthening Austria as a location for operational units of the IFIs. Thus, it supports programs of IFIs that are either already located in Vienna or programs whose operational management is being transferred to Austria. Vienna has become an attractive location for the entire WBG and the IMF, and an increasing number of programs are being implemented from Vienna. Austria is committed to further strengthening Vienna as an attractive location.

Program units based at the WBG's Vienna office include the World Bank Center for Financial Reporting Reform (CFRR), the Financial Sector Advisory Center (FinSAC), and the Danube Water Program (DWP).

### Vienna office continues to grow

The BMF has been pursuing the establishment of the WBG in Vienna since 2007. It is considered a great success to have an operational WBG hub in Vienna. Due to the continuous expansion, the Vienna office is now one of the most important branches in the EU.

Major milestones in the BMF's efforts to strengthen Vienna as a WBG location include the establishment of 1) the World Bank's country office for the Western Balkans (IBRD, 2013); and 2) an office of the International Finance Corporation (IFC, 2017). The regular financial support of the BMF for thematic programs has contributed significantly to the gradual establishment of operational units of the WBG in Vienna. A small branch of the International Monetary Fund (IMF), a regional office for the Western Balkans, has also been operating at the same location since fall 2019.

The total capacity of the Vienna office is approximately 290 staff and consultants (as of 2023).



Vienna office of the World Bank



### 3. Promotion of Austrian foreign trade

Within the framework of the Foreign Trade Program (AWP), cooperation agreements are concluded with IFIs that promote technical assistance and projects with potential added value for the Austrian economy. This opens up or facilitates business opportunities for Austrian companies with IFIs in the form of contracts. The Foreign Trade Program thus represents an interface between development policy objectives and foreign trade interests.

The most important IFIs in the context of the AWP are the IFC and the EBRD, as they have specific mandates to promote private sector development in developing countries.

#### Austrian know-how for urban renewal in the Western Balkans



Urban development area  
in Sarajevo

Austria and the EBRD have established the CREATE (City Regeneration and Environment) Fund, to support cities in promoting public and private investment in city centers. Sarajevo wants to develop new urban centers within the existing urban fabric. This will improve access to jobs and housing, reduce traffic congestion in the old city, and attract investment in sustainable real estate and greener public spaces.

Superwien, an Austrian consulting firm with global experience, led a consortium of local experts and Vienna-based specialists. The consortium was selected by the EBRD through a competitive selection process to advise Sarajevo. The integrated team prepared strategic master plans for the areas. Each plan included an infrastructure plan, an urban strategy, public engagement processes, and a marketing and consultation plan. Financial viability was also assessed.

The master plans were approved in the summer of 2022, after which the EBRD began preparing a framework for the project's implementation, bringing together public and private landowners based on the shared vision developed by Superwien.



#### 4. Staffing programs

The BMF actively supports the entry of Austrians in IFIs. The aim is to bring in Austrian know-how and to increase the share of Austrians in the IFI workforce.

##### **World Bank JPO Program: Approximately three quarters of Austrian JPOs are taken over by the World Bank Group**

Until 2022, 41 Austrians were selected for the Junior Professional Officer (JPO) program of the WBG. Among them are 19 women and 22 men. Overall, about 75 % of the Austrian JPOs are taken over. This puts the Austrian program well above the global average of 62 % (2022). This program gives young experts the opportunity to gain international experience and to work in the WBG for a longer period of time.

In its cooperation with IFIs, Austria responds flexibly to current and ongoing crises and thus contributes to alleviating regional and global problems. The projects are fully eligible as ODA and partly also as international climate finance.

# List of abbreviations

AfDB	African Development Bank
AfDF	African Development Fund
AIIB	Asian Infrastructure Investment Bank
AsDB	Asian Development Bank
AsDF	Asian Development Fund
AWP	Foreign Trade Program ( <i>Außenwirtschaftsprogramm</i> )
BMF	Federal Ministry of Finance ( <i>Bundesministerium für Finanzen</i> )
CFRR	Centre for Financial Reporting Reform
CREATE	City Regeneration and Environment Trust Fund
DMF	Debt Management Facility
DSF	Debt Sustainability Framework
DSSI	Debt Service Suspension Initiative
DWP	Danube Water Program
EBRD	European Bank for Reconstruction and Development
ECA	Europe and Central Asia
EDFI	European Development Finance Institutions
EIB	European Investment Bank
EIF	European Investment Fund
ESM	European Stability Mechanism
EZA	Development Cooperation ( <i>Entwicklungszusammenarbeit</i> )
FinSAC	Financial Sector Advisory Center
GEF	Global Environment Facility
GFDRR	Global Facility for Disaster Reduction and Recovery
GMO	Genetically modified organism
HIPC	Heavily Indebted Poor Countries
IAWD	International Association of Water Service Companies in the Danube River
IBRD	International Bank for Reconstruction and Development
ICSID	International Centre for Settlement of Investment Disputes
IDA	International Development Association
IDB	Inter-American Development Bank
IFAD	International Fund for Agricultural Development
IFC	Internationale Finance Corporation
IFI	International Financial Institution
IMF	International Monetary Fund
IPCC	Intergovernmental Panel on Climate Change
JPO	Junior Professional Officer
LDC	Least Developed Countries
MDB	Multilateral Development Bank
MDRI	Multilateral Debt Relief Initiative
MIGA	Multilateral Investment Guarantee Agency
NDCs	Nationally Determined Contributions
ODA	Official Development Assistance
OECD	Organization for Economic Co-operation and Development
OeEB	Austrian Development Bank ( <i>Österreichische Entwicklungsbank</i> )

SDG	Sustainable Development Goals
TA	Technical Assistance
URTF	Ukraine Relief, Recovery, Reconstruction and Reform Trust Fund
UN	United Nations
WBG	World Bank Group









