

**DEVELOPMENT CO-OPERATION DIRECTORATE  
DEVELOPMENT ASSISTANCE COMMITTEE**

**Peer Review**

**REVIEW OF THE DEVELOPMENT CO-OPERATION POLICIES AND PROGRAMMES OF  
PORTUGAL**

**THE DAC'S MAIN FINDINGS AND RECOMMENDATIONS**

**10 NOVEMBER 2015**

*This document was discussed at the Peer Review meeting of Portugal on 10 November 2015 and at the editorial session with the Delegation of Portugal and Examiners from the Czech Republic and Luxembourg. The revisions have subsequently been approved by all delegations and the Main Findings and Recommendations are now issued in their FINAL form.*

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# 1: Towards a comprehensive Portuguese development effort

**Indicator: The member has a broad, strategic approach to development and financing for development beyond aid. This is reflected in overall policies, co-ordination within its government system and operations**

## Main findings

1. Portugal draws on the expertise of its entire public administration to contribute strategically to international development processes and the provision of global public goods.

2. A strong advocate of the UN 2030 Agenda, Portugal has actively supported the inclusion of Sustainable Development Goal 16, which calls for peaceful and stable societies, as well as Goal 5 on gender equality and woman's rights and Goal 14 on the conservation and sustainable use of oceans and seas.

3. Portugal has a close relationship with other Portuguese-speaking countries, many of which are its key development partners. It works with them to share information and adopt common positions at the international level on sustainable development issues. As part of its engagement with the Community of Portuguese Speaking Countries (CPLP), for example, it is leading the development of a collective maritime strategy for the sustainable management of the oceans and the seas.

4. Portugal is committed to ensuring its policies beyond official development assistance (ODA) have a positive impact on partner countries. Since the 2010 peer review, Portugal's Council of Ministers has adopted a legal resolution on policy coherence for development. Seven key policy issues have been identified as critical, and the institutional mechanisms for addressing coherence across ministries have been strengthened.

5. Building on this progress, Portugal could strengthen analysis and monitoring of how its policies are affecting developing countries. This will enable it to better identify and resolve policy incoherencies and invest in those policies that can support development.

6. The country ranks highly on the Centre for Global Development's 2014 Commitment to Development Index due to its low greenhouse gas emissions, strong support for research and development, and relatively high levels of financial transparency.

7. However, tackling policy inconsistencies in sensitive areas can be a challenge. In 2013 the OECD's Working Group on Anti-Bribery expressed some concern over Portugal's lack of progress in prosecuting foreign bribery allegations involving Portuguese companies working abroad due to the difficulties in the gathering of evidence and to obtain answers to mutual legal assistance requests.

8. Portugal's 2015 follow-up report to the review on Anti-Bribery has shown positive developments. The

country is addressing legal loopholes and has initiated a number of new investigations of alleged cases of foreign bribery. Maintaining progress in this area will be critical if Portugal wants to uphold its commitment to governance, rule of law and human rights in developing countries.

9. Portugal is aware that ODA alone is not sufficient to meet the development finance needs of its partners and has recognised that it should use its ODA in a more catalytic manner.

10. Its Development Finance Institute – SOFID – uses a wide range of instruments to leverage private finance. However, SOFID's portfolio remains small, and its investments are tied to companies or consortiums that have at least 20% Portuguese capital. There are also limited synergies between SOFID projects and Portugal's development programmes.

11. Portugal also wants to enhance its support for the private sector in partner countries by adopting a "mutual benefits approach", delivering gains for partner countries as well as Portuguese businesses.

12. Camões I.P. – Portugal's principal development body – has prudently postponed elaborating a private sector strategy, aware of its limited capacity. Care will be needed to ensure that when a private sector programme is eventually implemented it does not privilege commercial gain to the detriment of development impact, or tie ODA to the purchase of Portuguese goods and services.

## Recommendations

**1.1** Building on its strong political commitment to policy coherence for development, Portugal should invest more in analysing and monitoring how its policies in key areas are affecting developing countries and take action to address policy inconsistencies.

**1.2** When Portugal develops its approach to private sector development, it should ensure this has a positive development impact and respects the DAC recommendations on aid untying.

# 2: Portugal's vision and policies for development co-operation

Indicator: Clear political directives, policies and strategies shape the member's development co-operation and are in line with international commitments and guidance

## Main findings

13. Portugal's vision for its development co-operation – the Strategic Concept 2014–2020 – is forward-looking and ambitious. The vision seeks to make Portuguese co-operation more responsive to its partner countries' evolving needs and better aligned with the areas where Portugal believes it has comparative advantage.

14. This new vision expands the overarching purpose of Portugal's co-operation to include sustainable development alongside its traditional focus on eradicating poverty within a context of respect for human rights, democracy and the rule of law. It has also introduced new focus areas – energy and the sea – and placed greater emphasis on the environment and private sector development.

15. Portugal's policy vision maintains its geographical focus on Portuguese-speaking African countries, and Timor-Leste. However, the vision calls for more strategic partnerships based on shared responsibilities and interests, signalling a change in how Portugal works with some of these countries. These partnerships could help Portugal to manage the transition beyond ODA to more trade and investment-based relationships with some of its partner countries.

16. Portugal continues to prioritise tackling poverty and has a strong focus on fragile states. This is supported by a national strategy for security and development, endorsed at the highest political level. Portugal is also beginning to develop a more holistic approach to its humanitarian and development programming. To solidify this progress, Portugal could do more to mitigate the risk of crises in all of its partner countries.

17. Portugal's multilateral ODA is guided by a well-defined distinct policy which complements its bilateral approach. However, it does not yet use a clear set of criteria for assessing the performance or relevance of the multilateral organisations it funds. Establishing these criteria could enable Portugal to allocate its resources better.

18. In order to take its policy vision forward Portugal will need to address several challenges. Firstly, the new vision is broad in its remit, and many of the new focus areas lack strategies or guidance. There are no strategies, for example, to guide Portugal's work on energy or the private sector in partner countries. Given the declining ODA budget and the capacity constraints within Camões I.P. Portugal would do well to prioritise a few key areas of work and ensure appropriate guidance to support implementation.

19. Secondly, the vision does not refer to Portugal's substantial bilateral concessional loan portfolio. This portfolio, managed by the Ministry of Finance, focuses predominately on supporting infrastructure development projects. This absence of a specific reference to concessional lending within the vision and the lack of full integration of loans into country programme processes make it hard for staff to exploit synergies between loans and grants.

20. Thirdly, Portugal still faces a challenge to integrate fully the cross-cutting policy issues of gender equality and environment into its programming. At the crux of the problem is a lack of capacity within Camões I.P. – which has no dedicated budget for addressing cross-cutting issues and limited in-house expertise on these issues.

## Recommendations

- 2.1 Following its Strategic Concept 2014 – 2020, Portugal should establish a realistic medium-term operational plan that identifies a manageable set of priorities for its programme in line with its funding and expertise capacity. It should also develop appropriate guidance for implementing this plan.
- 2.2 Portugal should fully integrate its bilateral concessional loans portfolio into its strategic planning and country programming processes in order to exploit synergies.
- 2.3 Camões I.P. should support programme staff throughout Portugal's public administration to integrate gender equality and the environment into all of Portugal's programmes.

# 3: Allocating Portugal's development assistance

Indicator: The member's international and national commitments drive aid volume and allocations

## Main findings

21. Portugal's capacity to meet its ODA targets has been compromised by its severe economic recession and the subsequent Economic Adjustment Programme.

22. ODA has fallen in real terms by -14.9% since 2013 (preliminary data). In 2014, Portugal provided USD 419 million as ODA, or 0.19% of its gross national income (GNI) according to the OECD's preliminary figures. Projections indicate that it will not meet its target of providing 0.7% of GNI as ODA in 2015.

23. Since exiting the adjustment programme in 2014, Portugal's economy has shown signs of improvement, though the country is still in post-programme surveillance. Portugal remains committed to meeting its ODA target when its economy begins to recover. However, its heavy reliance on concessional loans to make up the ODA budget in the absence of an increase in grants could jeopardise this commitment.

24. Portugal has extended EUR 1.6 billion in credit since 2001 and, as of 2015, beneficiary countries had drawn on EUR 958 million (60%) of this in the form of concessional loans, leaving EUR 602 million unspent. If no new lines are opened or the grant element of ODA does not increase, aid levels could plummet far below 0.19% of GNI when these credit lines expire or are completely drawn on by beneficiary countries. To date, half of the credit lines have already expired and the other half will have expired by the end of 2017. The Portuguese government has indicated that it does not anticipate opening new credit lines in the near future.

25. To address this concern and reverse budget cuts, Portugal's government should set out a pragmatic plan to make sustainable progress towards delivering 0.7% of its GNI as ODA, including an increase in the grant share of Portugal's total ODA.

26. Portugal will also need to consider carefully how it distributes ODA in the near future if it wants to assist countries most in need and meet its commitment to reverse the trend of declining ODA to least developed countries (LDCs) made at the OECD Development Assistance Committee High Level Meeting in 2014. According to OECD statistics, 29% of Portugal's total ODA was spent on LDCs in 2013, compared to 40% on average between 2010 and 2011. This declining share reflects the changing status of some of Portugal's partners and the increasing amount of concessional loans Portugal has given to countries not classified as least developed.

27. As part of its commitment to LDCs, Portugal also needs to ensure that it complies with the DAC's recommendation on terms and conditions on lending to

LDCs by providing at least a 90% grant element to these countries. In 2013, Portugal's lending did not meet these terms.

28. Portugal continues to allocate its bilateral ODA according to its strategic priorities. The programme is highly concentrated in sub-Saharan Africa, where five of its six main partner countries are located. In 2013 98% of Portugal's bilateral country-allocable ODA went to its top ten recipient countries. This is far above the DAC average. It also allocates its bilateral programme in line with its thematic priorities, with the largest amount of its sector-allocable aid focused on social sector support, followed by commodity or programme assistance. The latter reflects its concessional loan portfolio.

29. Portugal could build on its good allocation practices by reducing project-level fragmentation. Despite a commitment to delivering fewer and bigger projects, Portugal still administers a large number of financially small projects in partner countries. All these small projects require co-ordination, taking up precious administration capacity for Portugal and its partners.

30. Portugal's multilateral ODA represents 35% of its total ODA and is allocated in line with its strategic priorities. Its share of multilateral aid has fallen since the last peer review, reflecting a strategic decision by the Portuguese government, in the face of cuts, to protect its bilateral commitments to partner countries. Despite these cuts, Portugal has managed to maintain strategic relationships with many of its priority organisations by remaining involved on their boards.

## Recommendations

**3.1** Portugal should establish time-bound, intermediate targets for meeting its international aid volume commitments as its economy recovers. This plan should include a commitment to increase the grant share of its ODA budget.

**3.2** Portugal should reverse the decline in its ODA to least developed countries, and maintain its engagement with countries most in need in line with the 2014 High Level Meeting commitments. Portugal should also comply with the 1978 DAC recommendation on terms and conditions on lending to LDCs.

# 4: Managing Portugal's development co-operation

Indicator: The member's approach to how it organises and manages its development co-operation is fit for purpose

## Main findings

31. Portugal's complex development co-operation system – involving 57 different public entities, each with its own aid budget and implementation ability – is both an asset and a liability for quality programming.

32. Involving so many actors in the implementation of development co-operation enables Portugal to draw on the rich and diverse expertise offered by its entire public administration. This is clear in Guinea-Bissau, where six line ministries, in addition to the Ministry of Foreign Affairs and Camões I.P., undertook a joint mission in 2014 to resume institutional co-operation with the government. The presence of so many actors enabled Portugal to explore synergies across its various policy communities and to deliver a comprehensive approach to development that went beyond ODA.

33. However, this complex system can also pose challenges for delivering a coherent and high quality programme. Despite strengthening co-ordination mechanisms at headquarters and giving its development agency - Camões I.P. - greater oversight, Portugal's current business model for managing this system is under pressure.

34. Camões I.P. was created in 2012 through the merger of Portugal's former development agency (IPAD) and its language and cultural promotion institute (the Camões Institute). The merger, driven by a public sector reform programme, was aimed primarily at achieving efficiencies, but it was also hoped that it would enhance Portugal's development co-operation impact by enabling greater synergies. Despite being directly responsible for only 7.3% of the ODA budget, Camões I.P. is tasked with directing, co-ordinating and overseeing all of Portugal's development co-operation on behalf of the Ministry of Foreign Affairs. It is also responsible for culture and language promotion.

35. It is too soon to assess the full impact of the merger on Portugal's ability to carry out effective co-operation. However, it is clear that efficiency has increased through joint support and management functions, and shared offices in the field and at headquarters.

36. It is also evident, though, that Camões I.P., much like its predecessor organisation IPAD, is finding it hard to fulfil its mandate of co-ordinating and overseeing the whole development programme.

37. Camões I.P.'s co-ordination powers have been strengthened by making its role of providing a prior opinion on line ministries' projects legally-binding. However, this requirement has not been applied to individual projects funded from credit lines extended by

the Ministry of Finance, at present accounting for over half of Portugal's bilateral ODA budget.

38. Limited capacity due to insufficient human resources is one factor hindering Camões I.P.'s effectiveness. The institute has not had the human resource budget to fill all of its agreed staff posts in 2014. As a result, at the time of the review it lacked dedicated staff to work on humanitarian aid, gender and the private sector.

39. Rigid recruitment procedures also prevent the institute from hiring specialists at headquarters or retaining their skills in the field over the long term.

40. However, a more fundamental issue is whether the institute has a realistic mandate, given its organisational set up and financial leverage. As a public institute with only a marginal amount of the ODA budget under its direct control there is a serious question whether it will ever have sufficient authority to co-ordinate and oversee the line ministries' development activities.

41. The division of labour between Camões I.P. and the Ministry of Foreign Affairs could be clearer. For example, at the time of the review the Ministry of Foreign Affairs' Directorate for Foreign Policy was involved in reviewing the Ministry of Finance's ODA concessional loans, but at no point did the Directorate consult with the institute on these loans to draw on its development expertise and enable the loans to be better integrated into the overall development programme as foreseen in Law 6/2004.

## Recommendations

**4.1** Portugal should examine its business model to ensure that the entity charged with managing its complex system has a clear and appropriate mandate.

**4.2** Portugal should also examine whether this entity has adequate human and financial resources to respond to its mandate.

**4.3** Portugal should ensure that its development co-operation is governed by human resources and financial rules and regulations with sufficient flexibility to deliver the programme efficiently.

# 5: Portugal's development co-operation delivery and partnerships

**Indicator: The member's approach to how it delivers its programme leads to quality assistance in partner countries, maximising the impact of its support, as defined by Busan**

## Main findings

42. Since the last peer review, Portugal has made progress towards meeting some of its international development effectiveness commitments. Changes to its state budget process have made it easier for it to provide more predictable and long-term funding to partners. Its new Strategic Cooperation Programmes, for example, now all include four to five-year indicative budget commitments.

43. Partners are involved in the design, monitoring and evaluation of country programmes. This reflects Portugal's firm commitment to country ownership and has resulted in its programmes being highly aligned with partners' priorities, as evidenced in São Tomé and Príncipe. Portugal's joint evaluation process also provides an important mutual accountability mechanism, enabling partners to praise or criticise Portugal's performance.

44. Its engagement in country-led donor co-ordination practices has increased, in line with the last peer review's recommendations. In Mozambique, for example, it participates actively in the joint donor co-ordination group.

45. Portugal has also strengthened its work with other development co-operation partners. This includes undertaking more delegated programming, as well as triangular co-operation. For example, it is currently preparing new triangular partnerships with Chile in Mozambique.

46. In response to the last peer review's recommendations, Portugal is also ensuring its programmes adopt a "do no harm" and "conflict sensitive" approach in fragile states. There is a strong focus on technical military co-operation and rule of law support, reflecting Portugal's whole-of-government approach to development.

47. However, despite these successes, Portugal is aware that some challenges remain in meeting its commitments to making its aid more effective. Four areas, in particular, warrant attention. Firstly, Portugal is struggling to fulfil its commitment to ensure more of its programming goes through partner country systems. In 2013 only 23% of Portugal's aid to the government sector was delivered through partners' public finance and procurement systems: far below the international aid effectiveness target of 57% by 2015. Portugal does not provide sufficient guidance to help staff to assess partners' systems and adapt their programming to use these systems.

48. Secondly, Portugal has yet to fully develop strategic relationships with selected CSOs partners. While it has established more multi-year partnerships with its CSOs, it still only funds them on a project-by-project basis and does not have a mechanism for supporting their overall framework of programmes. Framework partnerships could reduce transaction costs and enable Portugal to engage in deeper and more flexible relationships with CSOs.

49. Thirdly, while Portugal has an effective approach to fragile states, it lacks a single shared context and risk analysis framework to guide all parts of public administration working in fragile states. A shared framework would help Portugal to pool its knowledge and improve its programming.

50. Fourthly, a very high share of Portugal's ODA is tied to the purchase of Portuguese goods and services: 70% in 2013. This is far above the DAC average (14.3%) and represents a significant increase from the last peer review. This high share goes against Portugal's international aid effectiveness commitments. Studies show that tied aid does not always offer value for money to partner countries. While there is little Portugal can do to reduce the tied aid component of its existing credit lines, given the legal nature of these agreements, it can commit to ensuring it does not enter into further tied aid agreements in other parts of its programming or in future lines of credit.

## Recommendations

**5.1** Portugal should strengthen its guidance and the incentives for staff to use partner country systems in delivering their programmes.

**5.2** Portugal should move towards establishing programme-based framework agreements with selected CSO partners.

**5.3** Portugal should establish shared context and risk analysis to guide the numerous public entities actors working in fragile states.

**5.4** In future allocations and programmes, Portugal should make every effort to meet the OECD recommendation and its Busan commitments to untying aid.

# 6: Results management and accountability of Portugal's development co-operation

Indicator: The member plans and manages for results, learning, transparency and accountability

## Main findings

51. Portugal is putting in place a system that should enable it to better plan and manage for results, improve learning and enhance programme transparency and accountability.

52. Camões I.P. already requires Portugal's development actors to identify results for each project. Its intention now, as it rolls out its new Strategic Cooperation Programmes with its partner countries, is to ensure that expected results are also identified for each country programme. Timor-Leste's 2014-2017 Strategic Cooperation Programme provides a good example of this, containing a measurable set of objectives for the overall programme and indicators for monitoring progress.

53. However, at this stage, the expected results identified – both for projects and countries – are limited to outputs and their monitoring is weak. Portugal needs to start identifying and monitoring the outcomes and impacts of its work, too, in order to fully assess the performance of its ODA programme.

54. Camões I.P. has a well-developed evaluation system. Its Evaluation and Audit Division is independent of operations, and has a fixed budget and a rolling three-year evaluation plan. In line with good practice, Camões I.P. includes partner countries in its evaluation cycle. Evaluation findings are discussed by a wide range of stakeholders and Camões I.P. publishes an annual evaluation report, which highlights the progress management has made in implementing evaluation recommendations. This is good practice.

55. However, there is scope to improve the evaluation practices of the line ministries involved in development co-operation. In particular, there appears to have been no evaluation to date by the Portuguese government of its extensive concessional loan portfolio managed by the Ministry of Finance, which accounts for 41% of Portugal's overall ODA budget. It can also be difficult for Camões I.P. to check whether line ministries implement the recommendations of their own evaluations.

56. Steps are being taken to improve the evaluation practices of the line ministries. A new evaluation policy currently in draft form would grant Camões I.P.'s Evaluation and Audit Division a clear mandate to evaluate all development co-operation interventions and to assure the quality of evaluations conducted by other line ministries. Camões I.P. is also offering training to improve line ministries' evaluation

expertise and it has agreed to evaluate one of Portugal's concessional loan projects.

57. Portugal's complex development co-operation system requires strong knowledge management mechanisms if lessons are to be shared. No such system is currently in place, which is hampering Portugal from learning from its experiences and improving its practices. The planned establishment of technical working groups under the Inter-Ministerial Commission for Cooperation could be a step in the right direction.

58. Transparency has improved since the last peer review, with Portugal now publishing forward spending plans and project level data in line with the internationally agreed Common Standard. The development of an integrated information system should further enhance the transparency of Portuguese co-operation.

59. Camões I.P. has developed its own communication strategy, which aims to increase the visibility of Portuguese development co-operation and build public confidence. Despite this new strategy there is considerable scope for Camões I.P. to tell more stories to external audiences about the impact of Portugal's entire development co-operation system. Camões I.P. produces an annual report online, for example, but at present it only covers its own operations (education and development) and not those of other Portuguese development actors.

## Recommendations

**6.1** Portugal should ensure that all its country programmes have a clear set of expected outcome-orientated results and that staff regularly monitor progress towards achieving them.

**6.2** In order to achieve a more cohesive and co-ordinated programme, Portugal's development actors should share lessons on approaches and results with each other on a regularly basis.

**6.3** Portugal should adopt and put into practice the new evaluation policy as soon as possible.

# 7: Portugal's humanitarian assistance

**Indicator: The member contributes to minimising the impact of shocks and crises; and saves lives, alleviates suffering and maintains human dignity in crisis and disaster settings**

## Main findings

60. Most of Portugal's humanitarian programme is implemented as bilateral responses through the civil protection service, often co-funded by the European Union. Bilateral response operations – mostly in-kind aid – are ably co-ordinated by the Ministry of Interior, building on its domestic co-ordination role. There are good relationships with partner country governments who request relief goods in times of crisis. Civil protection seeks to learn from its international deployments so as to improve future work, which is good practice. Portugal now needs to look for a mechanism to better link its bilateral humanitarian responses to its development co-ordination programmes and the wider humanitarian international response system.

61. Despite a lack of funds for other humanitarian partners, Portugal continues to support where it can. One example is its support to UNHCR's confidence-building programme for refugees from Western Sahara. Portugal also makes regular contributions to the Central Emergency Response Fund's global pooled funding mechanism.

62. To ensure that the humanitarian programme is fit for the future, Portugal will need to work on some key areas. In August 2015 Portugal issued a new operational strategy for its humanitarian programme; this is a good start and could be used as a basis to address the following issues:

- The lack of a clear and shared understanding of how to build on Portugal's comparative advantage to deliver effective humanitarian action.
- Ad hoc, political decisions over where, and how, to respond to crises. This creates the risk of misperceptions about Portugal's respect for humanitarian principles such as independence and impartiality – although Portugal is careful to align its bilateral responses to requests from partner countries.
- Unpredictable and last-minute funding to most humanitarian partners, stemming from the ad hoc approach to the humanitarian programme.
- Uncertainty over how to leverage Portugal's domestic crisis preparedness skills to systematically build the capacity of civil protection services in partner countries.

63. The operational strategy may also allow Portugal to advocate for a dedicated humanitarian budget line and thus increase its overall humanitarian aid, in line with international burden-sharing agreements.

64. Better communication of the results of Portugal's humanitarian assistance could help build political consensus around the need for a bigger and broader humanitarian programme.

65. Finally, Portugal lacks a civil-military policy and standard procedures. This is a risk given the regular use of military and civil defence assets to deliver relief goods and provide technical support in humanitarian responses. Portugal will need clear guidance on their use if it is to demonstrate that it has complied with international agreements.

## Recommendations

- 7.1** Portugal should build on its new operational strategy for the humanitarian programme to ensure that future responses are predictable, leverage Portugal's comparative advantage, and are in line with humanitarian principles.
- 7.2** Portugal should set out guidelines for the use of military and civil defence assets in its humanitarian response, in line with international agreements.